

Process-centric Organisation Redesign Overview

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1. Introductions

2. Context

3. Our approach

4. Critical Success Factors

5. Discussion

6. Appendix



Name	Pete Caldwell
Position	Partner
Qualifications	Chartered Engineer and holds degrees in Engineering and Management from the Universities of Exeter and Cambridge
Professional experience	<p>Pete has been in management consultancy and operations management since 1994. He is responsible for leading and developing Tefen's Operational Excellence offering within the Life Sciences sector in Europe.</p> <p>His background and expertise include:</p> <ul style="list-style-type: none">- Operations strategy – formulation and deployment- Business and operational excellence transformation- Project management and organisational development- Biopharma benchmarking <p>Pete has experience of consulting across a number of sectors, for clients including Alcatel, AstraZeneca, Boots, GSK, Johnson and Johnson, and Merck Sharp and Dohme</p>



Name	Graham Page
Position	Partner, Life Sciences
Qualifications	BSc in Management Science; Aston University MBA ; London Business School Lean and Six Sigma practitioner and trainer
Professional experience	<p>12 years' experience in supply chain, manufacturing and project management primarily within the life science and automotive sectors.</p> <p>Early career managing lean supply chain projects for MG Rover, Jaguar and Unipart Automotive.</p> <p>With Tefen Ltd since Jan 2005 specialising in Life Sciences Operations Excellence. Recently involved in scoping and delivering;</p> <ol style="list-style-type: none">1. Restructuring in Manufacturing – value stream organisation at both the site level and above-site to reduce cost and improve delivery2. Life Sciences diagnostic benchmarking and improvement roadmapping – drawing from our rigorous methodology and industry best practices (we now have over 60 sites and 120 metrics) to drive improvements in Development, Manufacturing, Quality and Supply Chain.3. Capacity modeling, mid-term planning and short-term scheduling - implementing processes to help manufacturing meet demand reliably

Delivering Performance Excellence

We are a global consulting firm that helps Senior Executives develop strategy, implement change and generate value.

Our clients include FTSE 100 and Fortune 500 organisations from all sectors.

Over the past 28 years we have built a reputation for effective partnership and tangible results.



Our differentiators

Results-oriented

We are dedicated to the guaranteed delivery of significant and quantifiable performance improvements

Cooperation

By building trust, our partnership and team work ensure continuous, sustainable improvement

Organisational culture

Our highly-skilled and professional people are fully committed to equipping you with the knowledge and tools to support you in reaching your goals

- Business Strategy
- Corporate Strategy
- Supply chain Strategy
- Marketing and Sales Strategy
- M&A and Due Diligence
- International Strategy

Strategy

Operations Excellence

- Production (Lean-Management, Six Sigma, etc.)
- Supply Chain Management
- Organisational Quality Excellence
- R&D and product launch enhancement
- Sales Maximisation and Service Enhancement

