

This is a powerful definition of Operational Excellence, how it relates to Customer Obsession and has a huge impact on revenue, profit and employee engagement. You can view the original article by David McLachlan here, at LeanCXScore.com. Enjoy!

A Framework For Operational Excellence and Customer Obsession

Operational Excellence. It's a term most of us have heard, maybe even used, but when it comes down to it few people know what it really, truly means. Operational Excellence certainly sounds like something we should want - after all, everyone would say they want their business or team to *operate* well, and we want it to be *excellent* rather than average, right?



Operational Excellence is important enough for Jeff Bezos (the richest man in the world and the CEO of Amazon.com) to mention repeatedly in his shareholder letters, so there has to be *some* value in it. And let me ruin the ending for you here - because when it comes to well-defined operational excellence there is massive value indeed.

It's a strategy that has helped Amazon become the most feared (and revered) business of the century so far - sending whole industries running for cover at the slightest mention of working there. It's a strategy that helped Toyota thrive for over 100 years in one of the toughest industries on earth. It's a strategy that took McDonald's from one store to over 36,000 stores worldwide, and it's a strategy that enabled Uber to grow to more than 2,000,000 drivers worldwide.

Bezos says:

“Congratulations and thank you to the now over 560,000 Amazonians who come to work every day with unrelenting **customer obsession**, ingenuity, and commitment to **operational excellence**.”

The thing is, when Jeff Bezos talks about customer obsession, he's not talking about meeting a customer at a cash register and giving them a smile. He's talking about reducing any friction a customer might have in doing business with Amazon.com, and making it ridiculously easy for them to buy (and continue to buy) from them.

Which gives us some good news. When it comes to Customer Obsession and Operational Excellence, those two things are 100% related.

Continuously Improving The Customer Driven Measures

So if we're looking to define it, here is the best definition of Operational Excellence I've used throughout my research and career. Even if it is *often* a vague concept, this definition will give you something real and tangible to use immediately in your own small business, startup, company or leadership team. And it comes down to just three words: Quality, Delivery, and Cost.



It may sound simple, it may even sound obvious when we say it out loud, but the power is in its simplicity. In a quote attributed to Albert Einstein, "If you can't explain it simply, you don't understand it well enough", and this is it.

You see, customers almost always want the **best quality product** - where they can rely on it to do what they wanted. They don't want to have to come back or return it, and they don't want it to break or end up useless. As a leader, you also want to be improving the quality of your team's work for the same reasons - so they don't have to redo things. This improves your customer's outcomes as well, with less waiting and lower cost as a result. By

improving little by little over time, you can work towards any task or product being performed and created correctly the first time, with no need to redo it or have it returned for more work.

Customers also want things *now* (delayed gratification be damned!), so we want to be reducing the **delivery time** of our product. On Amazon.com you can order something with one click, with delivery ranging from instantaneous (a Kindle eBook download) to just a couple of hours for many products (with Prime delivery).

Lastly, most customers will want to buy things as cheaply as possible - with the **lowest cost** to them. Why pay \$50 when they can pay \$10? And with the range of apps and online prices available, it is very easy to check and see if you are getting the right price today.

So there you have Quality, Delivery, and Cost. By improving these things inside your business and in the products you deliver, you are working towards operational excellence. While it may seem like a simple explanation, doing it in practice can be very challenging.

