Class A Business Excellence

For

✓ Managing the Strategic Planning Process
  ✓ Managing and Leading People
  ✓ Driving Business Improvement
  ✓ Integrated Business Management
  ✓ Managing Products and Services
    ✓ Managing 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 can be found and the metrics to support Performance Measures.
Welcome to the sixth edition of the *Oliver Wight Class A Checklist for Business Excellence*, which marks another major milestone on a journey started by Oliver Wight himself in the 1970s. His passion was to support companies seeking to be consistent winners by aspiring to excellence. This new Checklist is the comprehensive statement of excellence in business today.

It looks very different from our last version, with its scope widened to embrace every part of the business to be pursued for total excellence. Additionally, it now requires a demonstrated superior business performance for the coveted Class A award. However the major features remain and are unique.

- It is direct and practical. It does not follow the trend of setting theoretical business models for you to “fill in.” It sets out those business processes and practices that we see over and over at the heart of successful and excellent businesses.
- Its chapters align with core business processes and the enablers of those processes, covering the entire Business.
- It is aimed so that your people can see for themselves what “excellence” is and what each of them has to do for the company to be excellent.
- Its scoring method allows you to visualize and measure progress towards excellence in every part of the Business.

The sixth edition offers the longest standing Excellence Award of international repute. It recognizes the efforts of your people and can be used with clients and customers to prove your efforts on their behalf.

The first checklist in 1977 was a simple list of 20 questions that a manager could answer to evaluate his business. It was the very first such list in the world and, consequently, the checklist concept became widely ac-
cepted. However, standards of excellence in business had started their own revolution. As a result, the list went from one page to a book, with each version building on the last. The questions were built from the accumulated experience of Oliver Wight’s organization throughout the world and from the many people they worked with in thousands of companies.

The first checklist book was published in 1988 and was a major statement in defining excellent use of Manufacturing Resource Planning (MRPII) systems, continuous improvement processes and the realization of sustainable processes. The fourth edition followed in 1993 and the fifth some seven years later in 2000. With each edition, the standard for excellence increased, and the scope of the business that was assessed widened as the world became evermore competitive and companies became larger and more international.

Throughout this adventure some things are unchanged:

• The Oliver Wight International organization continues to grow and set the standards in global business excellence.
• It operates throughout the world offering the same message in many languages for its multinational and multicultural client base.
• It holds to the same core belief that education and training at all levels of the company are the keys to achieving excellence.
• One other thing that remains unchanged is the role and purpose of this checklist.

Many have contributed to the know-how in this book, but we must recognize some people who have been major contributors.

• The book has been sponsored by the Oliver Wight International Board, and its development was led by Andrew Purton as its champion.
• The checklist architect, Lawrie Rumens, has brought his experience and expertise to the design forum to steer the journey to a superior Class A.
• The project leader, Lloyd Snowden, has spent so much time and energy driving very busy people and has delivered the book on time.
• Glyn Williams and Jon Minerich provided the global leadership.
• Each chapter had its own champion and sponsor supported by expert teams from the other regions. The chapters were led by Lawrie Rumens, Peter Hill, Andrew Purton, Les Brookes, Kevin Herbert, Liam Harrington, Ron Ireland, Rod Hozack, and Barry Linger.
Chris Radford, Paul Archer, and Shirley Harrison also generously contributed.

- Last, where would we be without Jill Losik pulling it and us together in such an uncomplaining way?

So here is the sixth edition Checklist. It is no longer an MRP checklist or a manufacturing excellence standard. It is a standard of excellence for all businesses. We know that you will find it demanding, but then true excellence never did come easy. It will be rewarding as well. True excellence is the only way of consistently and reliably competing and winning in business. That’s what Oliver Wight Class A is about, helping you to be in a position to win consistently in your business.

For those executives anxious to take up the challenge of raising their company’s performances to heights of excellence, this Checklist will show them the way.

