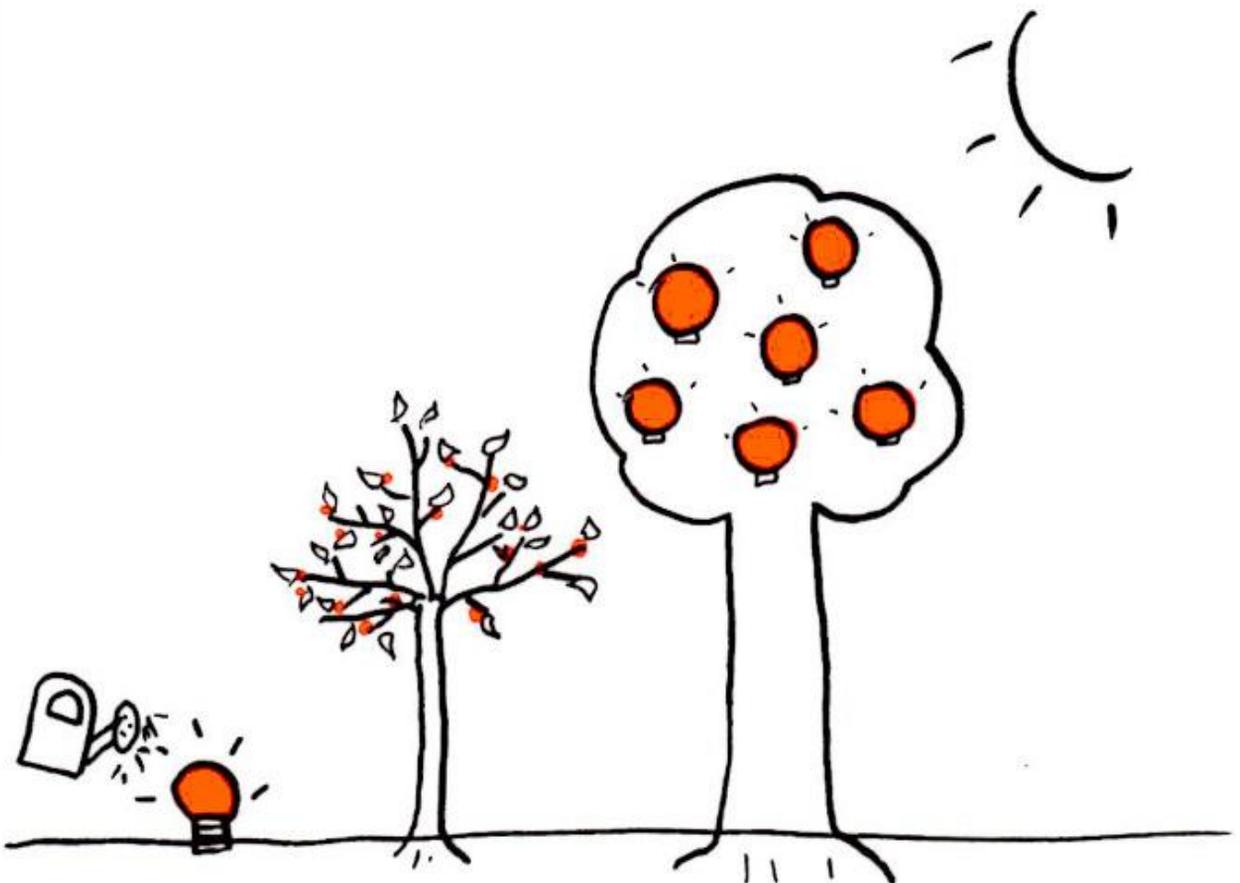


Delivering Customer Value Efficiently and at Pace

More businesses are increasingly reliant on selling information & 'know how' but struggle to articulate the full value it brings to customers.

This paper sets out 4 different areas of focus where lean tools can deliver double the value for half the cost.



