Simplified Lean Extended Enterprise Assessment Process (SimpleLEEAP)

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Lean Extended Enterprise Reference Model™

Background:


• The original evaluation process includes 7 major best practice categories and 42 more detailed best practice criteria sections. There are 6-10 specific questions within each criteria section (360 questions total).

• The Lean Extended Enterprise Assessment Process™ (LEEAP) is a much simplified version of the evaluation process that we have used in collaborative SAP/CEO workshops (42 vs. 360 questions).
Lean Extended Enterprise Reference Model (LEERM)

Best Practices And Principles Panel

1. Leadership
   - Recognition Of Need Internalized
   - Customer Intimacy And Value
   - Data and Fact-Driven Improvement
   - End-To-End Perspective
   - Single Entity No Walls

2. Customer And Market Focus
   - Clarity In Direction And Goals
   - Mass Customization
   - Project Selection Criteria
   - Value Stream Pull/Rhythm
   - Collaborative Development Processes

3. Uniform Improvement Infrastructure
   - Define Value Propositions
   - Pulse and Flexibility
   - Chunking and Resource Management
   - Soft Business Process Integration
   - Collaborative Planning Processes

4. Value Stream Processes
   - Values and Standards of Conduct
   - Instantaneous Information and Response
   - Empowerment And Teaming
   - Standardized Processes And Practices
   - Collaborative Commerce Processes

5. Extended Enterprise Integration
   - Awareness And Communication
   - Velocity Improvement
   - Spectrum of Methodologies And Tools
   - Stability and Variation Reduction
   - On Line Marketplace

6. Organizational Learning
   - Fluid Seamless Organization
   - Solution Delivery
   - Education Based on Certification
   - Value Stream Quality and Perfection
   - Other IT Enabled Technologies

7. Performance Measurement
   - Lean Extended Enterprise Reference Model (LEERM)
   - Professional Growth Experiences
   - Closed-Loop Financial Validation
   - Value Stream Performance
   - Strategic Performance
   - Organizational Performance

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Lean Extended Enterprise Reference Model (LEERM)

Best Practices And Principles Panel

Categories and Criteria

1. LEADERSHIP
   - Recognition of Need
   - Clarity in Direction
   - Define Value Propositions
   - Values & Standards of Conduct
   - Awareness and Communication
   - Fluid Seamless Organization
   - Single Entity, No Walls
   - Collaborative Development Practice
   - Collaborative Planning Process
   - Collaborative Commerce Practice
   - On Line Marketplace
   - Other IT Enabled Technologies

2. Customer and Market Focus
   - Customer Intimacy & Value
   - Mass Customization
   - Pulse & Flexibility
   - Instantaneous Information and Response
   - Velocity Improvement
   - Solution Delivery

3. Uniform Improvement Infrastructure
   - Data & Fact Driven Improvement
   - Project Selection Criteria
   - Chunking and Resource Management
   - Empowerment and Teaming
   - Achievement-Based Education

4. Value Stream Process
   - End To End Perspective
   - Value Stream Pull/Rhythm
   - Business Process Integration
   - Standardized Processes and Practices
   - Stability and Variation Reduction
   - Value Stream Quality and Perfection

5. Extended Enterprise Integration
   - Single Entity, No Walls
   - Collaborative Development Practice
   - Collaborative Planning Process
   - Collaborative Commerce Practice
   - On Line Marketplace
   - Other IT Enabled Technologies

6. Organizational Learning
   - My Business Mindset
   - Professional Growth Experience
   - Knowledge Management
   - Relationship Management
   - Change As Norm
   - Cultural Transformation

7. Performance Measurement
   - Cash-To-Cash Perspective
   - Closed Loop Financial Validation
   - Value Stream Performance
   - Strategic Performance
   - Organizational Performance
   - Social and Economic Performance

Graphical Summaries

What should we do?

Methodologies Templates

What tools and methodologies to deploy?

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GROUND RULES:

Previous experience demonstrates that people assign scores that are in the range of 17% - 28% “optimistic.”

Consider the Normal Distribution in your scoring process

Be realistic, be critical, be tough! The first step in improvement is acknowledging gaps in current performance.

Figure 1.2 – The Normal Distribution
1. LEADERSHIP

1.1 Recognition of Need
The organization has a clear understanding of gaps between current and Best-In-Class performance and recognizes the urgency to lead their organization to new levels of performance within the next 6-18 months.

1.2 Clarity in Direction
Senior Leadership has developed and communicated a clear and concise Strategy of Improvement to the organization. All Associates understand the need to change, the path to improvement, and their role in the journey.

1.3 Define Value Propositions
All Associates in the organization understand their role in business improvement and what's in it for the individual, the teams, and the organization in total. Associates step-up to the challenge and recognize the consequences of not changing.

1.4 Values & Standards of Conduct
Senior Leadership sets the expectations of all Associates. These expectations are aligned to the business plan and cascade throughout the organization so everyone is clear about the practices and behaviors expected of them on a day-to-day basis.

1.5 Awareness and Communication
There is a formal communication and awareness plan that delivers a consistent message about the need to improve, provides regular updates on progress, and continually reinforces the need to stay on a focused path via communication about successes.

