



How to P-I-C-K a Winner for Operational Excellence

Leading manufacturers are using a **proven operational excellence process** to uncover and prioritize opportunities that translate strategy into shop floor actions that drive **superior P&L and balance sheet results**



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WHAT WE HAVE HERE IS A FAILURE TO COMMUNICATE

For leaders at manufacturing firms to improve their P&L and balance sheets, they must first remove the roadblocks of misalignment and miscommunication.



Jason is a manufacturing executive who has no trouble whatsoever listing his challenges.

"In Q1, our inventory turns were too low," he says. "In June, our material costs were too high. In Q3, our quality score was embarrassing. And, in November, our expedite charges were off the radar."

In any given month and during any given quarter, Jason knows by heart the challenges that are hindering his plant's productivity, slowing his company growth and hurting his firm's P&L and balance sheet.

And like many of his peers, Jason has a vision for growth, innovation, and profitability. Jason has goals. Jason has plans. But what Jason lacks is a tested and proven way to execute on those goals and plans.

Jason's problem isn't strategy, but execution. He has a problem translating his goals down to the plant floor. Why? Because, like many manufacturing executives, Jason has an M&M problem—a problem with Misalignment and Miscommunication.



WHAT WE HAVE HERE IS A FAILURE TO COMMUNICATE *CONTINUED*

Jason has a **problem with alignment** because he measures one thing while his production manager measures something else. Jason's goal is to lower costs, for example, so he instructs his production manager to improve efficiency. This the production manager gladly does by running larger batches of products. The trouble is, the products that roll off the assembly line aren't necessarily top sellers, resulting in the plant creating excess inventory of slow movers. Yes, both Jason and his production manager have hit their respective KPIs, but their actions have caused another problem because the overall goal and the KPIs to get there weren't aligned.

Jason has a **problem with communication** because plenty of the goals that he and his team create around the boardroom table never get communicated to the shop floor. His CEO, for instance, announced three weeks ago to the executive team, "I want to quadruple our revenue in the next four years." But walk onto the plant floor three weeks later and ask any hourly worker about the CEO's new, ambitious revenue goal, and you will be met with a blank stare—or laughter. That's because the goal (besides being lofty and not tied to any measurable, executable plan) was never communicated to the shop floor.

The result of manufacturing misalignment and miscommunication is that plenty of worthy initiatives never get completed. Or, what is perhaps worse, inferior initiatives do get completed. Which means manufacturers never complete strategic initiatives, rarely meet targets, and seldom achieve their goals.

What manufacturers need is a proven way to discover the opportunities that promise to deliver the highest value and payback in the most efficient way possible, accompanied by a plan that aligns those opportunities from the penthouse to the plant floor so that both the P&L and the balance sheet move in the right direction.



THE GREAT KPI DISCONNECT

Many manufacturers have a disconnect in shop floor execution. Workers on the shop floor can be doing all the right things and can be hitting all of their metrics, and still the manufacturer will miss corporate targets because of misalignment of KPIs and miscommunication between the leadership team and workers on the plant floor.



EXECUTIVE SUITE

Manufacturing executives create a vision for growth using corporate goals, not shop floor KPIs