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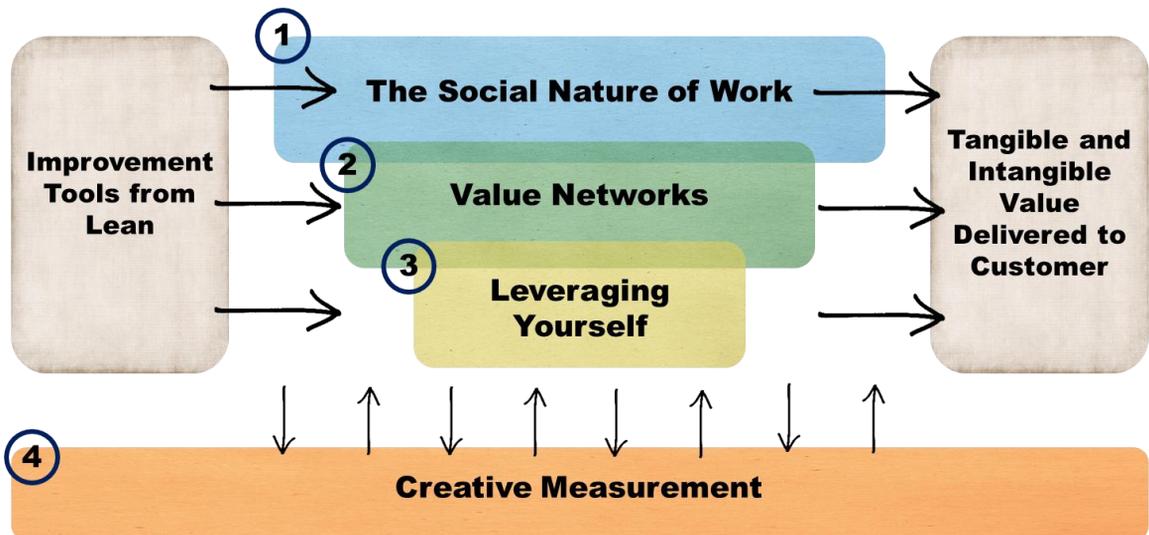
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So how do you deliver double the value for half the cost?

A radical new reinterpretation of Lean is required. In this paper we set out **four different areas of focus** (The Social Nature of Work, Value Networks, Leveraging Individual Worth and Creative Measurement) where lean tools, if applied differently, can help organisations become more Agile, Effective, and Efficient.



The Challenges for Modern Business

The Need for Agility - The world is becoming more complex and fast-changing. This has meant that organisations are increasingly focused on becoming more agile and innovative, usually at the cost of effective and efficient working. Typical approaches to restore efficiency, such as Lean and 6 Sigma often have disappointing results.

Value is Less Tangible - Knowledge based value can be unrecognized or intangible and therefore difficult to measure. With this in mind, how do organisations leverage the various elements of intellectual and social capital and exploit these intangible assets?

The Changing Nature of Work - Ways of working have had to adapt to the knowledge driven economy. Project working is an increasing part of daily life and social networks are starting to compete with formal processes in delivering customer value. These networks tend to evolve and be reconfigured with each new project and can operate across organizational boundaries.

Knowledge businesses can struggle to:

- Track true ROI
- Measure all aspects of customer value

- Link work done or potential work to added value
- Identify activity traps and non value adding network activity
- Measure and quantify less tangible but valuable activity

Lean has Disappointed

Leaders, managers and staff alike have often been disappointed with the results of 'Lean' projects for a variety of reasons:

- It fails to inspire due to focus on 'loss of'
- It's seen as forever reductionist rather than freeing up resources
- Unimaginative and uncommitted application
- Lean methods are used to drive layoffs

'Lean' Through a Different Lens

Organisations now need to balance Lean (to drive efficiency) with learning through exploration (to innovate). Lean can narrow down possibilities and traps out the radical, innovative and systemic approaches. The Lean lens is too focused on local costs/waste, not on 'network' waste and misses the complex relationship of brand, image, product, service and knowledge that create customer value.