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

Those of you familiar with the Oliver Wight checklist over a period of time will view this updated version with anticipation and perhaps a little nervousness. We have all experienced the moments before we open an examination paper when we are convinced that we will not be able to answer a single question adequately. Yet once we are into it, we find that of course it all makes sense. It is not so daunting when we make a start.

This sixth edition of the renowned Oliver Wight Class A Checklist for Business Excellence has a familiar style and approach to assessing excellence. Yet in content and structure you will find it very different and much more demanding—but then the journey to excellence is always demanding. Since we published the fifth edition in the year 2000, the pace of change and speed of advancement in business has raced on. What seemed advanced then is ordinary today; what was extra then is a part of the standard deal now; and customers expect and demand more and more. Companies clinging to that older view of excellence will be found wanting in the race to win in business.

WHAT IS DIFFERENT IN THIS SIXTH EDITION?

First, there is a new section at the front of the book called “Foundation.” We had to decide at the outset what few basic principles of excellence were important enough to be at the heart of the checklist. We have described these here in brief so that you can be familiar with the thinking before plunging into the detailed assessment. Clearly, we have only provided an overview of these principles in this section. However, you can find out more through Oliver Wight’s global education.

Second, the checklist range has been extended from a traditional
operational focus to encompass all business processes and all business sectors. This will be no surprise, since across the world service sectors are growing and are influencing the traditional industries. Business differentiators are moving to managing products and services, managing the supply chain, managing the procurement of externally sourced items, and developing better relationships with customers and consumers. All of these issues are now extensively covered alongside the more traditional foundation elements you would expect to find in this checklist.

THE CHAPTERS

The chapters are split into two groups. There are four priority chapters where we have brought together the processes and practices that are common through all business processes and which enable the whole business to be excellent. They are:

- **Managing the Strategic Planning Process:** You have to be clear about business vision and strategy for your people to plan what has to be done to get there. This chapter will challenge your process for the 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 businesses get more demanding and competitive. This chapter will demand that you think through your business values and its organization 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 challenge your processes for Knowledge Management and your culture of leadership and teamwork.

- **Driving Business Improvement:** This articulates how you can assess the maturity of your business and its processes. It then challenges how you prioritize your Business Improvement Program to the early gains areas that also create a solid foundation for the future. This chapter will challenge you 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 Management:** This is the natural evolution of the Sales and Operations Planning process. It has been designed and developed by Oliver Wight over many years, building on client demands
and experiences in all sectors and in all parts of the world. This process is the unique, yet now standard, approach to managing the gap between company strategic goals and everyday activity; it is the prime tool for keeping all parts of the company to a common agenda and set of priorities; and it manages the entire business through one set of numbers and ensures timely decisions to maintain management control.

These chapters support five following chapters of equal size and importance that address the prime processes in most companies:

- **Managing Products and Services:** In every business sector, product life cycles are reducing. Our portfolios require an increase in new products and services and a carefully planned phase-out of old. This chapter asks how well you set your product portfolio and manage products and services. It expects you to have a clear technology strategy to support this. It challenges your practices for delivering sales and profit to your business through an increased number of successful products and services into your market. It includes the latest practices in the Program Management of large complex projects.

- **Managing Demand:** Greater understanding of customer needs and of what is happening in your market place leads directly to increased predictability in the short-, medium-, and long-term needs of your business. It enables better planning of your position in the market place and order-winning plans that are more successful. This chapter challenges how well you create and plan demand and how professionally you control supply and demand in the very short term through sales activity.

- **Managing the Supply Chain:** As the latest technology extends our target market, the increasing challenge to business is how to deliver the product and service to the point of use. This chapter challenges how well you understand your extended supply chain and how it is optimized strategically and day by day for best customer service and for business performance.

- **Managing Internal Supply:** While business focus is moving to the extended supply chain, excellence in the core supply activities remains vital to live up to the promises and wishes of customers and consumers and to meet the challenge of global cost competition. This chapter challenges whether your operations that make and deliver goods and services understand what is excellent today and how quickly they must respond to changes and the demand of the market place.

