The Oliver Wight Class A Standard for Business Excellence

SEVENTH EDITION

OLIVER WIGHT

Class A Business Excellence

For

✓ Managing the Strategic Planning Process

✓ Managing and Leading People

✓ Driving Business Improvement

✓ Integrated Business Planning

✓ Managing the Products and Services Portfolio

✓ Managing Market Demand

✓ Managing the Supply Chain

✓ Managing Internal Supply

✓ Managing External Sourcing

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Additional clarification can be obtained from the Oliver Wight International website (www.oliverwight.com), where a glossary and the definitions to support Performance Measurements can be found.

PREFACE

Welcome to the seventh edition of *The Oliver Wight Class A Standard for Business Excellence.*

The seventh edition continues our focus on Business Excellence. It describes the distinguishing characteristics of the high-performing companies, how these attributes were achieved and, important, how they are sustained. The answers were gathered from the accumulated experiences of the Oliver Wight global group and their relationships with thousands of successful businesses. The outcome is a new standard for evaluating business excellence at your company.

For those executives challenged to raise their companies' level of performance, doing so starts with a commitment to a long-term journey, strategically focused and supported with a series of improvement programs. Each program has a milestone marking its achievement. Collectively, they lead to *The Oliver Wight Class A Standard for Business Excellence.*

In the 1970s, Ollie created the first checklist. The test of what to include remains the same; in the hands of educated users, do they produce the desired results? Only proven, practical solutions become standards.

Many folks have contributed to the know-how in this book. Deserving special recognition are:

Andrew Purton as its champion
Lloyd Snowden, the driving force

Lloyd Snowden, Andrew Purton, Jim Correll, Jon Minerich, Mike Reed, and Susan Hansen provided the global leadership.

Each chapter had contributors: Paul Archer, Debbie Bowen-Heaton, Les Brookes, Stephen Bucksey, Zoe Davis, Eric Deutsch, Paul Ducie, Michael Effron, Todd Ferguson, Mike Gray, David Goddard, Susan Hansen, Don Harding, Stuart Harman, Anne Hilton, Robert Hirschey, Robert Howard, Dawn Howarth, Rod Hozack, Anne-Marie Kilkenny, Stewart Kelly, Donald McNaughton, Peter Metcalfe, Jon Minerich, Andrew Purton, Mike Reed, Timm Reiher, Jerry Shanahan, Lloyd Snowden, Jason Stanton, and Andrew Walker.

For those executives eager to take up the challenge of raising their companies' performance to heights of excellence, this standard will show them the way.

—Walt Goddard
Chairman Emeritus,
Oliver Wight International, Inc.

INTRODUCTION

This seventh edition of *The Oliver Wight Class A Standard for Business Excellence* follows the same structure as the previous edition but has transitioned from a checklist format to focus solely on the characteristics of Business Excellence—the *Standard.* This is in recognition that, for most businesses, the quest to attain the Business Excellence standard is a transformational journey, not a single initiative but a series of improvement programs known as Class A Milestones to facilitate the journey. The milestones are based on the elements in the *Standard* required to support the business objective to be achieved. Oliver Wight has created a series of workbooks designed to define typical Class A Milestones. The *Standard* and the workbooks answer the *what* required for Business Excellence. The *how* is answered through the Oliver Wight Proven Path for Business Transformation, which is founded on best-practice education, facilitated workshops to apply best practices to specific businesses, and implementation coaching.

The Journey to Business Excellence is demanding, and this latest edition has been updated to address changes in business practices since the sixth edition was updated in 2010. Moreover, the changes in business expectations continue apace. Companies holding back from keeping up with the pack may be found wanting in the race to win in business.

WINNING WITH CLASS A

Every company that achieves a Class A Milestone is rewarded with bottom-line results and an energized and empowered workforce—life gets better, if for no other reason than completing the day with a feeling of accomplishment. Achieving a Class A Milestone takes more than just this *Standard.* Having worked with companies on Class A since 1978, we recognize what is required to be successful. It isn't as simple as buying a book and then setting out to meet the requirements. The seven steps for success are:

1. The *Standard*—describes the Business Excellence benchmark.
2. The *Proven Path*—a proven approach to delivering business transformation. This includes the *why* we need to do this; *what* we are going to do, in prioritized sequence, to support a journey; and the *how* to implement sustainably.

3. Milestone Workbooks—describe the *what* for a specific milestone along the journey.
4. Education—explains the *what* and the *how*, in detail, for each element of the *Standard* associated with a milestone.
5. Application Workshops—address the *how* to apply these practices tailored to your specific business and organization requirements.
6. Coaching—supports your people on the *how* to handle the specific issues and challenges of milestone activities and the crucial change management requirements.
7. Celebration—recognition for the successful completion of a milestone.