Value is now found in less routine or automated business processes. It lies in the non-routine, analytical or interactive contributions that people make which often relate to discovery, innovation, team working, leading, selling and learning.

1

The Social Nature of Work

New ideas are no longer the domain of leaders; this is why leaders must create the right social environment for both improvements and new ideas to flourish.



The Social Nature of Work

Social media, the democratisation of knowledge and the AOAC generation (Always On Always Connected) have helped create a more social way of working. Improvement, Lean or major change projects often ignore these important aspects of social change. At best this slows down adoption of change, at worst it stops it dead and creates spin-off shadow cultures.

‘Peter Drucker famously said “culture eats strategy for breakfast”. We believe it then lunches out on process...’

New ideas are no longer the domain of leaders; this is why leaders must create the right social environment for both improvement and new ideas to flourish. Tapping into the ideas and energy of staff networks reduces resistance to change and produces better outcomes for customers.

Empower and Upskill

The first step towards creating such an environment is to empower and upskill staff. This gives them both the tools and the permission to manage their own destiny.

- **EMPOWER** - Focusing staff on customer outcomes and widening the scope of how they can achieve them. Allowing work place teams the opportunity to identify waste and inefficiency.
- **UPSKILL** - Providing staff with the right skills and tools (both in Lean and Innovation techniques) that they need to optimise

improvements. This includes the appropriate support to allow them to try out new ideas, under some supervision and with the right levels of sponsorship.

Harness the Employee Voice

Those with the greatest vision and ability to lead change are not necessarily at the top. Employees now deliver ‘micro’ value to the customer in many ways which are often not measured. Those employees close to customers are best placed to know where the extra value lies and how best to deliver it. They are also closer to the shadow culture and may understand how to *really* get things done more quicker, better or cheaper. Listening to staff and showing how their ideas add value is an important step in creating an improvement culture.

Appreciative Inquiry

Lean tends to be a reductionist approach which identifies failure and waste. The temptation for Lean programme leaders is to see what has gone wrong or how something could be done better. Conversely, when Appreciative Inquiry is adopted as the first approach, it celebrates what has gone well and what learning and good practice can be shared more widely. It builds trust, engages staff and often unearths the less tangible aspects of customer satisfaction. Appreciative Inquiry is key to understanding value creation in knowledge networks.

2

Driving Network Efficiency

Social networks and project team working have flourished to allow organisations to react to the market place quicker and become agile.



Driving Network Efficiency

Social networks and project team working have flourished to allow organisations to react to the market place faster and become agile. As these networks become more complex in their makeup they can easily divert staff resource away from process based 'business as usual' which delivers the formal customer outputs. Because they are uncontrolled, unmeasured and not standardized, they are apt to become ineffective and inefficient.

Improving Networks

Processes and systems are largely defined by and deliver mainly known tangible outputs, such as digital content, reports, analytics or business proposals. Projects and networks contribute to customer value differently as value becomes a more complex mix. Networks of individuals, working groups and project teams engage informally to create both tangible and intangible value that create both known and unknown outcomes.

Network value characteristics can be:

- Informal
- Variable in how value is received (over time and across customers)
- Intangible
- Unknown

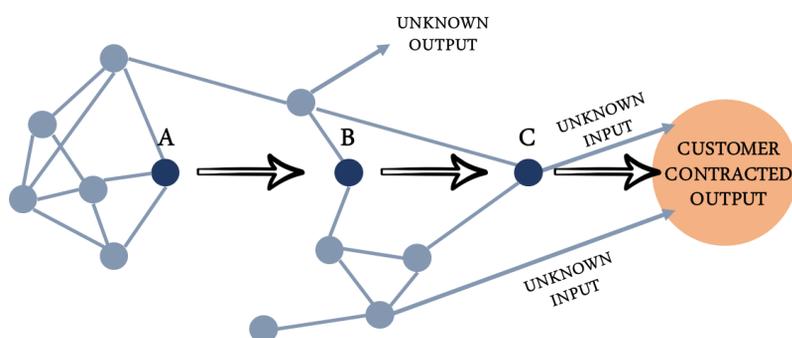
These complex networks link up for specific business projects and reconfigure with each new project. This makes identifying improvement and value increasingly difficult.