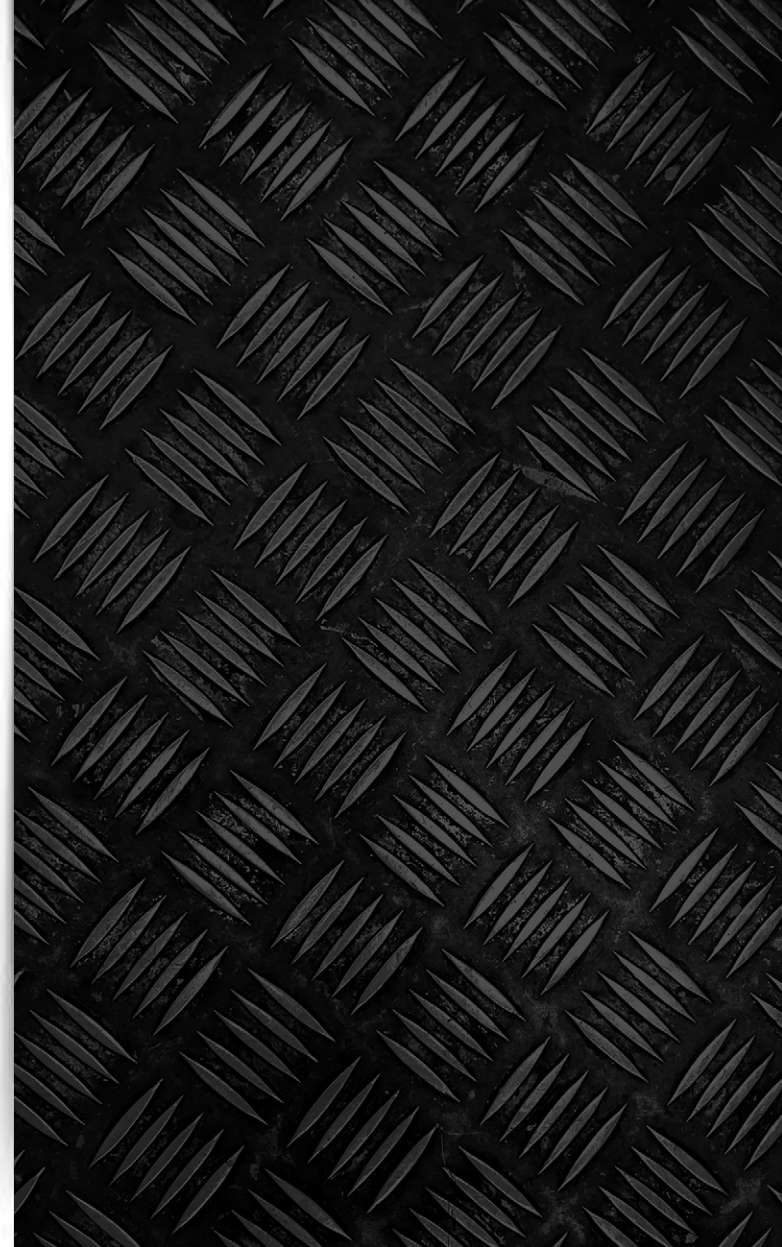


ZONE OF SILENCE



PLANT FLOOR

Workers focus on KPIs at the unit level that are tied to production, not corporate goals



CHARTING A BETTER COURSE

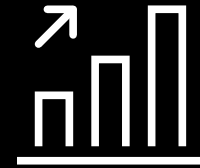
The PICK Exercise provides a forum for identifying and prioritizing opportunities that enable P&L and Balance sheet results

The key to avoiding misalignment and miscommunication is to implement only those initiatives that are tied directly to measurable improvements to your P&L and balance sheet, and that promise to deliver the greatest return for the least amount of effort.

What manufacturing leaders need is SMART goals (specific, measurable, achievable, relevant, time bound). Then they need a way to turn their goals into actions with measurable outcomes attached so that they hold people accountable for execution, delivery, and continual improvement.

One way to accomplish this is with a PICK Exercise. The PICK Exercise helps you uncover opportunities for improvement, and then rank those opportunities from most desirable to least desirable.

The goal of the PICK Exercise is to select the most promising opportunities, define estimated financial value, and then launch Kaizen events. The result of the exercise is a list of opportunities that you should pursue immediately because they promise the highest payoff for the least amount of difficulty. Then you create the go-forward plan for value realization.



KAIZEN EXPLAINED

Kaizen is a Japanese term meaning "**change for the better.**" In the West, we call it "**continuous improvement.**" Kaizen is a business philosophy regarding the processes that continuously improve operations and involve all employees. Kaizen sees improvement in productivity as a gradual and methodical process.