SCOPE OF THE STANDARD

The *Standard* encompasses all business sectors and business processes. Manufacturing and service sectors are growing closer together in their characteristics. In many ways, the new best-practice manufacturing companies may be considered service companies but whose service is to sell products. Business differentiators have moved to managing products and services, managing the supply chain (often without manufacturing any of the product), managing the procurement of externally sourced items, and developing more effective relationships with employees, suppliers, customers, and consumers. All these dimensions are extensively covered, alongside the more traditional foundation elements you would expect to find in the *Standard* for Business Excellence. Further technology advances now permit dynamic business management, where business performance, including financials, can be reviewed daily and where agility permits the business to respond and move with market forces in days, not weeks or months.

THE CHAPTERS

At the start of each chapter, a Purpose statement describes the purpose and scope of the chapter process. There is also a Positioning statement in recognition that we are not attempting to describe the characteristics of every transition in maturity. This *Standard* consists of defining characteristics, competencies, and performance requirements of a business positioned toward the top of Phase 2 of the Business Maturity Map (see Foundation, Figure I.1). Many good practices developed in Phase 1 are now assumed rather than expressed while, in other cases, there is a transition of processes and roles from Phase 1 to Phase 2. The Phase 1 characteristics and performance requirements are captured in the respective Phase 1 Milestone Workbooks, not in this *Standard.* Please read the Positioning statement so that you are orientated to understand which characteristics, behaviors, capabilities, performance levels, and organizational challenges have already been addressed in Phase 1 before reading the new or continued requirements of Phase 2.

The chapter structure in the *Standard* is aligned with the Integrated Business Model. It begins with "Managing the Strategic Planning Process" as the driver of the business, followed by the two enabling disciplines of "Managing and Leading People" and "Driving Business Improvement." Chapters 4 through 9 address the core processes, commencing with Integrated Business Planning.

- **Managing the Strategic Planning Process:** The business Vision and Strategic Plan need to be explicit so that your people have clear direction for their plans and activities. This chapter will challenge your process for longer-term planning of the business. It will demand the setting of business priorities and clear communication when deploying your plans and your Business Excellence program throughout the business.
- **Managing and Leading People:** People are the ultimate differentiator as business gets more competitive and markets more demanding. This chapter will require you to think through your business values and how you are organized for the tasks ahead; that you are clear about the company culture and behaviors that you need; and that you have active development programs designed to improve the competencies of your people for the new challenges ahead. It will also challenge your processes for knowledge management and your culture of Leadership and Teamwork.
- **Driving Business Improvement:** This articulates the maturity of your business improvement processes. It then challenges how you prioritize your Business Improvement programs to achieve the early gains in areas that create a solid foundation for the future. You'll be challenged to walk before you try to run and to give value to those everyday issues that are at the heart of excellence in business.
- **Integrated Business Planning:** Integrated Business Planning (IBP) is the business management process driving in strategy deployment and optimized business performance and, thereby, directs revenue and earnings-generating activities.

  At the foundation of IBP is Sales & Operations Planning (S&OP), originally developed by Oliver Wight as a vehicle to engage the Senior Management Team in integrated management of the Supply Chain.

  The IBP process is becoming the unique and, increasingly, the de facto best-practice approach to deploy business strategy and manage integration with day-to-day activity; it is the prime tool for keeping all parts of the company on a common agenda and set of priorities; and it manages the entire business through one set of numbers—dynamically tuned to the latest market situation that ensures timely actions to maintain management control of business performance. IBP provides long-term visibility and, through modeling and rigorous risk management tools, enables optimized outcomes with suitable contingency planning.
- **Managing the Products and Services Portfolio:** In every business sector, product life cycles are shortening. Portfolios should represent the optimization of products and

services, including appropriate introduction of new and carefully planned phase-out of old. This chapter challenges how well and how fast you align your portfolio and monitor the performance of products and services. Your clear Technology Roadmap supports this and, when applicable, includes prototyping to increase the speed to market. The portfolio is managed to ensure margin development, but when this becomes a problem, the Strategic Plan, Product and Portfolio Roadmap, and processes are challenged to introduce changes to enable sustainable positive margins. It expects the deployment of the latest practices in program and project management supported by computer-aided risk management and decision making to anticipate and avoid adverse consequences.