Mapping your Network

To improve how a network operates you need to first understand how each 'node' interacts with others. Through this you can start to understand how much value currently flows through the network, how much value is being acknowledged and captured, and what potential value remains tacit, unknown or unmeasured. By mapping value flow in the network to the customer deliverables you explore the cause and effect linkages and where latent value exists in the system.

Creating Value

When considering value 'conversion' (i.e. from a piece of work to something the customer appreciates), it is necessary to assess the input and outputs for each role in the network, looking for opportunities that are being overlooked or value that is not being recognised.

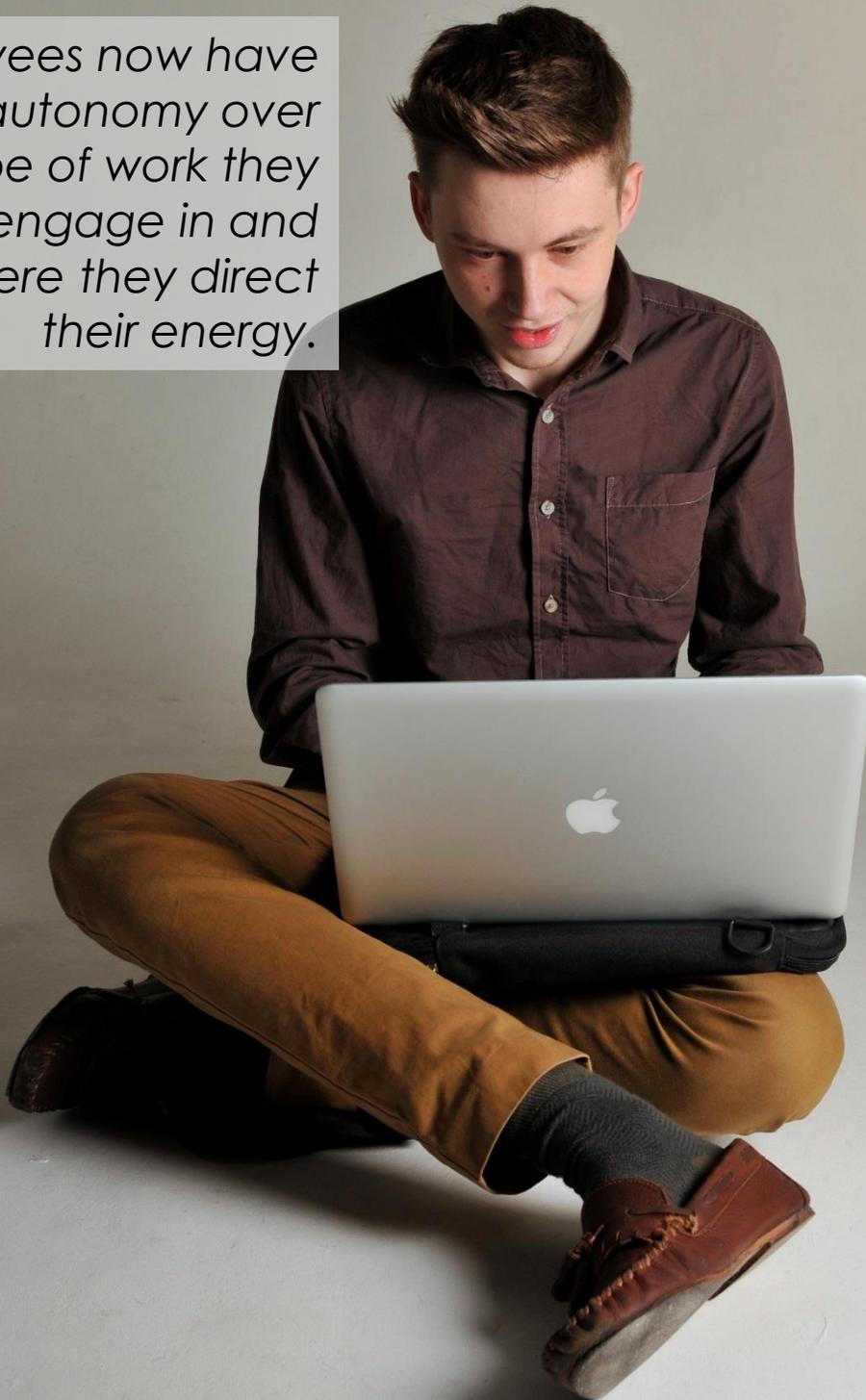


A process simply acknowledges the exchanges between point A, B, and C. A network involves understanding the interactions between all nodes. These could be tangible in the form of a research report or be less tangible in the case of help or support or ad hoc knowledge.

3

Leveraging Yourself

Employees now have more autonomy over the type of work they engage in and where they direct their energy.



Leveraging Yourself

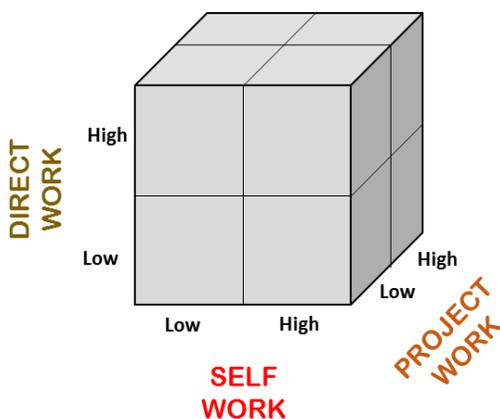
Everyone has a part to play in delivering improvement, so how do we maximize our individual contribution?

Employees now have more autonomy over the type of work they engage in and where they direct their energy. Work time comprises '**Direct Work**' defined by job role and process, often termed Business As Usual (BAU), **Project Work** (enhancing future BAU or deriving other business value) and **Self Work** (investing in my skills, capabilities or reputation).

So simply taking a process led approach to reducing cost can miss out on two of the three big consumers of resource.

Opportunities and Efficiencies