- **Managing External Sourcing:** The increase in products and services and the wider market present new challenges to our Make/Buy decision
process at product, component, and material levels. They also impact the sourcing strategies that follow those decisions. 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 in the planning and coordination of movement of goods into your supply chain.

ADDITIONAL INFORMATION

You may seek information from previous checklists that is no longer expressed in this edition. To maintain a practical size Checklist with a broader base something had to give! However, this is not totally lost to you. Clients of Oliver Wight have free access through their Oliver Wight Associate to supplements to these chapters. This is where we have captured the more detailed challenges from the fifth edition should your program require them.

MEASURES

Prime performance measures are included at the end of each chapter of this Checklist, but we have not published the detailed appendices of recommended measures. In a fast-moving world, we wanted to be able to update and add freely to these. So you will find them openly available on our website at www.oliverwight.com, along with a new glossary that is designed to take away the confusion of any new terminology. You will find this approach more relevant to your business needs.

RECOGNITION OF EXCELLENCE

Last, you will see a new scoring system, using a more natural 5-point scale, and a new way of recognizing your steps toward excellence. We are mindful that against a broader and higher standard it will take you longer from the same starting point to achieve Class A Business Excellence in practices and performance than the previous checklist. As you
start this journey to excellence, we will invite you to set a total excellence program with prioritized projects and initiatives, each giving you business gains in a relatively short timescale while taking you a step further toward your longer goals. Our recognition of your success will come in three forms:

- **Class A Business Excellence:** The full Class A award when an entire business meets the requirements of all chapters of this checklist.
- **Business Unit Class A Accreditation:** To recognize the achievements of a stand-alone business within a larger multiunit business that meets all the requirements of its appropriate chapters.
- **Class A Recognition Award:** To recognize predetermined projects and milestones in your business improvement program that have delivered their planned business gains on the journey to Class A Business Excellences.

The demands on a successful business are racing ahead, and without an aggressive excellence program, you will fall behind your competition. Your Business Improvement Program must be structured and targeted to deliver rewards for your customers and your owners. It is your route to winning consistently in business.
As each day passes, companies in every sector of business get faster, smarter, and more innovative. In producing this latest version of our famed Checklist of Business Excellence, we have set a new Class A standard of excellence and established the basic principles that are important for a company to achieve outstanding performance today. This chapter of our checklist sets out those foundations and documents the main assumptions we have made about practices and processes in excellent companies.

**ACHIEVING EXCELLENCE**

Our first assumption is that we are all in business to win: excellent companies win consistently and win more than their fair share. They set the standards in their chosen markets and serve their customers better than the competition. They outperform the competition sufficiently to differentiate. There is no point in any excellence program if it does not seriously deliver what the customer wants.

Our second assumption is that they will also outperform in delivering what their owners, the shareholders, want in cash flow, return on assets, and growth.

Last, all the other company stakeholders also have to be satisfied, especially the community and its environment and, of course, the employees who are increasingly the biggest differentiator that any company can have.

**EXCELLENT PERFORMANCE**

You will need a process to define excellence for your company. This definition will drive the targets and goals of the company. The process tells your company enough about itself and its market to put numbers on the targets and goals. We expect this to be “upper-quartile” performance
in your sector. We do not see this as a complex concept nor as a demand on you that leads to eternal statistical debate. Put simply, you know what being “ahead of the game” means for you, and you can demonstrate that your balanced performance to all your stakeholders puts you in the upper quartile of companies in your sector or market place. You know how you will maintain that winning position. You will be challenged on this in the chapter “Managing the Strategic Planning Process.”