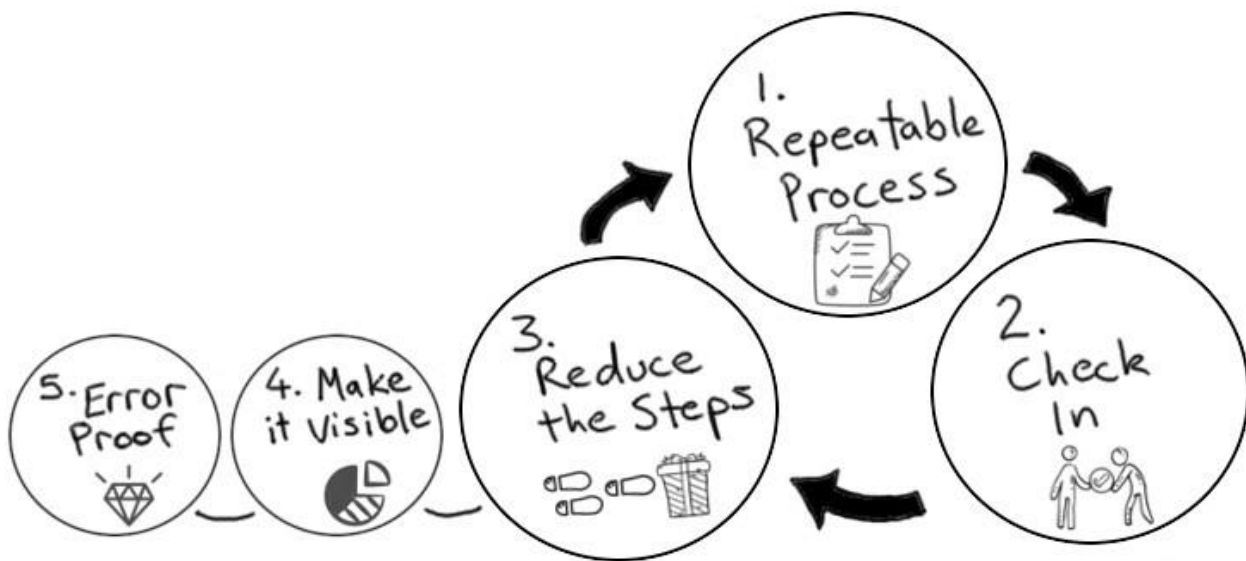


So how do we do all that for our customer?

We do it by having a framework for operating through. It's like a coloured lens - you can see and do things differently by looking at them through the right framework. Designing your work intentionally to streamline it, making it impossible for them to make a mistake, and getting people the information they need before they have to ask is all part of the Lean CX framework that creates a workplace of Operational Excellence and Customer Obsession.

That framework is also steeped in research that shows how operational excellence is linked to Employee Engagement, sales revenue and profit - meaning when your operations are running well using the Lean CX framework below, your staff and team will also be happier and more productive. Again, when we say this out loud it makes sense - *of course* if a job has fewer pain points in it people will be more inclined to do a good job, will achieve more and be happier. So let's get right to it.

A Framework For Operational Excellence and Customer Obsession



Here is the framework. As with our Operational Excellence definition, it may seem simple but trust me when I say that the power and reasons behind each step are very, very deep. To show you why, I'll include them within our deep dive into each step below so you can also see for yourself.

To begin improving your operations, it all starts with this:

Repeatable Process, Check in, Reduce the Steps.

That means making things a step-by-step standard that is clear and able to be trained and repeated by anybody. Then checking in with the person you did the work for to make sure it's working and that your customer got what they wanted. And finally looking at the steps in the process and finding ways to reduce them to as few as possible. To reduce those steps, we brainstorm ways to:

Make it impossible to make a mistake (Error Proof), and;

Give people the information they need without them having to ask (Make it Visible).

That is a high level, 40,000 ft view of the framework - let's delve into each one, what it looks like, and why it is the most important thing you will do for your business' future.

1. A Repeatable Process

First, what exactly is a repeatable process? It doesn't have to be complicated.

A repeatable process can be as simple as a checklist, or even a checklist with pictures. It is a "step-by-step" list of the things to do to get the outcome you want. For example, making a hamburger at McDonald's - a multi-billion company run primarily by 16 year-olds. They have checklists of the exact steps to take to create each item on their menu, in many cases with pictures of what it should look like at each step. First you toast the bun, then place, mustard, ketchup and onions, cheese, etc.

Supervisors can check whether a staff member is doing it correctly, because it's laid out clearly for everyone to see. The staff member has even been trained using that exact checklist, so there are no surprises.

Why is it important to have a repeatable process?

Well you've heard a few reasons above already - it makes it much easier to train new staff (even ones who have no experience and won't necessarily cost you the earth, which is a key point), and it makes it easier to check that things are being done the way you want them to be done. But the benefits are far deeper than that.

Gallup recently published research that shows **nearly 51% of employees actually aren't clear what is expected of them at work**. They don't really know what they are supposed to be doing because no one has spelled it out clearly, step-by-step with pictures. In many cases an employee hasn't been trained any further than a quick introduction and once-over from someone doing the job already.

It's like they are forced to play a game, but nobody knows what the rules of the game are, or how to win at it.

The study also found that of those employees who weren't clear on what was expected of them at work, 34% were more likely to be disengaged in the work they did. What that means is they weren't truly happy, and as a result the work

suffers, and your profit and results suffer. **Productivity for employees in the lowest quartile of engagement goes down by 17%.** Company profit is 21% lower with staff in the lowest quartile of engagement. Sales are 20% lower, and as you could probably imagine, absenteeism is 41% higher in staff who are disengaged in their work, meaning they take more sick or unplanned leave.

Having a Repeatable Process lays the foundation for operational excellence and improvement in your business, engagement in your staff, and profit overall.

2. Checking In

Now we have a standard way of doing the work that anyone can perform, it's time for the next step. So what is "Checking In"?

It is checking to see that things went the way they should - whether it's in your customer's experiences or with your team's everyday operations. When you understand how simple and powerful this can be it will truly change your life, so here are a few examples.