The trick is not to aim to reduce time spent on Project and Self, but to enhance its focus. More value can be created in the organisation with less work if it is better directed and measured. In the cube diagram below, the aim should be to enhance an individual's worth (e.g. by training, knowledge acquisition), which contributes highly to a project, that directly improves future customer value. All three different types of work are adding value.



Using the Right Tools

Adapting Lean tools such as 5S and TIMWOOD (The 7 Wastes) to an individual's contribution helps them see their network as a legitimate way of working which can be continually improved. This helps everyone to direct effort where it is most needed in the short term and build better ways of working in the longer term.

For instance 5S (Sort, Straighten, Shine, Standardise, Sustain) can be used to improve how informal networks share information, how they agree turnaround times and set standard levels of service to each other. Speed of access to information; how it is formatted; and how configuration controls apply are other uses of 5S. The difference with traditional Lean application is partly in the creative use of the tools, and also the rigour with which they are used to drive micro-improvements everywhere in the system.

TIMWOOD – The 7 Wastes Examples in an office environment

- **T – Transport:** Movement of People, co-located offices
- **I – Inventory:** WIP in eg reports, processing too many in parallel
- **M – Motion:** poor ergonomics in IS, poor access to information
- **W – Waiting:** IT response times, late meetings, information provided late
- **O – Overproduction:** overly long reports, too much detail, too many 'people' consulted
- **O – Over-processing:** too many stakeholders, lack of empowerment means many sign-offs,
- **D – Defects:** poor decisions, absenteeism, non-attendance at critical meeting

Additionally for the office environment

- **Role and task confusion:** poor soft contracting, poor process design,
- **Latent skills:** lack of empowerment, staff becoming their own administrators

4

Creative Measurement

The key is to be creative about what to measure and not to be bound by the obvious choices. The extra effort we advocate in identifying and quantifying customer value can mean some strange metrics being adopted.