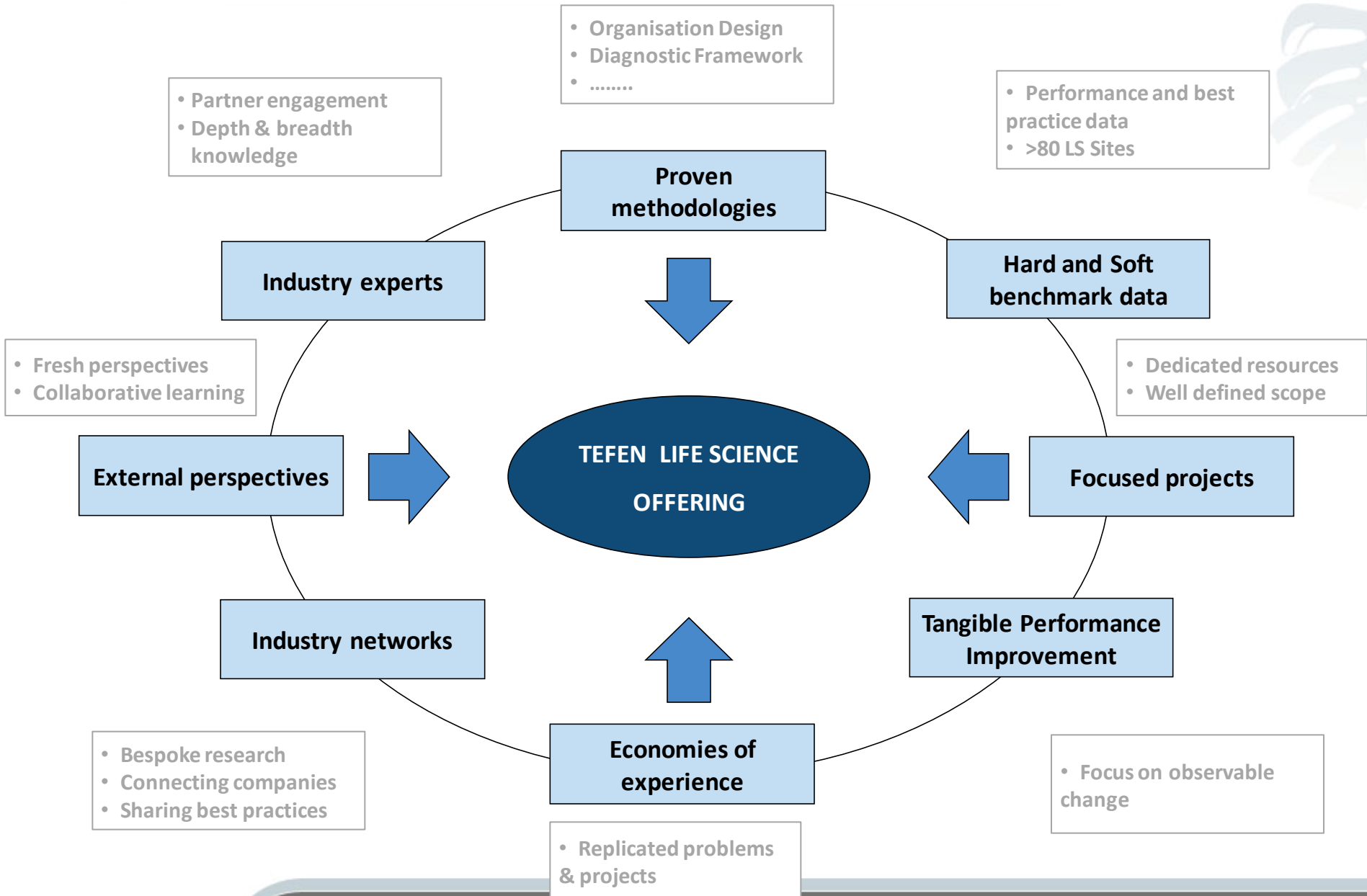
Project Management

Organisational Development

- Portfolio management
- PME Process Improvement
- Product launch support
- Training and Coaching
- Process Optimisation
- Value Generation

- Change Management
- Training
- Coaching and Support
- Knowledge Management
- Vision and Core Values Development