The chapters capture the vast knowledge and experience of Oliver Wight associates around the world and our thousands of clients in setting out the practices and processes that we see as excellence today. This is a minimum standard for an excellent company. You may be fortunate that your business sits in a sector that is relatively undemanding, but be assured that the demands of excellence will come and will come faster than you may expect. Alternatively, you may find that you are in a very demanding sector and that you need to be in advance of these standards to win. This may be so, but understand that the foundations of excellence are the same for every company in every sector and they are the entry qualification to any higher performance. We are setting our minimum standard as the practical foundation for wherever this exciting world takes us next.

THE JOURNEY TO EXCELLENCE

The journey to excellence is tough and uncompromising. It is never ending and is applied to every part and every process in the company. For such a journey to be sustained, it must continually deliver results and gains for all its stakeholders. The journey is a series of bite-sized projects with short timescales. These build into a longer business improvement program that assures success now and in the future. Improvement activity must be prioritized to the current needs of stakeholders while delivering the firm foundations for future advanced work. As in building a house, we risk everything if we are not sure that the right foundations are firmly in place before we start the walls, and that they are right before starting the roof and on to the finishing processes.

The Oliver Wight Business Maturity Map (see Figure 1) enables you to understand the maturity of your business and the projects within your business improvement program that will deliver the best real gain now. This is addressed in the Oliver Wight education, which is arranged both publicly and privately in all parts of the world.

First you must address the root causes of firefighting or event-driven management in your business. Unplanned events may be driven from the
market place because your customers require more than your standard processes can deliver; or they may arise from your own in-house indiscipline in the way you work and your behaviors as a total team. Left unresolved, firefighting drains management time and energy in solving the same issues over and over. It prevents gains from problem-solving and team-based initiatives being sustained. Tackling the root causes of being event-driven constitutes Phase 1 of your journey toward excellence.

With the foundation of a well-planned and coordinated business in place, you can expect sustainable gains from problem-solving initiatives. You may choose to accelerate your processes, make them more agile, or absolutely eliminate the root causes of failure in them. By doing so, you will be capturing the knowledge and experience of your people at all levels of the company into its processes and procedures so that it is not lost when people move on. Projects that eliminate the root causes of failures and capture knowledge in your company processes form Phase 2 of your journey toward excellence. This checklist is benchmarked and expects that processes and behaviors of a Class A company will be in the top half of this Phase 2 maturity.

In Phase 3 a step change in productivity and effectiveness is sought by implanting this accumulated knowledge of the business into its systems and machines. Increasingly those systems become more intelligent and demand less and less human intervention in decision making. People play a more vital role at this time, focusing on the integrity and management of sophisticated processes rather than traditionally managing products and orders through processes. This phase is not about the number of computer terminals or computer controlled machines in your operations. It is about your confidence that those systems will make the right decisions in all circum-

Figure 1. The Oliver Wight Business Maturity Map
stances. Phase 3 is not yet included in this checklist. However, the standards we have included ensure that you will be well prepared for this activity.

Last, Phase 4 is getting the architecture of the knowledge-based systems in each process across the entire company so that they communicate with each other as one and give a seamless decision-making stream to the customer. This frees your people in small teams to develop and grow business sectors and so develop the entire business.

**IMPROVING THE EARLY PHASES**

Most of us will be in businesses predominantly in the first two phases. How much of your working time is spent dealing with unplanned events, and what can you do about it? The Oliver Wight Jigsaw Puzzle (see Figure 2) helps us to understand this more. The analogy here is simple. When we do a jigsaw puzzle at home, we always look for the corner pieces first because they are easy to find, quick to put in place, and they give foundation and structure to everything else. Of course we leave the blue sky work to the end when it has more relevance.

So if you want to eliminate unplanned events from your business, then the four most rewarding actions are likely to come from addressing the jigsaw puzzle corner pieces.

1. Ensuring that people undertake their work consistently, using the approved processes that are always up to date. Without this culture, improved processes will be followed no better than the old. You will be challenged on this issue in the “Managing and Leading People” chapter.

2. Ensuring that your people own, and are responsible for, the work that they do and the improvement of the processes they use. They will also own their workplace, its maintenance, and any tools, machines, or systems that they use every day. You will be challenged on this in the “Driving Business Improvement” chapter.