1.6 Fluid Seamless Organization
Senior Leadership embraces improvement teams and individuals talking directly with each other about issues, and does not tolerate the political or functional silo barriers to change. The organizational infrastructure enables individuals and teams to be successful.

2. CUSTOMER AND MARKET FOCUS

2.1 Customer Intimacy and Value
Senior Leadership understands Critical-To Quality (CTQ) Customer requirements by market segment, and drives the organization's daily efforts by this Voice of the Customer (VOC).

2.2 Mass Customization
The organization is positioned to respond to a wide variety of customer and market needs. Mass Customization is a "strategy" linked to the organization's core competencies, vs. a positive response to all types of customer orders. Product and component inventory proliferation is not an issue.

2.3 Pulse and Flexibility
The organization manages demand across the total value stream through collaboration with customers and suppliers. There are supply chain agreements in place, but the supply chain incorporates planned surge capacity and buffers to accommodate changes in supply/demand.

2.4 Real-Time Information and Response
Formal communication and response channels and protocols are in place in the total supply chain. Policies, roles, responsibilities, escalation guidelines are in place to manage supply chain request/confirm activities.

2.5 Velocity Improvement
The organization fully understands root causes of value stream variation (with data and facts), and has several improvement initiatives underway to reduce cycle times, cumulative supply chain lead times, improve flexibility and responsiveness.

2.6 Solution Delivery
The organization has integrated themselves into key customer sales/marketing, supply chain planning and execution, and new product development activities. The organization has a formal strategy to establish "best total value" vs. responding to price pressures or basic delivery and/or quality issues.
## 3. UNIFORM IMPROVEMENT INFRASTRUCTURE

### 3.1 Data and Fact-Driven Improvement
Specific improvement initiatives and methodologies (e.g., Kaizen, Lean, Six Sigma, IT, etc.) are the result of a comprehensive assessment of business needs. The organization fully understands improvement needs, goals, financial benefits, and how Kaizen, Lean, Six Sigma, and IT can be integrated to enable results. Improvement has not started with “the label” (e.g., “We're going to do Six Sigma”).

### 3.2 Project Selection Criteria
Project selection for targeting improvement initiatives is a scientific process. Potential project activities are forced-ranked in terms of complexity, resource requirements, time, risks, cost, etc. on an ongoing basis. Near future improvement activity is “teed up” based on the business need.

### 3.3 Chunking and Resource Management
Senior Leadership plays an active role in making time and resources available for improvement by prioritizing, postponing, and eliminating less important work activities. Improvement initiatives are scoped and broken into manageable chunks so we do not send Associates off to “boil the ocean.”

### 3.4 Empowerment and Training
The organization embraces cross-functional teaming and has provided formal education for Associates on basic teaming and facilitation skills, group dynamics, basic problem-solving skills, conflict resolution, etc. The organization has set up the right environment and skill sets where Associates can work successfully in teams, and supports the teams results via follow-through by process owners.

### 3.5 Spectrum of Methodologies and Tools
The organization fully understands Kaizen, Lean, Six Sigma, and IT as tools for improving different types of improvement scenarios. There are no pockets within the organization “fixated” on a particular methodology, and the organization is focused on improvement, not tools. None of these are the cure-all/end-all. They are just tools (the means, not the ends).

### 3.6 Achievement-Based Education
Specific education on Kaizen, Lean, and Six Sigma is custom-tailored to the organizations needs, including relevant examples and group participation activities. Participants are required to demonstrate competence on education through a mandatory project that solves a real-world problem (i.e., Six Sigma Black Belt or Green Belt certification, Lean Leadership Champion certification, etc.).

## 4. VALUE STREAM PROCESSES

### 4.1 End-To-End Perspective
The enterprise views itself, its suppliers and customers as a single entity - And has the enabling IT in place to manage this single entity effectively across the total value stream. Minute-by-minute collaboration on design, specs, material requirements, warehouse replenishment, etc. is the norm.

### 4.2 Value Stream Pull/Rhythm
The organization has methodologies, processes, and enabling IT in place to monitor and act on supply/demand information in real time.

### 4.3 Transactional Business Process Integration
The organization understands the cash-to-cash implications of areas such as warranty/returns, order fulfillment, purchasing, supply chain planning and execution, billing and collections, and other transactional processes. Over 50% of the organization’s improvement effort is focused on these areas vs. the manufacturing floor.

### 4.4 Standardized Processes and Practices
Standardization is a key driver in both daily management and in improvement. Beyond the availability of information, Associates respond consistently and cohesively to internal and external customers. The Strategy of Improvement has provided this standardized road map for improvement. There is a standardized language of business improvement.

### 4.5 Stability and Variation Reduction
The organization has formal efforts underway to understand and drive variation out of its physical (operations) and back office (transactional) processes. These efforts are extended to include joint improvement projects between the enterprise and its customers and/or suppliers.