Delivering Performance Excellence



All sectors



Recent life sciences clients



We have worked with 43 of the top 50 life sciences companies

1. Introductions

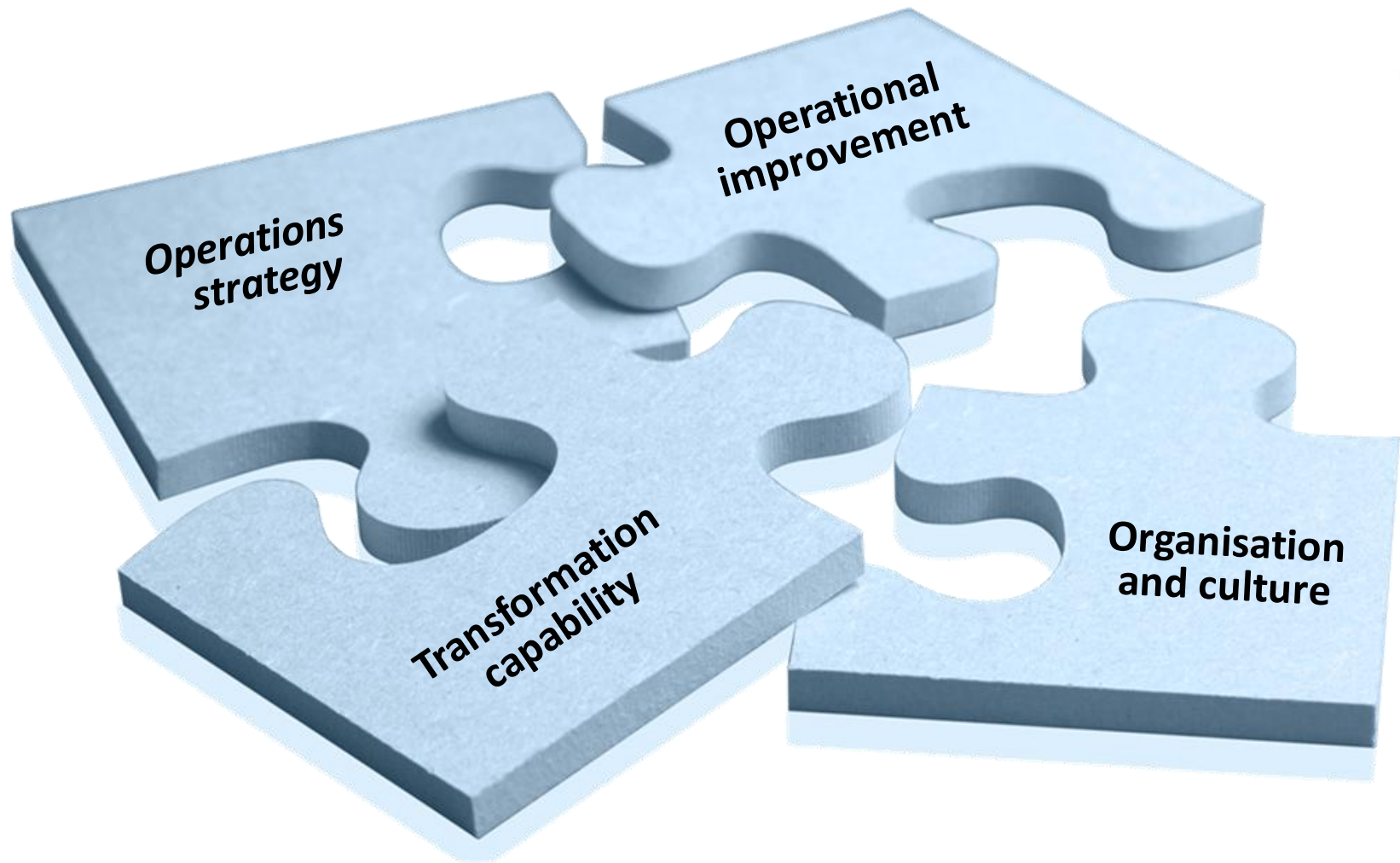
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3. Our approach