- **Managing Market Demand:** Greater understanding of customer and consumer needs and of what is happening in your marketplace, when applied effectively, leads directly to increased predictability throughout the business horizon. Knowing your market enables better planning of your position, with more successful order-winning plans and activities. These plans are directed by the Strategic Market Roadmap which, in turn, drives Market Segmentation Roadmaps to address the needs of homogeneous customer and consumer groups specifically. This chapter challenges your development of analytics and predictive modeling and how close you are to real demand knowledge. The chapter ensures a focus on demand plan creation and accuracy and how professionally you control supply and demand in the very short term through a demand-sensing capability and execution of sales activity driving a demand-led Supply Chain.
- **Managing the Supply Chain:** As the latest technology extends our target market, the increasing challenge to business is how to deliver the portfolios of products and services to the point of use. This chapter challenges how well your Supply Chain Roadmap and delivery capability are optimized through a collaborative supply network and segmentation. Advanced Planning techniques are deployed to achieve Agile customer service and Class A business performance.
- **Managing Internal Supply:** Business today has moved to the management of a fully integrated and collaborative Supply Chain. Excellence in core supply activities is vital to ensure requests from customers and consumers are satisfied and, at the same time, meet the challenge of global cost competition. This chapter challenges every aspect of your Internal Supply capability, its adoption of excellence, and how quickly it must respond to changes in demand, market, and competitive pressures.
- **Managing External Sourcing:** The optimization of products and services, and ever-more sophisticated market dynamics present new challenges to make/buy decisions. They also impact External Sourcing Roadmaps that align with Supply Chain decisions on segmentation and collaboration. Technology offers new procurement approaches that have major potential for saving, and this has significantly

advanced the use of Total Cost of Ownership in critical decision making. This chapter sets new standards for assessing excellence in your procurement processes and ensures the values of the business are maintained externally through an ethical approach to supplier selection and management.

PERFORMANCE MEASUREMENTS

Performance Measures are identified within each chapter, but we have not always specified absolute requirements or metrics. At the level of business maturity represented by the *Standard*, we expect Performance Measurement to be relevant to delivery of your strategy and, thereby, specific to each business. Typical performance measures are identified and defined in the individual workbooks for the appropriate milestone.

THE IMPORTANCE OF PEOPLE

Class A starts with people. To be more effective and productive, you must implement new practices (people, processes, and tools) into the company. Your people create the processes but, to be effective, it is crucial that the required behaviors are recognized and designed into new practices. Your people also select or design the tools to enable these new practices. Fundamentally, all users and participants must then be educated (why) and trained (how) on their use, but sadly there is often under-investment in this crucial internal education and training activity. Without the disciplined integration of people, processes, and tools, your designed practices will not drive the desired improvement.

You will also be challenged to manage integrated processes rather than perform in functional silos. These processes will need people to work together in a team-based culture of multiple disciplines and functions, and your people will face ever-more complex tools with which to run the business. People are your biggest business differentiator now and will be more so as your excellence program matures. Treasure, develop, and educate them. They are the future.

CELEBRATION

Milestone programs will not only substantially improve business performance but will act as catalysts for Business Transformation. It is important at the completion of key milestones on the business journey that Leadership steps back and celebrates contributions and successes. By taking the time to celebrate the completion of a milestone, the company can both recognize the magnitude of the improvement journey to date, and satisfy and leverage the need for recognition. It is like any sporting event—it may be fun to play the game, but it is a lot more fun when you win. Celebrations should be something people look forward to—they will energize and motivate. This is extremely important when you are on a Class A Journey. As success both in business results and team achievement builds, so will the enthusiasm for tackling future milestones.

MILESTONES ON THE JOURNEY TO EXCELLENCE

The Class A *Standard* achievement is extremely demanding (and rewarding) and typically requires a long period for implementation. When you start the Class A Journey to Excellence, we recommend that you outline a Business Excellence program aligned to strategic and competitive priorities. Design incremental milestone initiatives to provide business gains in a relatively short timescale while taking you a step further toward those longer-term business goals. Milestones enable the Journey to Class A and serve as major points of recognition of your people. Oliver Wight recognizes the achievement of these milestones and their deliverables with a Class A Milestone Award.

Oliver Wight Class A Milestone Awards come in three forms:

- **Oliver Wight Class A:** The full Class A award when an entire enterprise meets the requirements of all chapters of this *Standard.*
- **Oliver Wight Business Unit Class A Accreditation:** To recognize the achievements of a stand-alone business within a larger multi-entity enterprise that meets all the requirements of its appropriate scope.
- **Oliver Wight Class A Milestone Award:** To recognize successful execution of defined transformation projects that comprise a milestone in your Business Improvement program, with delivered business gains on the Journey to Class A Business Excellence. There is an award for each milestone you achieve.