THE BEAUTY OF SPECIFICITY

The key to moving the needle on your P&L and balance sheet is specificity. If you want to manage it, measure it. Tie every leadership goal to a measurable outcome. Name a metric and pick a date to meet it by. Don't be vague. Be specific.

VAGUE GOAL

- ☐ Increase inventory turns
- ☐ Reduce end-to-end lead time
- ☐ Improve equipment and manpower utilization
- ☐ Improve on-time-in-full delivery
- ☐ Reduce cost of poor quality
- ☐ Improve realized margin

SPECIFIC GOAL

- ☒ Increase inventory turns by **25% in Q1**
- ☒ Reduce end-to-end lead time by **20% by end of Q4**
- ☒ Improve equipment and manpower utilization by **5% in Q4**
- ☒ Improve on-time-in-full delivery to **98% for Product A by March 31**
- ☒ Reduce cost of poor quality by **50% by end of Q4**
- ☒ Improve realized margin by **150 basis points within 3 years**

HOW TO VISUALIZE THE OUTCOMES IN A PICK EXERCISE

Step 1: Collaborate on Opportunities

Get your leadership team and shop floor managers into a room, close the door, and turn off your phones. Hand someone a permanent marker, then start collaborating to create a list of all of the initiatives and programs and improvements you can think of that will improve plant operations (later these will be tied to the P&L and balance sheet).

Pay no attention at this stage to how far-fetched or implausible any idea sounds. Simply add it to your list.

Number the items on your list. This is how you will refer to each opportunity when you get to Step 3—by its number.

Any opportunity that makes it to your list should link to a measurable objective, such as increase inventory turns, reduce end-to-end lead time, reduce cost of poor quality, increase margin and increase on-time/in-full shipments.

At the end of this step, you will have a master list of opportunities, some good, some bad, some expensive, some you've already tried, some time-consuming, some that you dread undertaking. Take courage. All that you have before you is a list of *possibilities*.

1. INCREASE INVENTORY TURNS
2. REDUCE END-TO-END LEAD TIME
3. REDUCE COST OF POOR QUALITY
4. INCREASE MARGIN
5. INCREASE ON-TIME / IN-FULL SHIPMENTS
6. IMPLEMENT IOT
7. EMPLOYEE TRAINING SESSIONS
8. INCORPORATE GLOBAL TRACKING
9. INCREASED MAINTENANCE
10. ADDITIONAL AUTOMATION