4. Critical Success Factors

5. Discussion

6. Appendix

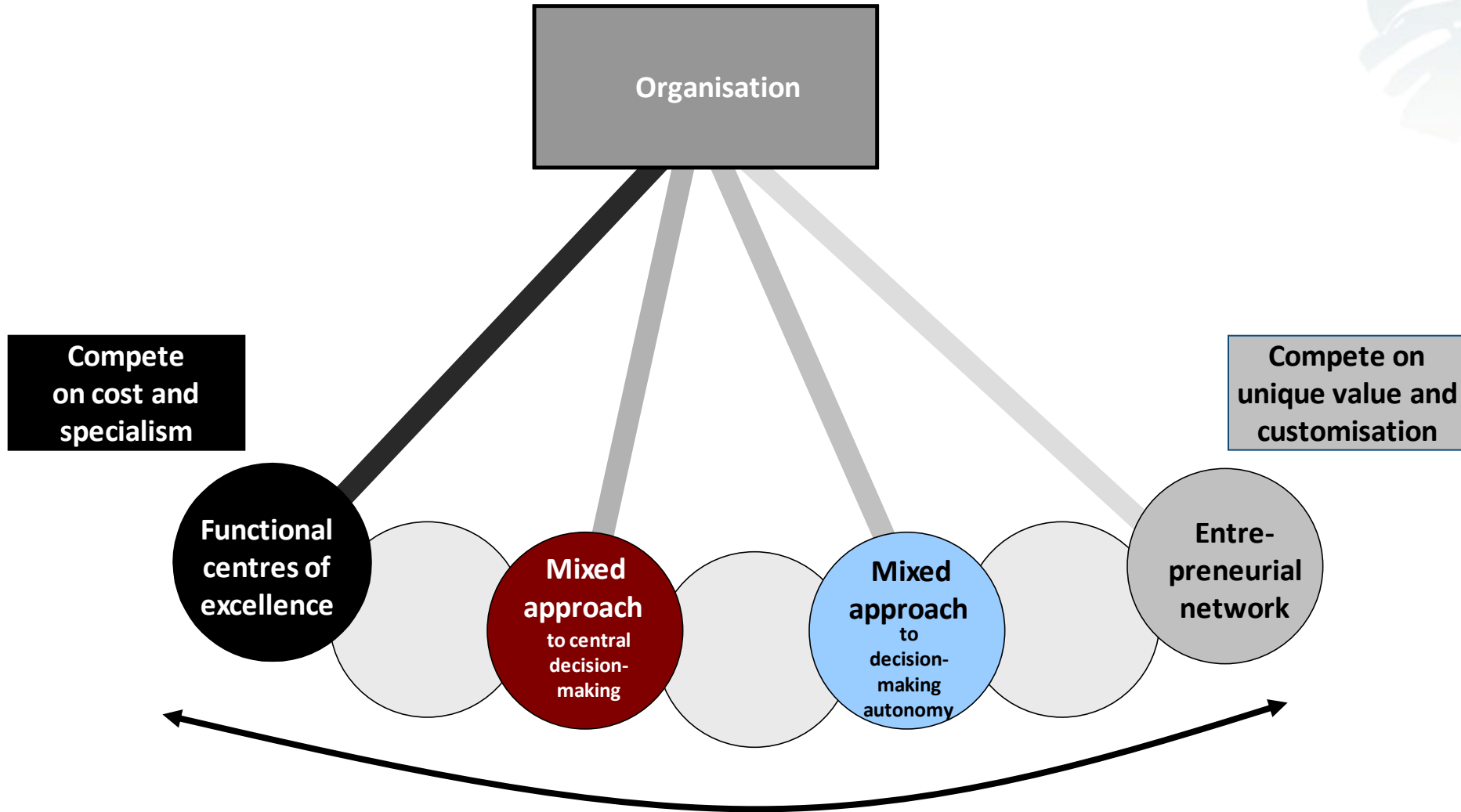


All Sectors

- 1. Separation of innovation & delivery increasing**
 - Independent innovation cells aiming to develop disruptive products
 - Manufacturing development focused on incremental change
- 2. Delaying & empowerment seen as a priority**
 - Middle managers perceived to increase inertia and add little value
 - Renewed faith in self managed teams
- 3. Outsourcing and specialisation continue to be valued**
 - Removing non core activities
 - Reducing overhead

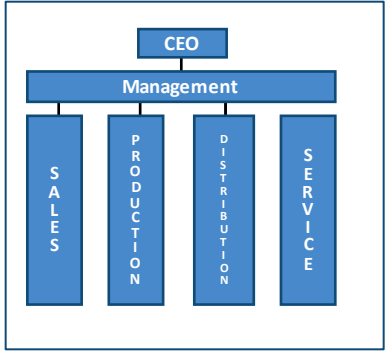
Life Sciences

- 1. Value streams on the increase but not across sites**
 - Increased customer focus through allocating more resources in value chain to one manager on site
 - Typically focused on internal customers (next step in mfg process) not end users
- 2. All reorganisations review broad range of issues**
 - Desired culture (usually 'Lean')
 - Measures (aligned and driving behaviours)
- 3. Increased focus on improving balance between direct / indirect resources**
 - Benefits expected to be realised in support functions