3. Having one clear set of priorities and one set of numbers that are acknowledged and used throughout the business. There must be one clear agenda from the top to the bottom of the company and across all its processes and functions. The Oliver Wight Integrated Business Management process tackles this issue, and you will be challenged on this in the “Integrated Business Management” chapter.

4. Having robust planning processes that support the company agenda process, which are realistic and which are followed and regularly fulfilled throughout the business. You will be challenged on this in the process chapters (5 to 9) of this checklist.
Getting these cornerstones firmly in place will assure you that Phase 1 of the maturity map is sound enough to build Phase 2 activities. Phase 2 activities accelerate the processes in the company and make them failure free. They are typified by the jigsaw edge pieces and are detailed in the challenges posed in the “Driving Performance Improvement” chapter.

INTEGRATED BUSINESS MANAGEMENT

The Oliver Wight Integrated Business Model is shown in its simple form in Figure 3. It is driven by Integrated Business Management. This is the renowned standard for managing the business over a rolling horizon. It keeps the entire organization on a single, agreed agenda for success. The process formally reviews the plans across the entire business on a monthly basis, seeking gaps between latest predictions and accepted goals. It has evolved from the familiar Sales and Operations Planning process to provide a comprehensive process for decision making to regularly close the gap between predicted business performance and the strategic goals in the business and strategic plan.

This process has monthly reviews of the vital processes in your business that control local plans and present an updated business plan regularly to the leadership team for agreement and approval. You will be challenged in depth about this business process in the “Integrated Business Management” chapter. In brief, the process seeks to:
1. Manage Products and Services to determine the introduction and phase out of products and associated activities to meet the Business plan
2. Manage Demand and Sales activity to win business and meet the Business plan
3. Manage the Supply Chain including internal and external sources of supply to ensure that demand plans are operationally achievable and will be met to achieve the overall business targets
4. Understand information and reconcile the issues, both operational and financial, from these processes to achieve an updated plan for the business that is agreed and approved by the leadership team

However, for this process to bring order and control into the business, its supporting processes must be capable of meeting the day-to-day demands placed on them now and in the future. Each element of the integrated business management process must have continuously running and robust processes to drive the business and make everyday decisions. The processes are defined in detail in the remaining chapters of the checklist:

- Chapter 5: Managing Products and Services
- Chapter 6: Managing Demand
- Chapter 7: Managing the Supply Chain
- Chapter 8: Managing Internal Supply
- Chapter 9: Managing External Sourcing

**SUMMARY**

Our Checklist is founded on clear and well-established principles:

1. It is performance based and requires you to have a process that identifies the challenge for you to win in your sector and to quantify what upper-quartile performance means for you.
2. The journey to excellence for any business requires a solid foundation of ownership, consistent working, and planning upon which to build high gain improvement activity.
3. The Oliver Wight process of Integrated Business Management, which has evolved from Sales and Operational Planning, is the standard for keeping a business on a single agenda of priorities, actions, and performance is measured by a single set of figures.
4. Robust planning and execution processes are needed to manage the business.
THE IMPORTANCE OF PEOPLE

Last, we must return to the subject of your people. You seek to be more effective and productive by moving knowledge from your people into the systems of the company. As productivity increases, you have the opportunity to grow the company significantly. As processes become more sophisticated and higher performing, your people become much more important to the company and its performance. You will be challenged to manage processes rather than functional silos; those processes will need people to work together in self-managed teams where disciplines and functions are mixed together to run the business, and your people will be faced with ever more complex tools and systems through which the business is run. We set out the challenge on people in the “Managing and Leading People” chapter. It asks how they are valued, how they are led, how they are developed, how they find out what is going on in the business and, most important of all, how their successes are recognized across the company. 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.
HOW TO USE THE CHECKLIST

THE CLASS A CHECKLIST PURPOSE

While there are significant changes and advances in this Class A Checklist over previous editions, its purpose for you in your company remains refreshingly the same.

