

OPERATIONS MANAGEMENT MADE SIMPLE

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In recent years, many organisations and management teams have achieved significant results by working in a structured manner with operations management – both at an operational and tactical level.

However, for many of the involved leaders this means that they suddenly find themselves in a very different leadership role in which they are also confronted with a vast number of new methods and tools. Seeing that the leaders are the ones who drive operations management, and thus have the key to success, it is of great importance that the leaders receive the necessary support to successfully get through this transformation. The support is to be found in the operations management tools which should be based on a more rational operations management theory as well as the actual leadership skills which should be based on a humanistic perspective. Or put in

another way, a balanced approach where we cultivate skilled, business-oriented leaders of people who can add life and intelligence to the rationally sound operations management tools.

Operations management does not need to be complex

As specialists, we tend to make operations management more complex than necessary. An example of this is uncritical references to a vast number of different toolboxes and tools which all can help the organisation's leaders in relation to specific operations management challenges, e.g.

- The supply chain management toolbox, which contains a number of planning tools such as Enterprise Resource Planning (ERP), Capacity Requirements Planning, Material Requirements Planning (MRP) and Forecasting (Arnold et al., 2012).
- The policy deployment toolbox, which contains a number of different tools for roll-out and execution of strategic plans, performance management etc. (Dennis, 2006).
- The Six Sigma toolbox, which contains a number of tools for professionalisation of the improvement work (Gitlow et al., 2005).

The list of toolboxes and tools is, of course, much longer. However, the point is that what leaders really need in their work with operations management is simplicity and overview rather than more tools.

The simple version of operations management

Basically, operations management focuses on supporting the organisation in achieving the best possible business results both in the short term and in the long term. In a rational operations management context (as illustrated by the PDCA cycle in figure 1), the individual leader is expected to have a plan for successful goal fulfilment that the leader continuously follows up upon the execution of. Following up enables the leader

to make corrective actions before it is too late as well as gather learning based on the deviations from what was expected. As a result of the built-in correction and learning mechanisms, the PDCA cycle both supports improved goal fulfilment in the short term as well as continuous improvement in the long term.

By using the PDCA cycle, the leader gains access to three rational operations management elements:

1. Operations planning (PLAN)
2. Operations follow-up (CHECK)
3. Operations optimisation (ACT)

The DO element represents the daily work in the teams and is therefore not a coordination or governance element.

The idea behind the PLAN – DO – CHECK – ACT (PDCA) mechanism is far from new as it can be traced back to Deming and his mentor Shewhart at the beginning of the last century, but also to the theories developed from the work of Francis Bacon around 1620. Others will argue that it is a rational learning mechanism which should be ascribed to other great thinkers dating all the way back to the ancient Greeks. The point is, however, that operations management is based on very simple, well-proven and widely accepted mechanisms.

Operations management in a local operational team

The PDCA cycle provides a good frame of understanding when dealing with operations management in a local operational team. Here we find the everyday version of:

- Local operational planning
- Local operational follow-up
- Local operational optimisation

... typically on a short-term day-week time horizon. Here operations management often takes the form of visual standards such as whiteboards and shelves where the overall plans for and status of success are visualised.

Figure 1:
The PDCA cycle

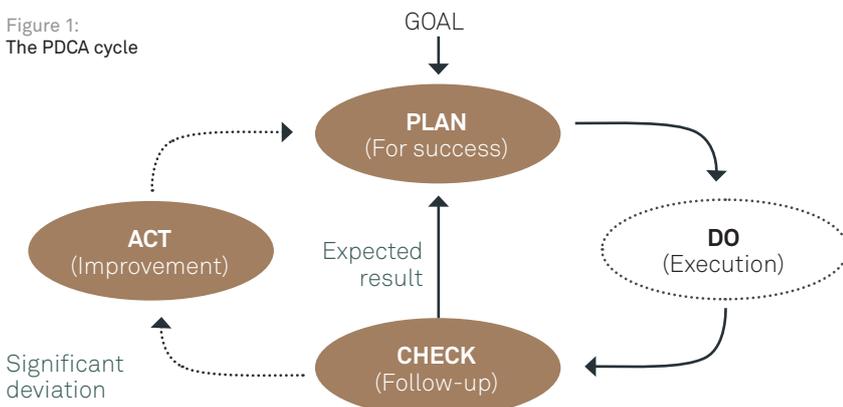


Figure 2:
Example of a local operational
management board



Figure 2 illustrates a local operational management board for a back-office team in a financial company where the employees are responsible for handling a number of case-like tasks as well as in direct contact with customers via email and telephone. The local operational planning on the board takes its starting point in the local operational team’s existing common operations model or best practice which is based on the principle that the best result is achieved if as much as possible of the case handling is clarified while the customer is on the phone. Thus, the quality of the input is improved for the case-handling employees who the operational team tries to protect in the best possible manner against external disturbances in their everyday work. The local operational management board supports both the operational team’s daily and weekly distribution of tasks and roles as well as visualises expectations and status in relation to the expectations, which provides input for the operational team’s mutual optimisation work.