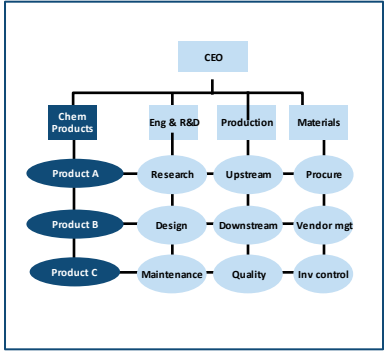


Understanding the attributes of different structures

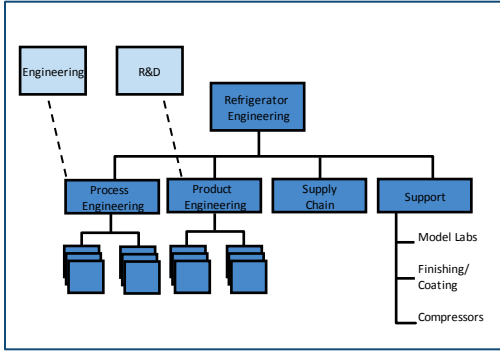
Functional



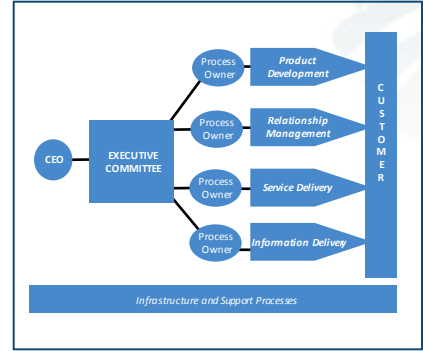
Matrix – Functional bias



Matrix – Project bias



Process Centric



Advantages	Advantages	Advantages	Advantages
<ul style="list-style-type: none"> • Consistent standards • Expedites vertical information flow • Economies of scale • Clear roles 	<ul style="list-style-type: none"> • Relatively flexible • Allows for flexible careers • Strong problem-solving focus • Creates vertical and horizontal information flow 	<ul style="list-style-type: none"> • Flexible, i.e. makes best use of skills required at a point in time • Promotes a variety of work • Development of new skills 	<ul style="list-style-type: none"> • Eliminates functional silos • Increase in co-operation • Reduction in response time • Increase in accountability • Increase in customer-focus • Enriches jobs
Disadvantages	Disadvantages	Disadvantages	Disadvantages
<ul style="list-style-type: none"> • Responds slowly • Lacks flexibility • Limits horizontal information flow • Co-ordination and control problems 	<ul style="list-style-type: none"> • Inherent conflict between functional & project managers • Accountability gaps • Double the managers – increased cost 	<ul style="list-style-type: none"> • May not have appropriate skills to fill roles • Disruptive in terms of continuity of management, • Continual requirement to review structure on an ongoing basis 	<ul style="list-style-type: none"> • Often requires redesign of facilities • Culture change required • Requires rethinking of traditional career paths • Risk of horizontal silo
Typical Industries	Typical Industries	Typical Industries	Typical Industries
<ul style="list-style-type: none"> • Heavy engineering, oil & gas, monopoly 	<ul style="list-style-type: none"> • Often found in process manufacturing (eg pharma) 	<ul style="list-style-type: none"> • Highly innovative industries (Telecoms, Hardware etc) 	<ul style="list-style-type: none"> • Automotive

Relative benefits of different organisation structures

		Functional (silo)	Matrix (functional bias)	Value-stream with CoEs	Matrix (project bias)	Product & Process oriented
Customer focus	Focus and feeling of accountability towards end-customer	1	2	4	4	5
	Info flow & activity handover between departments	1	2	4	3	4
	Easy if customer needs multiple products and services	4	3	2	3	4
		2.0	2.3	3.3	3.3	4.3
Flexibility, creativity	Flexible, responding to problem-solving & customer needs	1	2	4	3	5
	Conducive to innovation	2	3	3	3	4
		1.5	2.5	3.5	3.0	4.5
Economy, efficiency	Creates efficiencies through economies of scale	5	3	2	2	2
	No duplication of business processes	5	4	3	3	5
		5.0	3.5	2.5	2.5	3.5
Functional excellence	Consistent standards & functional loyalty	5	4	1	3	2
	Clarity of roles and relationships	5	2	4	2	3
	Easy coordination of specific issues	3	3	5	4	4
	Ability to measure productivity/quality	3	3	4	3	5
	Simplifies training	4	3	3	2	2
		4.0	3.0	3.4	2.8	3.2
Clarity	Simplicity & harmony between functions & processes	5	2	3	2	4
	Expedites vertical information flow	5	4	2	3	1
	Allows for product cost tracking	1	2	5	2	3
	Customer knows who to contact regarding process	5	3	2	2	4
		4.0	2.8	3.0	2.3	3.0
Motivation	Reinforces professional identity and transferable skills	5	4	2	3	4
	Staff enfranchised between projects	5	4	2	3	4
	Enriches jobs	1	4	3	4	3
	Traditional vertical career paths still valid	4	5	2	3	2
		3.8	4.3	2.3	3.3	3.3
Project / problem-	Creates strong problem-solving or goal focus	4	3	4	4	4
	Results in clear and visible project objectives	2	3	4	4	5
		3.0	3.0	4.0	4.0	4.5

Tefen Experience of Life Science Sites

- **Costs too high (especially indirect & support costs)**
 - QA, QC, Engineering, Maintenance, IT, corporate functions...
- **Evidence that traditional functional organisation structure root cause of poor on time delivery and confusion**
- **Evidence of low morale – people feeling they are not valued**
- **Traditional functional cost-cutting has negatively impacted delivery**

Key Benefits of Process Centric Organisation

- **Economy & Efficiency; Streamlined processes eliminating duplication & waste**
- **Customer Focus; the organisation is fully aligned with the customer enabling consistent on time delivery**
- **Flexibility; value stream leaders own end-to-end resources, ensuring they have the power to make things happen to meet changing customer needs**
- **Problem solving; empowerment combined with roles owning process result in fast high quality problem solving**

A 'process-centric organisation' will serve customers better, add more value throughout, increase employee satisfaction, and reduce cost

What is a process centric organisation?