Giant's Shoe



Creative Measurement

'Gross national product counts air pollution, and cigarette advertising and...the destruction of our natural wonder in chaotic sprawl. It does not allow for the health of our children, the quality of their education or the joy of their play...the beauty of our poetry or the strength of our marriages. It measures everything, in short, except that which makes life worthwhile.'

Robert Kennedy (US Presidential candidate speech, University of Kansas 1968)

'What gets measured gets done' is an old mantra, confounded now by the difficulty of applying traditional measures in a knowledge sharing and virtual environment. **Financial measurement is important, (costs, staff time, variance against budget) but in isolation it is limited and can miss the intangible aspects of an improvement.** The risk of narrowing the vision too much is that it can negatively impact the delivery of long-term objectives, culture, benefits and intangible value to customers.

Unexpected and Intangible Value

The value of an improvement or customer benefit over its life time can be delivered in many different ways. Planned benefits and unanticipated benefits are influenced by chance during the course of the project or an emerging customer relationship. In part this is because the value derived from improvement projects can be so

wide-ranging. Also networks have multiple complex stakeholder groupings resulting in a diverse value map.

Creativity and Measurement

The key is to be creative about what to measure and not to be bound by the obvious choices. The extra effort we advocate in identifying and quantifying customer value can mean some unorthodox metrics being adopted.

Measuring network flows (who contacts who, around the network, to deliver customer output) or the number of communication failures (simply the dropped balls between teams) can highlight 'defects' which move around the network and evade standard measures.