It could mean you checking in with a customer to make sure they got what they wanted. This can be done in many different ways too, from a survey on a website asking for feedback, or an email survey sent after a customer interacts with your company asking them to rate their experience from one to 10 and comment on the reason they gave that rating. It could be a phone call to a customer asking if everything was to their satisfaction. There are no limits to how you can check in.

For your team, it means checking in at least once a week with each team member individually, focusing on their strengths and ensuring they are on track with their work. It also means quality checking the processes they perform.

Why would you check in with your staff this way? Recent research showed that **leaders who checked in with their team at least once a week and focused on their strengths had teams who were up to 27% more likely to be engaged in their work**, with higher productivity, higher sales, profit, and lower absenteeism and turnover as a result.

Now imagine you're a builder who hires an apprentice to repair roof gutters. They are trained with the checklist-and-photos repeatable process from step one above, and now they are able to do their first job themselves, so they do the work leaving you to do more leadership and business tasks. You still want to make sure things are running smoothly, but now all you have to do is drop in at the end of each day and check the work was performed to the

standard of the repeatable process. That's a quality check, and everyone is on the same page.

Checking in makes sure we are getting it right. It makes sure the customers are getting what they want. It provides a feedback loop for you to pivot or improve, which customers or your team-mates may not have been prompted to give before. And the research behind "checking in" is startling and powerful.

One study from the White House Office of Consumer Affairs found that **26 out of 27 customers simply won't complain**. Instead, they will harbor bad feelings towards the company, tell around 16 other people of their bad experience, be more likely to leave and not do business with you again. Checking in at the end (or during) a customer experience allows you to capture some of those bad experiences and fix them before they get out of control. Which brings us to our next important point:

Lee Resources also found that **if you fix a serious customer complaint, they will stay with you 70% of the time**. That means it is even more important to get that feedback from our customers and fix complaints where we can. It's important because of our last piece of research:

If you save just 5% of your customers from leaving, it can increase the profit of your company by more that 25% (and up to 95% in some cases). Now we're talking real cases, real money, and real reward for you in business. This is what was found by Frederick Reichheld of Bain & Company in a study on a wide range of industries.



When we get feedback from our customers, it makes sense that we should fix the immediate problem the customer is having, if we can. But the real gold comes in not just fixing the immediate problem, but fixing that problem at the root, making it impossible for it to happen again. Which brings us to the last part of the Operational Excellence model - reducing the steps to a customer (or team member) getting what they want.

3. Reduce the Steps

What does it mean to reduce the steps for a customer to get what they want?

It means a customer only has to make one (or very few) steps to get the product or service completed and delivered in the way they want. To understand this, let's use the classic Amazon.com example, when they implemented 1-Click-Buy - a strategy that was actually patented up until September 11, 2017.

Let's say you wanted to buy a book. For a traditional book store, you might have to:

- Pick up the phone
- Call the book store to see if it's in stock
- If it's not in stock, call around until you find a store that has it
- Get in your car
- Travel to the book store
- Find the book yourself (or if you can't find it, find someone and ask them to help you)
- Pay at the register
- Travel home again

Compare this to the Amazon experience that has become well known and has made them the industry leader:

- Search the Kindle store for your book
- Click "1-Click-Buy"

Then watch as it's downloaded and enjoy the book in *seconds*.

Reducing the steps to a customer getting what they want impacts all of our customer driven metrics: Quality, Delivery, and Cost. With fewer steps, the customer gets what they want faster - it is delivered to them more quickly. With fewer steps there are also fewer places to make a mistake or have to redo things, and less-complicated products are the ones that break

less often, meaning quality in its many forms is improved. And with less rework and steps in the process, costs can go down significantly.

In your team it's the same thing. Did you ever play the game "telephone" as a kid, where you sat in a circle, whispered a message to the person on your left, and by the time the message came back to the beginning it had changed so much from the original message?

That's what happens when you have too many steps within your business and process too. As a strategy passes through layers of an organisation from the CEO, to the Executive General Managers, to Heads Of departments, to Executive Managers, Managers, Team Leaders, advisers and staff it very often gets distorted. And if customer feedback passes through many hands and reports to get to leadership, then the original problem can also be distorted.

Fewer steps means fewer hand-offs, less rework, and fewer places where things can go wrong. Which brings us to the last two parts to Operational Excellence - how to reduce the steps by making things visible (or audible) and making it impossible to make a mistake.

4. Making it Visible or Audible

Visual Management is a term used by Lean Management and process improvement professionals, and is a fancy way of saying "Make the hidden, visible".

There are many hidden aspects to your business. The way the builder, who has been doing it for 27 years, fixed those gutters has many tricks and tips he has learned over that time, that he may not consciously think of while doing it. The progress of a project in a large organisation may have many moving parts and be hidden to those on the outside. The way a customer gets what she wants on a shopping website may not be immediately straightforward, and so she has to raise a support ticket or email to ask (if she doesn't just leave and go somewhere else).