- The organisation is split along value streams (by product or product group) with value stream leaders accountable for end-to-end delivery to the customer and with access (where possible through line reporting) to all resources required to achieve the delivery.**
- Activities detached from day-to-day activities sit in functional centres of excellence**



Organisation

- Simplified processes**
- Split between value stream and centre of excellence roles**
- Planning and reviewing built into every process where possible**
- Organisation's size and skills based on business needs**

Culture

- Leaders at all levels accountable for care and growth of employees**
- Employees empowered; decisions taken at the lowest safe level**
- Roles reinforced through consistent rewards & penalties**

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3. Our approach

4. Critical Success Factors

5. Discussion

6. Appendix

Top Down



- Corporate defined boiler plate standardised for all sites
- Including roles (incl. IPT vs CoE), performance measures, management routines
- Corporate sign off required for deviations
- Corporate target setting

■ Pro's

- Benefits of uniformity between sites
- Fast implementation

■ Con's

- Local hidden variation
- Lack of local buy-in to changes

Bottom Up



- Corporate defined high level view of organisation e.g. PCO
- General guiding principles for defining structure
- Site defined roles, performance measures, management routines
- Corporate target setting

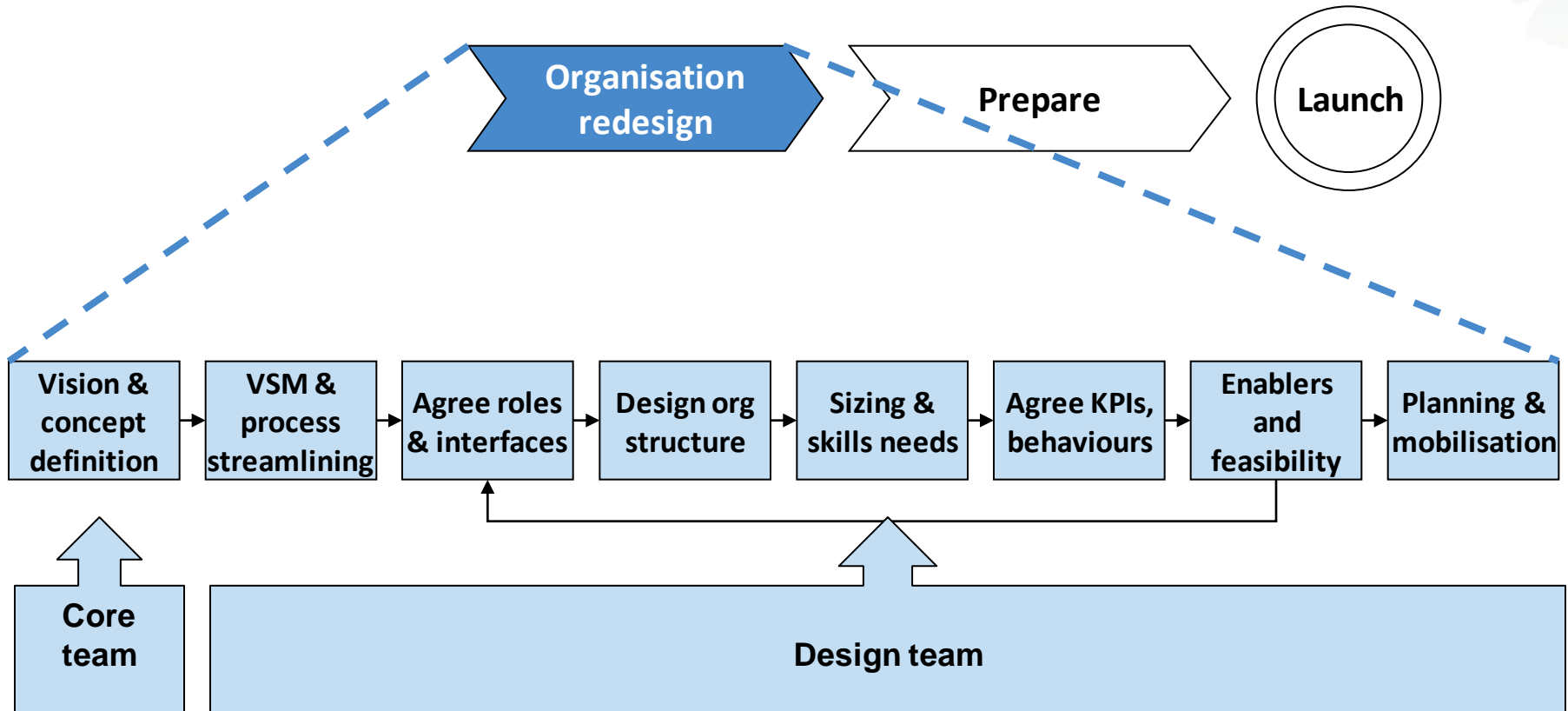
■ Pro's

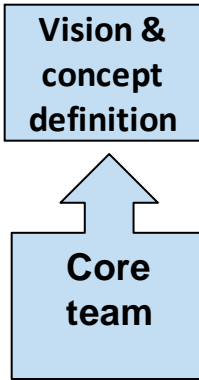
- High likelihood of right fit for site
- Better understanding of fundamental principles supporting future decision making

■ Con's

- Can take more time
- Risk of sub-optimal decisions reached through negotiation

Design phase: what are the 8 steps?





