



5 Steps to Building a Process of Continuous Improvement

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When I meet with Executives to discuss why their company is struggling to achieve desired results I often discover that there is not a defined process for continuous improvement. Most companies have a few KPI's tied to conference calls, meetings, emails or memos but that turns out to be more rhetoric than a systematic means to improve.

Listed below, is a 5-step program that will show you how to build a sustainable process of continuous improvement in the Supply Chain, Logistics & Transportation Industry.

1. The process begins by creating a culture of continuous improvement at the top that is supported throughout the entire organization. Everyone must believe that no matter how successful the company is, the results must always get better. Everything must be measured, standardized and improved regardless of how small the ROI is to the company. Every day the status quo must be challenged asking "how can we get better- in everything?"
2. Identify all operating procedures, expenses, headcounts, properties, assets, efficiencies etc. Using Data & KPI's, determine what a good standard should be for each measurable item. If you spend \$300 for a tire, how can you spend \$290? Or, how can you have 8 flats instead of 10? If you utilize 20,000 sq. ft. of warehouse space can you reduce that to 19,000 sq. ft.? If you have 5 forklifts can you do the same work with 4? If a driver averages 15 minutes at a delivery stop, how can they average 14 minutes? It is that level of detail needed to succeed.
3. The next step is to conduct a root cause/gap analysis to determine what is preventing you from reaching the standard. All causes must be vetted. For example, if you are missing the delivery standard by 1 minute, you need to find out all the reasons why. Is it because the driver... is getting delayed at the front gate; is required to check-in at a different location; needs to find a forklift operator to unload. Or, maybe it is all the above. The key here is to find out everything that is causing the standard to be missed. You may even learn that the standard should be 10 minutes after you conduct a thorough root cause analysis.
4. Once all root causes are identified, isolate each cause and determine how you can improve with each cause. Maybe there are 4 causes for delaying the driver. Take each cause and find a solution to improve. If you can improve each cause 15 seconds, you will achieve your standard of 14 minutes. It becomes much easier to reach a standard when you solve each cause independently.
5. Once a standard is consistently achieved, reward the employees and raise the bar. This process should cycle through every part of your business and should never end. Do not jeopardize Safety, Quality or Service in the process. Eventually, employee behaviors will change and then you will have a sustainable process of continuous improvement.

To reduce operating expenses, share your P&L with everyone in your department. Transparency builds trust. You can't hold employees accountable if you don't give them the results. Find out what expenses are included in each line item and create a standard for each expense. For example, you might have 10 separate Maintenance Line Item Expenses (tires, parts, fuel, vendor repairs etc.) so look at every invoice and set a new standard for each invoice. You might discover that some expenses can't be improved. Some might only be improved \$5. But some might be improved by \$100. Collectively they all add up to big savings. IE: If a fleet owner buys 100 tires a month and saves \$10 a tire, that's a \$1000 savings/month or \$12,000 savings/yr. If they did that for just 10 separate expenses at the same rate, they now have \$120,000/yr. savings. And if they did this for 10 different P&L line items, they just saved \$1.2 Million. If the company did this for 5 different departments, the company now enjoys a \$6M improvement! These results are typical if you follow the concepts of the program. The \$10 savings is not the most important factor. It's the culture you are building that's important.

I hear all the time... "we are already doing this". Then I conduct an assessment and find out it's not true. In fact, I have never worked with a company that had already reached their potential. The program seems simple so why do so many Supply Chain, Logistics & Transportation companies still struggle? The answer is they do not follow the program to the level of detail needed and they do not understand how to change employee behavior into a sustainable culture of continuous improvement.