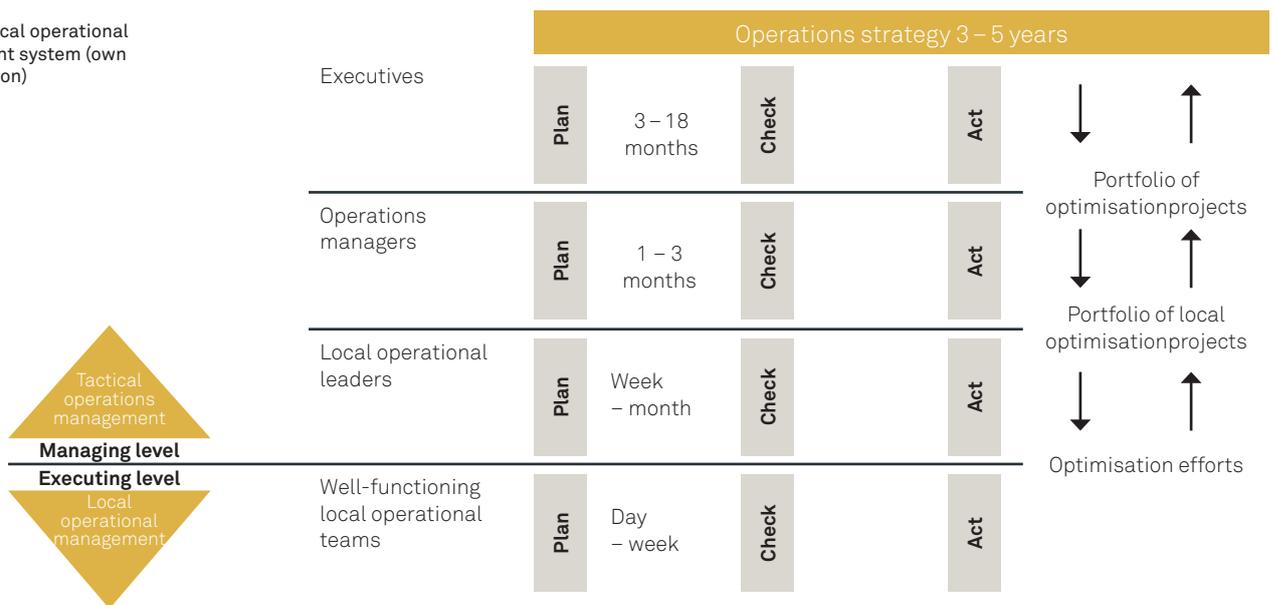
It is important to understand that the local operational management board is

merely a tool which gives the operational team a place to meet and discuss their mutual local operational management, i.e. local operational planning, follow-up and optimisation. It is the people around the board who create the results – not the board itself.

Operations management systems are also simple

It is one thing to look at one local operational team and another thing is to look at an entire organisation which consists of many local operational teams. Here you both need to take into account that each operational team has a local PDCA cycle and that operations management takes place across the individual operational teams. In the literature, this is referred to as concentric PDCA (Dennis, 2005), which is an illustration of how to talk about operations management – both at department level and at company level. It can be difficult to visualise in practice, which is why we have developed the operations management system as illustrated in figure 3.

Figure 3: Local operational
management system (own
interpretation)



The structure of the operations management system in brief

Before we look into how the operations management system works, let us briefly touch upon the structure of the individual elements.

The operations management system is built up around two dimensions, namely a vertical dimension that represents the organisational dimension and a horizontal dimension that represents the leader's three rational operations management elements in the form of the columns derived from the PDCA cycle in figure 1.

At the top of the operations management system, we find the operations strategy which sets the common direction for how Operations must act and develop to ensure the deliverables together with the market side of the strategy.

Below the strategic level, we find the tactical governance where cross-disciplinary tactical operations management and coordination take place. It is through the tactical operations planning that the common plans, policies, standards and strategic goals etc. are coordinated and rolled out across the organisation (Imai, 1997). Tactical operations management typically takes place with an increasing time horizon as you move up through the different levels of management in the operations management system. Expressed in popular terms, it is in the tactical operations management that you will find operations management that addresses the cross-functional co-ordination and the deployment of common goals.

At the bottom of the operations management system, we find the local operational management. This is where the above-mentioned operational teams, consisting of local operational leaders and operational employees, ensure the daily and weekly delivery to the customers in the organisation's different operations environments. The employees' close contact to the products – and often the customers – provides the operational employees a unique insight into the

local conditions and the local operational standards. Thus, it is important that you higher up in the operations management system ensure a good framework and support around the operational teams in order for them to be able to meet the customer's needs in day-to-day operations as well as use their experience to improve the local operational standards.