- Selection of organisation structure
- Broad standard setting for organisation philosophy
- High level view of goals of re-organisation

Vision – set by the site head & core team ...

example

Org designed to maximise process effectiveness

- The structure will surround the product value-streams from A to Z
- IPTs will be defined by the needs of the *product* (market and technology)
- Minimised layers: target of 4, and an average span of 9 (for sites up to 820 people)
- The new organisation will reduce bureaucracy; we need to train our people, but will need fewer of them

Processes streamlined to maximise efficiency

- Plan-do-review: planning and KPIs will be within the remit of every process
- We will have clearly defined outputs and SLAs for internal and external customers
- We will build the capability and authority within IPTs and CoEs to drive out waste
- We must ensure we have processes to manage any conflict between IPTs and CoEs

Targeted, empowered, and managed workforce

- Appropriate balance between 'management' and 'leadership' for each role
- Employees empowered; decisions taken at the lowest safe level
- Objectives and behaviours reinforced through consistent rewards / penalties
- Accurately cascade KPIs filtering throughout organisation

... the org design team will detail how to reach the vision, and when

Organisational redesign typically takes 50 – 60 days

	Step	Elapsed duration	Company resources	Tefen
1	Process evaluation – impacts & priorities	4 days	<ul style="list-style-type: none"> •Org. Team (4 x 3 days) •SDO (1 x 1 day) •SLT (12 x 1 day) •HR (1 x 2 days) 	5 days
2	Value-stream map (current and future)	5 days	<ul style="list-style-type: none"> •Org. Team (4 x 3 days) •Line Team (2 x 3 days) •Process experts (2 x 3 days) 	10 days
3	Process streamlining – identify & eliminate NVAs	10 – 15 days	<ul style="list-style-type: none"> •Org. Team (4 x 10 days) •Line Team (3 x 3 days) •Process experts (2 x 3 days) 	20 days
4	Org structure, roles and workload design	17 days (part done in parallel)	<ul style="list-style-type: none"> •Org. Team (4 x 13 days) •Line Team (2 x 3 days) •Process experts (10 x 1.5 day) •SLT (12 x 1 day) •HR (1 x 1 day) 	25 days
5	Enabling projects: development & portfolio mgt	TBD	•TBD	TBD
6	Definition of KPIs and targets	5 – 10 days	<ul style="list-style-type: none"> •Org. Team (4 x 6 days) •SDO (1 x 2 days) •SLT (12 x 2 days) 	10 days
7	Design process for management and continuous improvement	8 days	•Senior management team (5 days)	10 days
8	Planning and mobilising the implementation	2 weeks	•TBD	TBD

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1. **Create a sense of urgency**

- Time & effort must be put into identifying a case for change
- The urgency must be significant to break organisational inertia

2. **Establish & communicate a clear vision**

- From the leadership with clear & simple message
- High energy, high commitment in communication from all leaders

3. **Empower the organisation to make the change**

- Middle managers will deliver the change & benefits
- Novel approaches to project identification/selection may be needed

4. **Change more than just the structure**

- Implement 'Lean behaviours'; empowerment, new management routines
- Implement a new set of aligned performance measures

5. **Identify quick wins, & celebrate them**

- Critical to sustaining momentum, quick wins must be planned
- Communication & celebration of successes help overcome resistance

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3. Our approach

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6. Appendix

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2. Context

3. Our approach

4. Critical Success Factors

5. Discussion

6. Appendix

Tefen worked with a major pharmaceutical manufacturer to support their global lean manufacturing initiative across 11 sites. The aggressive target of reducing operational cost by 30% over three years, and lead-time by 50% was achieved during the programme.

**P
R
O
B
L
E
M**

A leading pharmaceutical company was suffering from competition from the East, a weak pipeline, and problems in the market place. The share-price was at its lowest level for many years, and a step change in cost structure was required to bring the company into higher ROI and restore market confidence.