### 4.6 Value Stream Quality and Perfection
The organization embraces quality and perfection in every single activity. They have invested in the right IT to enable collaboration and real time problem prevention/resolution. The organization has also invested in IT beyond ERP to enable supply chain-wide product/process quality improvement initiatives.
5. Extended Enterprise Integration

5.1 Single Entity, No Walls
The enterprise, its customers and suppliers are virtual. Doing business across the total supply chain has the "look and feel" of a single organization within the four walls, where all supply chain participants are seamlessly integrated.

5.2 Collaborative Product Development
Customers and suppliers collaborate on new product development from Concept Engineering (upstream from design and functional spec) to Full Commercialization and every phase between these two milestone points. Collaboration is enabled for all issues around new product development such as material selection, specification development, product and process design, test and validation, launch strategy including literature, spares, repair, etc.

5.3 Collaborative Planning and Execution Processes
Collaborative planning provides a single pipeline view of the total supply chain. Tedious transactional processes, emails, phone calls, etc. have been replaced by the right integrated enabling IT solutions beyond ERP.

5.4 Collaborative Commerce
The organization defines, anticipates, and anticipates customer and market needs via effective collaborative planning and supplier relationship management best practices. Many processes are totally paperless and have been integrated electronically, from demand management to payment (e.g. pay-on-demand).

5.5 On-Line Marketplace
The organization has defined on-line exchanges and networks, and web-based applications for sourcing, application and technical data, configuration options, and other user-friendly customer service applications.

5.6 Other Enabling IT Applications
The enterprise has moved beyond ERP and understands the importance of SCM, CRM, SRM, PLM, networks and exchanges, portals, and other internet-based IT as critical enablers of Total Value Stream or Total Supply Chain Excellence.

6. Organizational Learning

6.1 My Business Mindset
Associates have a business process mindset and look beyond their own immediate areas for improvement. They have a broad business process orientation and place higher emphasis on organizational and process performance vs. individual performance.

6.2 Professional Growth Experiences
The organization fosters a learning and professional development environment, and encourages a constant flow of new ideas and challenges to the accepted norms. Associates continually discuss and develop a formal professional development plan with their managers. The culture encourages and rewards beyond-the-box thinking, risk-taking, and multiple efforts toward success as part of individual development.

6.3 Knowledge Management
A formal knowledge management capability is in place that enables collaboration and information-sharing about customers, competitors, suppliers, and enterprise activities. The organization has formal practices and enabling IT to disseminate and integrate knowledge into the decision-making process. Individuals have the processes and technology to leverage and learn from the collective experiences and knowledge of the organization.

6.4 Relationship Management
The organization's culture encourages relationship building and knowledge sharing with all Associates, regardless of functional silos. This culture is extended to customers and suppliers characterized by direct peer-to-peer collaboration across the total supply chain.

6.5 Change as the Norm
The organization accepts change as the norm in order to improve competitiveness. Senior Leadership communicates the link between organizational and individual success, and Associates lead, initiate, and/or readily accept change from the middle out.

6.6 Cultural Transformation
Senior Leadership creates the inertia and critical mass for culture change. Associates recognize that change and in particular, culture change - is an evolving need where they accumulate new positive experiences with change and move to a higher level of competence and individual/financial growth.
### 7. Performance Measurement

#### 7.1 Cash-To-Cash Perspective
The organization has initiated several improvement initiatives across the total supply chain, and has, in fact achieved significant improvements in velocity, cash flow, and asset management (ROA).

#### 7.2 Closed Loop Financial Validation
The organization uses a balanced scorecard approach to promote the right behaviors that achieve the right strategic results. All improvement initiatives begin with quantified baseline performance, improvement goals, and anticipated benefits. Senior Leadership holds Associates accountable for results one project at a time, and these results are validated by the Financial organization. There is real data and facts to validate improved performance, directly attributable to improvement programs/projects.

#### 7.3 Value Stream Performance
The balanced scorecard incorporates customer and supplier metrics, and the organization has implemented the right processes and enabling IT to monitor and respond to these leading event-driven metrics in a prevention mode. The organization demonstrates a remarkable improvement in supply chain performance.

#### 7.4 Strategic Performance
The organization can clearly demonstrate strategic improvement because they have the right real-time metrics in place to gauge total value stream activities such as market penetration, supply chain pipeline inventory position, cash and credit status, key supplier and customer activities, new product effectiveness, Lean/Six Sigma effectiveness, etc. Strategic improvement can be validated with data and facts, not opinions or perceptions.

#### 7.5 Organizational Performance
There are formal practices in place for things such as gainsharing, 360 performance reviews, recognition and rewards, skill-based compensation, and improvement as part of individual performance reviews. The organization also has metrics in place to measure cultural climate, turnover, education effectiveness, learning effectiveness, and rate-of-improvement. The organization is a much more desirable place to work than it was 3-5 years ago.

#### 7.6 Social and Economic Performance
The business strategy incorporates elements of improvement beyond the enterprise and supply chain that are aimed at positively impacting stakeholders, the community, environmental, legal, social, and other ethical considerations. The organization has a reputation of acting quickly on violations in these areas.

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The Lean Extended Enterprise
Moving Beyond the Four Walls
to Value Stream Excellence

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