The balance between tactical operations management and local operational management is key to a well-functioning operations management system. The important balance between the respect for the common elements from the "top-down" governance levels and the respect for local "bottom-up" involvement in the local operational management is emphasised by the two triangles in the operations management system (Imai, 1997).

The operations management system in practice

When working with the operations management system in practice, it is, as previously mentioned, **important to achieve an appropriate balance between "the two triangles" in the form of tactical operations management and local operational management.** The reason for this is that without effective local operational management, even the best plans fail, and without common coordination we risk running in different directions and end up working counter to one another. We have already discussed local operational management. In the following, we will therefore focus on tactical operations management between the operations strategy and the local operational team.

A characteristic of tactical operations management is that it is performed with medium term time frames at many different management levels in the organisation. This means that contrary to the local operational team we cannot find a specific local operational management board but instead see a large number of different governance and optimisation efforts which accumulated create the overall tactical operations management in

the organisation. In practice, tactical operations management is, thus, distributed on a number of large or small groupings of leaders different places and at different levels in the organisation. This means that **operations managers must have a more organic and systemic approach in their work with the organisation's tactical operations management.**

In practice, this does not need to be especially difficult as the operations management system in figure 3 provides the necessary overview, enabling the operations managers to begin discussing which decisions and efforts belong at which level in the organisation. In this manner, the operations management system provides a good starting point for discussions of which toolboxes and governance structures the operations managers need to build a basic framework supporting the organisation's need for operations management both in the short term and in the long term.

The fact that tactical operations management does not need to be complex can be illustrated by an example from a municipal citizen service centre with four independent operational teams (Housing, Tax, Family and Senior citizens) with each their local operational leader. The operations manager of the service centre experienced that due to seasonal fluctuations during certain periods of the year the individual operational teams typically built up large backlogs, which created problems in relation to the municipality's citizens, a great deal of additional work and overloaded employees in the area. The challenges were intensified by the fact that the individual operational teams were vulnerable to absence due to illness or other unanticipated circumstances which often coincided with periods of heavy workload in the operational team. It was, however, interesting that the seasonal fluctuations between all four operational teams were distributed fairly evenly throughout the entire year. In practice, this meant that sufficient resources should always be available in the area. The simple solution consisted in making the operations manager of the service centre

responsible for medium-term task and capacity management. The complex tasks remained with the specialists in the operational teams while a number of simple tasks, which could easily be solved by all the employees, were made mutual tasks, e.g. the handling of driving licences, passports, telephone duty etc. In this manner, these tasks could be used for levelling the load between the operational teams. Furthermore, rotation training between the operational teams was implemented, allowing the allocation of more hands to the most overloaded operational teams. Local operational management today still takes place out in the operational teams under the local operational leaders. The difference is that by relocating task and capacity management to the leadership team the operations manager is responsible for creating a fair balance between tasks and resources, which provides the individual operational teams a more stable framework to perform within.

In other organisations, seasonal fluctuations are compensated even higher up in the organisation, usually at vice president level. Here management teams from Operations and the sales organisations meet around a "forecast" – typically on a 3–18 month horizon. The time horizon makes it possible for the managers to initiate the necessary initiatives well before the fluctuations are expected to affect the operational teams. It may be initiatives in relation to manning such as hiring, competence development or holiday planning. But it may also be other initiatives such as optimisation projects, outsourcing or sales campaigns in the sales organisation which typically can be executed within a time horizon of 3–18 months. In this situation, the Sales & Operations Planning toolbox gives the leaders a number of tools to be used in their work with improving this part of the tactical operations management system.

While the above examples take their starting point at different levels in the planning column of the operations management system in figure 3, other challenges may take their starting point

in the follow-up column or the improvement column – or even represent cross-disciplinary challenges. Altogether, this emphasises once again the “systemic” approach to tactical operations management in which you by improving a couple of “weak” elements in the system can affect and improve the entire operations management system.

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Summing up

Hopefully, this article has provided the promised simple overview of the operations management system, which can be used in relation to your own operations management in your organisation. That being said, here are a couple of practical tips based on our own experience from the operations management journey:

1. **Make your operations management simple** – Otherwise, it will fail in a complex world – “Less is more”.
2. **Make your operations management come alive** – Operations management is driven by proficient leaders together with skilled employees – do not let “dead unintelligent” tools get in the way of their, and thus the organisation’s, development.
3. **Balance the efforts** – Work with both local operational management and tactical operations management – otherwise, you risk creating unsound “action without a direction” or “direction without action”.
4. **Look for new potential in new places in the operations management system** – Otherwise, you will just end up doing more of what you are already good at – so try to identify the weak links in your operations management system.
5. **Operations management creates noticeable and measurable effect every third month** – If this is not the case, it is a good idea to talk to the responsible leader about the elements in the operations management loop. The answers will tell you why the existing operations management does not provide the expected results.

Good luck on the operations management journey – experience from a number of large companies and organisations shows that improving your operations management system has the ability to benefit your customers, your employees, your managers and your company.