Making those "hidden" things visible is the key to making sure *a customer can get what they want, without having to ask*. Because asking adds more steps, hand-offs, rework, and friction into a process.



As usual, the research behind Making It Visible is staggering, and it proves the power of this simple (but not necessarily easy) approach.

Researchers Levie and Lentz reviewed 155 studies in the early 1980s and found that **adding illustrations to text increased the comprehension and learning of subjects 98% of the time**. The pictures improved learning by providing clarifying examples, extra information, and context which helped people remember it better.

A picture is truly worth 1000 words. When you make information clearly visible to your customers, and your team, they are more likely to understand and follow through. If 51% of employees aren't clear on what's expected of them at work (as we saw earlier), then making things visible is a huge step towards improving that clarity.

What information can we give our team and our customers, before they need to ask?

As a leader, making things visible also increases the engagement of your team. Teresa Amabile found some startling things in her study on leadership. She surveyed more than 600 leaders from dozens of companies on what they thought would impact team engagement the most. They noted things like incentives, support, and clear goals, all of which sound good (at face value). However it turned out not to be any of those. Teresa tracked the day-to-day emotions and activities of hundreds of knowledge workers and found that **it was on the days they had the most progress that they felt happiest and most engaged**. By celebrating small wins, tracking progress

and making it visible, you are taking something that is often hidden and bringing it out into the world where it helps your team succeed.

Making things visible works in many other ways too. You may have noticed in your own work life that what gets measured, gets improved. Charlie Munger (business partner to Warren Buffett, once the richest man in the world), said "If you want to know what someone will do, look at their incentives." If the leadership team start measuring and scoring their teams on customer satisfaction, all of a sudden teams find ways to improve that measurement. Making it visible as it improves helps keep everyone on the same page.

Visible and Audible things also allow us to do more than one thing at once. Have you ever gone for a run while listening to your favourite podcast? That's multitasking, and you can't do that when reading a book. In the same vein McDonald's uses audible cues - beeps to countdown the meat on a grill, or fries in the fryer, or a sound for a new car in the drive-through. Their staff can be doing many other things at once, and still get the right cues to do their job on time.

Lastly, by giving our customers information they need before they have to ask, we're reducing the steps, which improves the Delivery time, and reduces rework and Cost. Now let's look at the last way to reduce the steps:

5. Make it Impossible to Make a Mistake

Also known as Error Proofing, making it impossible to make a mistake is one of the last great ways to get to operational excellence. This is about fixing customer problems at the root, instead of just fixing the problem once.

When an elderly customer wrote to Jeff Bezos at Amazon saying that she had to wait for her nephew to come around so he could open the difficult packaging of their books, he didn't go to her house and open it for her one time. He had the packaging redesigned to make it easier to open for everybody, every time.

This is also where our framework starts to come full circle, as we take the feedback we receive from checking in, look at our repeatable process, and improve that repeatable process to fix the cause of the problem.

No doubt you've experienced error proofing in your life already - it's impossible to put a USB stick in the wrong slot, or even the wrong way up. It's impossible to start your car while in "Drive". It's impossible for a kettle to boil for too long without switching off. Computers, phones, cars, work equipment are all error

proofed in different ways - so much so that we take it for granted. It should be this way for your customer, too.

Sometimes you may not be able to make it completely impossible to make a mistake, however using visual management and our other framework tools, you can get very close. One paint-shop manager had cars spattered with sealant around every 100th car or so. His solution? Change the sealant nozzle before it wore out (causing the mess), after around 95 cars instead.

This is where you will need to brainstorm ideas with your team. And when you do, test them out and place what works back into the Repeatable Process so it's captured for everyone to use and improve upon again.

The Compounding Effect of 1%

Operational Excellence doesn't just happen one time. It doesn't happen overnight. It happens by using this framework and improving incrementally over time. Though improvements may seem small, the effect they have with patience over time becomes incredibly huge.

You may have heard of the story of the Emperor and the grain of rice? The game of chess had just been invented, and the Emperor was so impressed with it that he offered the inventor anything he wished. "Just one grain of rice, doubled for each square on the board," was the reply. There are 64 squares on a chessboard, and the Emperor gladly agreed. After all, what would it be? A cup of rice? Maybe a pound of rice at most?

Unfortunately for the Emperor, doubling a single grain of rice 48 times gives you *18-trillion grains of rice*, a sum that would need rice fields covering twice the surface area of the Earth (oceans included). That is the power of compounding - where you are building on the previous improvements.

Every 1% gain becomes bigger and bigger with each further improvement.

I hope you are able to use this framework in your own life and business to achieve operational excellence and true customer obsession. I would love to hear about your journey.

Chat soon - David McLachlan