• It is by far the longest running excellence checklist available to you that is regularly updated with latest practices and process knowledge. It is not a theoretical model but is the accumulated knowledge and experience of Oliver Wight associates across the world and their clients in thousands of companies.
• It is a real benchmark of excellence today, which must be used to raise awareness of what is possible in every part of your company and to challenge the status quo.
• It establishes the gap in every part of the business between your status today and where you would like to be and enables you to establish a prioritized agenda for your journey to a defined Class A standard of excellence.
• It provides a mechanism to cascade ownership for change and for achieving excellence to those actually engaged on performing work every day, encouraging them to be a part of the assessment and sharing ownership of the results.
• It is a vehicle to coordinate multiple actions across all business processes in a consistent approach to excellence in the entire business, minimizing suboptimization.
• It provides an agenda with clear recognition of achievements and provides public and global recognition.

There is no better way of engaging your entire workforce in an ongoing total excellence program that delivers real and sustained business gains.
EXCELLENCE PERFORMANCE

The new Checklist is designed and written to apply to businesses in every sector and is structured with a chapter for each major process that you will find in most businesses. In setting the agenda to win consistently against the competition, this Checklist challenges that excellent processes in themselves are not enough. They must deliver an excellent performance that differentiates. The Checklist calls for a company to have an ongoing process of discovery of what is possible, what the customers and consumers really want, and what the competition are doing. All of this will enable a benchmark of upper-quartile performance. Put simply to win consistently you must be demonstrably better than the competition in those things that are important to the customer.

CHECKLIST STRUCTURE

Within each Chapter there are typically 10 main subjects, most of which have two Definitions of excellence. It is the scoring of each Definition that determines your overall score for the chapter and whether you have reached Class A Business Excellence standards in this business process.

To help you determine this score, each Definition is further divided into (typically) five Topics, each with its own detailed Description. There is an opportunity to score each of these descriptions to help you to the right score for the Definition and to see in greater depth your performance gaps. However, these detailed scores are not directly used in scoring a chapter and a total business.

HOW TO USE THE CHECKLIST

The checklist is written and prepared as a practical assessment tool that is used for original gap analysis, for prioritization of activity and discrete improvement projects, and for ongoing review of progress of the journey toward Total Business Excellence.

Those conducting the assessment must be educated and knowledgeable about best practices in business in order to interpret the Definitions
and Descriptions for the business being assessed. It is easy to award unreasonably high or low scores when not intimately familiar with excellence and best-practice standards generally held in the Subject and without close knowledge of the intent behind the Definition and its Descriptions.

To get a balanced view of the complete process or the total business it is also important to understand the integrated nature of the checklist and the interrelationships between the priority and process Chapters.

The prioritization of improvement projects requires a practical and working knowledge of the Oliver Wight Business Maturity Map to properly identify the early activity to give quick gains while also laying the foundation for the total excellence journey.

For all of these reasons an independently facilitated approach to the initial diagnostic and ongoing assessment of your business is strongly recommended.

- To clearly identify and agree the scope of the Checklist that applies to your business
- To set a clear and independent benchmark that is consistent through the entire organization
- To set a manageable program of excellence activity through the whole business that allows the total business to advance, together with clear deliverables that benefit the business stakeholders
- To establish at the outset the work and deliverables that will qualify for the unique Oliver Wight Class A Milestone Award for each substantial business improvement achieved
- To create a meaningful plan that can be resourced and afforded for the entire journey to Oliver Wight Class A Business Excellence

SCORING AND RECOGNITION

The scoring system has been changed in this edition of the checklist to a more natural base of 5 and no fraction less than 0.5 is permissible at any scoring level. The scores are defined as:

- **Score 0 (Not Doing):** Practices are required for this business, but they do not exist at present.
- **Score 1 (Poor):** Practices exist, but they have not been developed to contribute to the business and its improvement.