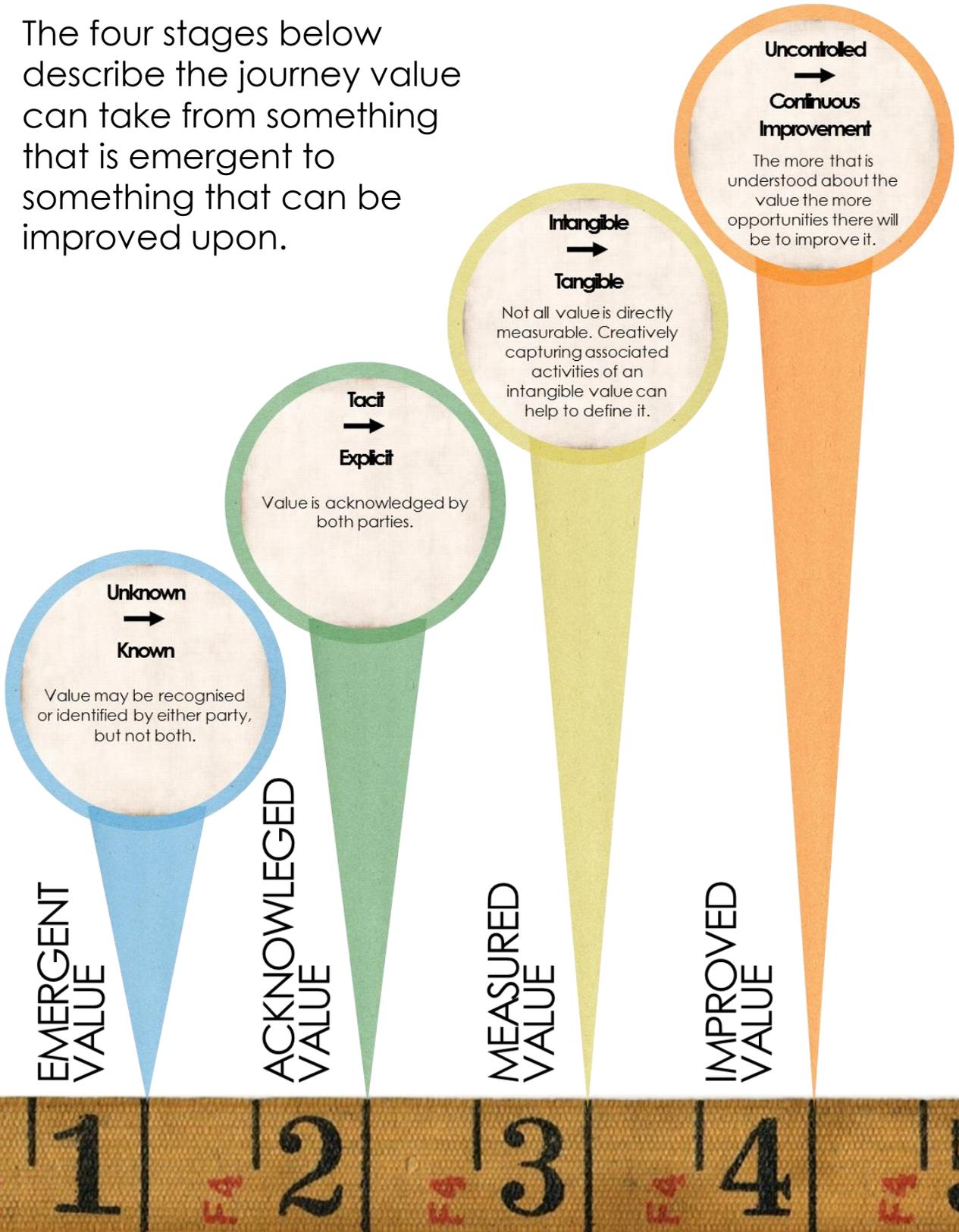
Sharing Success and Failure

To be able to measure creatively organisations need to be able embrace failure and move away from a blame culture. Most improvement is hampered by the organisation's ability to hide the truth about failure. Moving away from a blame culture means that people feel more free to share their true experience which generates much deeper learning throughout the organisation.

EXAMPLE - The Crossrail Project was successful in managing diverse stakeholders using sophisticated supply chain analytics. These helped promote what was seen as a London-benefit-only project into a nationally appreciated programme of jobs created as far afield as south Wales, Northern Ireland and Tyneside. The use of creative measurement and analysis highlighted these emergent benefits that were not anticipated at the outset.

Creative Measurement

The four stages below describe the journey value can take from something that is emergent to something that can be improved upon.



Value is a Complex Recipe

Moving from 'What' to 'How'

Understanding the ingredients that your external and internal customers value most will help you prioritise your work and understand your business better. Some of this value that individuals create can't always be measured in the usual ways. This is why at Berkshire Consultancy Ltd. (BCL) we advocate a more creative view on both effectiveness and efficiency. Sometimes it's the 'off the record' actions that can help work happen efficiently. Also time invested understanding your customers can help you work more effectively.

We believe that there needs to be a rebalancing of the **What** (processes & systems) with the **How** we work. This includes the whole system, such as ways of working, culture, values, and informal networks.

Agile Efficient Working

If organisations want to be Agile, effective *and* efficient, then they need to empower their staff to change the way they work and interact with others. More often than not the quick wins and easy changes demonstrate the highest ROI. These are changes that could happen at a local level with little or no effect to business as usual. This is not just about consulting with employees but letting them lead change at a local level. They can only do this if they are empowered with the right improvement tools. This is where we believe that the combined application of Lean tools and creative metrics really adds value. The added benefit to the organisation other than cheaper, faster and better customer outputs is the huge positive effects on engagement, speed of change and staff motivation.

"The most impressive part of this project was the achievement of results through engagement with staff at all levels. I was particularly impressed at the collaborative way Berkshire engaged with colleagues from HR, L&D and staff in the region, often placing themselves within teams rather than just running workshops."

Robert Arnott, Head of the Home Office Value for Money and Productivity Unit





To carry on the
conversation get in touch...

*Please feel free to contact one of our
consultants.....*

Mike Robinson on **07802 872 670**

Andrew Garbutt on **07773 338 687**

Berkshire Consultancy Ltd
The Coach House
Woods Farm
Easthampstead Road
Wokingham
Berkshire
RG40 3AE

TEL: **01189 798 043**

WEB: www.berkshire.co.uk