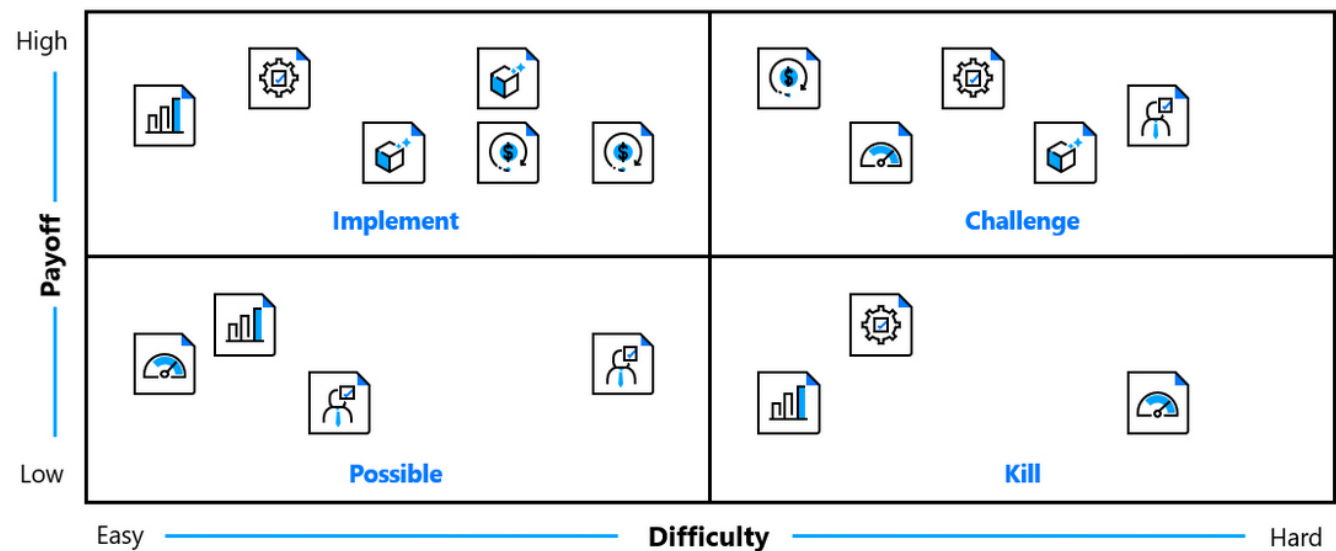
HOW TO VISUALIZE THE OUTCOMES IN A PICK EXERCISE *CONTINUED*

Step 2: Draw Your PICK Chart

Now draw a large, simple box and divide it into four quarters, or quadrants, of equal size. Label the vertical axis, Payoff, with Low at the bottom and High at the top. Label the horizontal axis, Difficulty, with Easy at the left and Hard at the right.

Now label the quadrants as follows:

- Bottom Left Quadrant: *Possible*
- Top Left Quadrant: *Implement*
- Top Right Quadrant: *Challenge*
- Bottom Right Quadrant: *Kill*

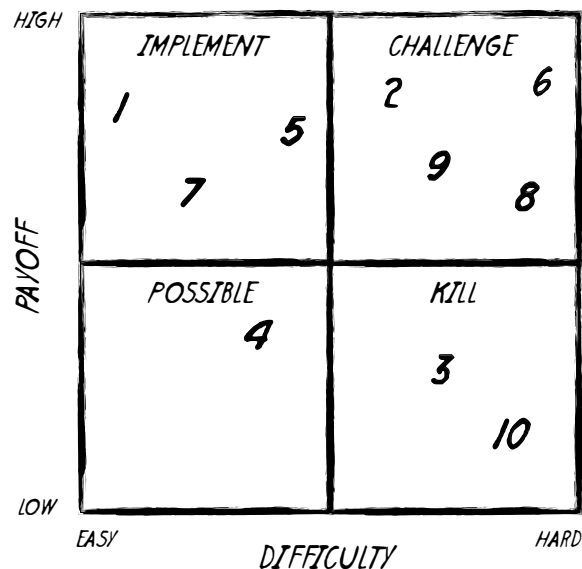


HOW TO VISUALIZE THE OUTCOMES IN A PICK EXERCISE *CONTINUED*

Step 3: Prioritize Your Opportunities

Start at the top of your list of brainstormed possibilities and get consensus from your executive team about where to place it on your PICK Chart. Then place the opportunity in the appropriate quadrant by writing its corresponding number there.

Be sure not to place each opportunity just anywhere in the quadrant. Remember that the X and Y axis represent a scale, from Low to High, and from Easy to Hard. Plot each opportunity where it belongs on each Axis.



Step 4: Pick Your Quick Wins

Draw up a new list of the opportunities that promise a high payoff and are easy to implement. These are your quick wins. But just as important, draw up a list of the opportunities that promise low paybacks and that are hard to implement. Some of these opportunities might be on someone's to-do list already. These are the projects and initiatives that you should kill. So, kill them, without delay.

Quick wins list

1. INCREASE INVENTORY TURNS
7. EMPLOYEE TRAINING SESSIONS
5. INCREASE ON-TIME / IN-FULL SHIPMENTS



Kill list

BENEFITS OF CONDUCTING THE PICK EXERCISE

If you have a challenge translating strategy into action, of aligning corporate goals with actions on your plant floor, this PICK Exercise will likely be a revelation to you and many on your team. In order to understand the full impact to the business, each opportunity's financial value is tied back to the P&L or Balance Sheet. This way we qualify and quantify the impact to the bottom line which makes the case to justify the go forward execution plan.

