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Lasting Progress

Process improvement should support sustainable business

In our last department, we explored process improvement initiatives, the focus of these efforts, and the disparity in outcomes among different endeavors. We asked: How should managers measure the impact of such programs? Should leaders look elsewhere for real improvement?

As company leaders attempt to streamline operations as a means to be more competitive, these are especially important issues to resolve. Process improvement is a cornerstone of almost all operational strategic thinking.

An October 2002 *Harvard Business Review* article titled “Learning Across Lines: The Secret to More Efficient Factories” provides a sobering reality via one firm’s efforts. An analysis of Belgian manufacturer N.V. Bekaert S.A.—the world’s largest independent producer of steel wire—showed that, of all the company’s process improvement and lean initiatives undertaken over a 10-year period, 75 percent had either no impact or a negative impact on the bottom line.

Authors Michael A. Lapre and Luk N. Van Wassenhove found the few efforts that did improve profitability shared two characteristics: They produced process knowledge that was well understood and broadly relevant; and that knowledge was transferred to all parts of the factory. It seems that the real challenge is ensuring the relevance of initiatives and accurately measuring results against stringent objectives.

Seeing the costs

Flawed measurement processes and changing markets make process improvement undertakings even more difficult. A flawed measurement might be something as simple as a poorly defined metric; for example, tallying

the number of times a halfback carries the football but not considering the yardage gained or lost.

To better understand the need for effective measurements, consider teachings from the APICS Certified in Production and Inventory Management and Certified Supply Chain Professional modules on total cost. The discussions compare the cost analysis in a traditional purchasing decision to that in an integrated supply chain, asking: Does the process improvement effort have a positive impact on a company’s bottom line? End-to-end supply chain support rates often turn out to be less of a bargain than they seemed early on. The same can be said for many of the initiatives undertaken by company leaders looking for a solution to counter diminishing profitability.

Process improvements require training, time, and management oversight. While the initiative might lower the cost of a particular process, it also might make an upstream or downstream process more expensive. Add to that the price of training and time spent away from other tasks, and the net effect of an initiative could be damaging, as the case at N.V. Bekaert S.A. demonstrated.

Changing markets also have a significant influence on process improvement initiatives. Process mapping, value stream analysis, and the like all are great tools to use; but what happens when market changes make that work irrelevant?


For example, Dell was generally recognized as the epitome of innovative operational thinking in action. The firm’s original business model was based on providing a build-to-order computer that consumers bought directly, paying up front by credit card. Materials were sourced on an as-

needed basis with minimal working capital requirements.

As Dell grew, employees continued to improve customer responsiveness with many tailor-made configurations. The company’s global supply chain was fully integrated and its business model customer-focused. Operations managers used process improvement to advance speed-to-market capabilities and lower costs. But things changed. Competitors began using postponement strategies to become even faster and less expensive. The variety of configurations Dell offered was too pricey compared to computers that were configured by retailers using standard or semistandard platforms. Dell had to augment its business model.

A willingness to change

When business strategies experience transformation, back-end operations also must adjust. The best way to do this is by establishing a process improvement philosophy that focuses on improving sustainability, as measured by bottom line improvements. This should be the principal goal.

Furthermore, it’s essential to ensure sustainability is understood and broadly relevant while keeping all employees empowered and engaged. This will make it much easier to throw out current methods and start over when those practices cease to be viable. 

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