By the time you reach the end of this exercise, you will have newfound insight and clarity. You will see far more clearly which opportunities, initiatives, projects and improvements deserve your budget and resources right now. And you will have a prioritized list of the opportunities that you are almost certain will deliver the greatest return on investment.

If you follow the instructions in Step 1 of assigning a measurable outcome to each opportunity, you and your entire company will move ahead knowing that the opportunities you have decided to pursue will improve your P&L or balance sheet in measurable ways by a given date.

Here are top benefits of conducting this PICK Exercise:

1. Gain insight into new opportunities
2. Gain clarity into current opportunities
3. Identify the opportunities you should focus your time and budget on
4. Create a list of opportunities that will deliver quick wins (big wins, we might add)
5. Create accountability for outcomes because you tie each opportunity to a KPI

PICTURE THE POSSIBLE

When you conduct your PICK Exercise, don't limit yourself to just the technologies and processes and KPIs you know or currently use. Think outside the box of your manufacturing facility to imagine what's possible. Think about:

- Additive manufacturing
- Artificial Intelligence
- Augmented Reality
- Automated picking
- Automation
- Big data
- Collaborative robots
- Data analytics
- Enterprise Resource Planning
- Global Container Tracking
- Industrial Internet of Things
- Industry 4.0
- Intelligent manufacturing
- Machine learning
- Mobile robots
- OEE/VoC Realization
- Predictive maintenance
- Supply chain optimization
- Virtual Reality
- Workforce training

NEXT STEPS

Now that you have your list, now what? Conduct some rapid-improvement Kaizen Events that aim to meet the goals of the top opportunities you identified. In other words, start at the top of your High Payoff/Easy to Implement opportunities and create a plan for implementing them.



Your goal now is to achieve quick wins that deliver high, lasting improvement.



You do this by documenting the roadmap you are going to follow to accomplish your top opportunities. You create a Kaizen Event, one in which you design, develop and implement the opportunity.

And remember to kill your darlings. Any opportunities on your bottom-right quadrant promise a lot of hard work for low payoff. This makes them duds. So, even though they might be someone's pet project or dream initiative, kill these "opportunities" immediately. *You conduct a Kaizen PICK Chart Exercise to uncover the zeros just as much as the heroes.*



CONSIDER BRINGING IN AN EXPERT GUIDE

If after conducting the first step of the PICK Exercise you find that you lack sufficient insights or clear opportunities for improvements, consider bringing in an objective third party to add a new perspective. Consulting firms that specialize in manufacturing can conduct a Gemba Walk through your facility to uncover immediate areas for improvement, provide insights and offer options you may have not considered.

An effective external advisor also brings to your shop floor extensive knowledge of industry best practices, first-hand knowledge of what similar manufacturers in your sector are doing to improve operational excellence, and lessons learned.

One of the primary benefits of retaining the services of a consulting firm with deep manufacturing expertise is their knowledge of the opportunities that are most likely to deliver the greatest impact cost-effectively. **A consultant with a track record in your sector knows not only where the quick-wins are, but also where to find the opportunities that deliver sustainable value.**



ABOUT MCA CONNECT

MCA Connect is a manufacturing consultancy and technology integrator that helps manufacturing companies improve business outcomes using world-class processes built on the Microsoft Cloud. We help manufacturers align their people, processes, and technology to maximize operational efficiencies, improve financial performance and elevate competitive advantage.

Our NorthStar Manufacturing service is a business transformation offering that helps you define the roadmap, execution plan and financial justification to deliver manufacturing excellence to your operations. We help you discover the insights and action plan you need to improve your P&L and balance sheet.

The Kaizen PICK Chart Exercise we just described is a key part of our NorthStar for Manufacturing engagement. NorthStar for Manufacturing clears out project ambiguity and keeps your project teams aligned, communicating and focused on results.

Learn more about
[NorthStar Manufacturing.](#)

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