**R
E
S
P
O
N
S
E**

A lean manufacturing programme was initiated across all manufacturing sites worldwide. Tefen provided methodology and experience in 4 key areas:

- Supported the implementation of new value-stream configurations
- Led the organisational realignment programme within each site
- Supported design and implementation of the visual management systems
- Provided post-go-live support to ensure change was as smooth as possible

**R
E
S
U
L
T**

Costs and lead-times have been reduced in line with targets. The company's share price has been restored to previous levels, and the programme had a 10:1 ROI



1. Is there a 'right organisation'?

A. No, the structure needs to reflect the site strategy and practical impact of change

2. How long does it take before we see the benefits come through?

A. Benefits are generated through a range of enabling projects – typically ~30% per year over 3 years

3. Why don't we ask functions to reduce costs 10% across the board?

A. Changing the org improves performance while reducing costs, flat cost reduction often harms quality

4. How long does it take? How much effort?

A. Defining the vision can take months, but site implementation usually lasts 3-6 months

5. What is it about changing the structure that delivers the required benefits?

A. The benefits are derived from many areas – changing the organisation is both an enabler and a catalyst to improvement initiatives

6. How does the site change link into corporate structures ?

A. It is not uncommon to have to ensure that sites centres of excellence mirror the corporate structure, the change process gives an opportunity to reflect on the effectiveness of the current linkages and to develop roles and processes that ensure high quality interfaces outside the site



1. Who are the likely winners and losers?

- A. The IPT wins because it increases ability to deliver to the customer, the CoE win because they focus on core value added activities

2. What is my role in the process?

- A. Supporting the process and role review and planning the implementation primarily

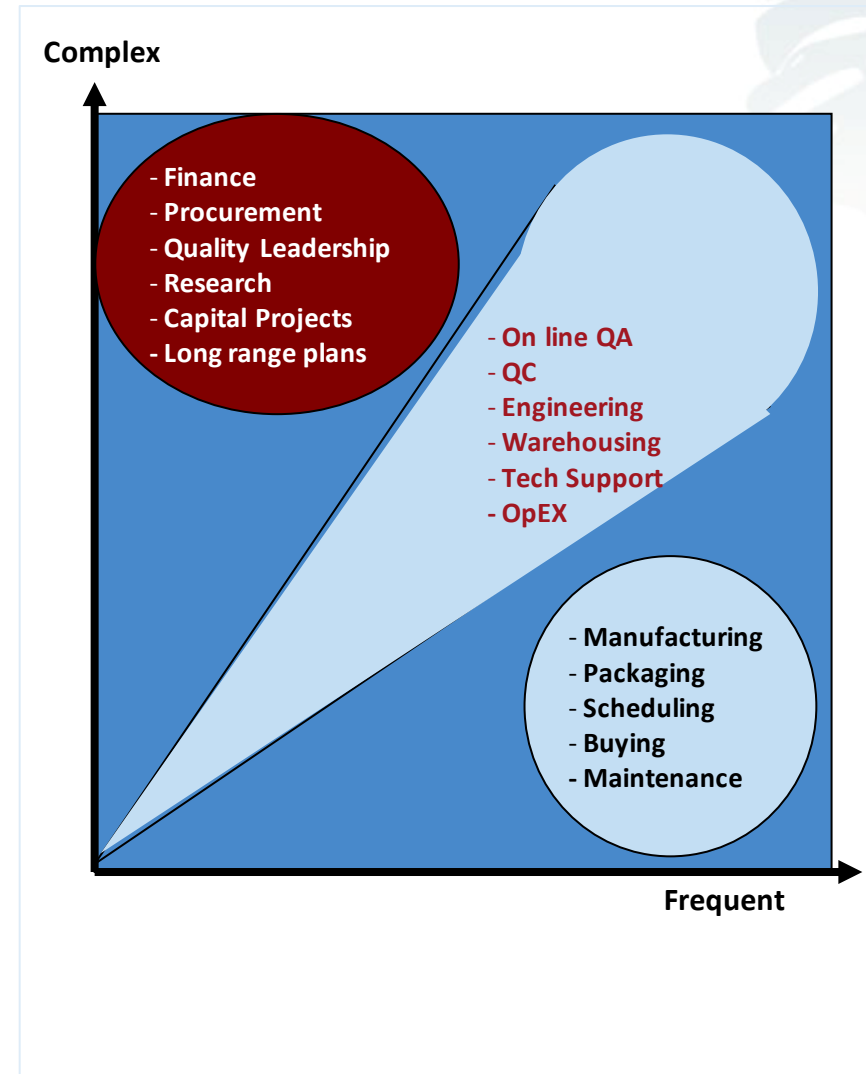
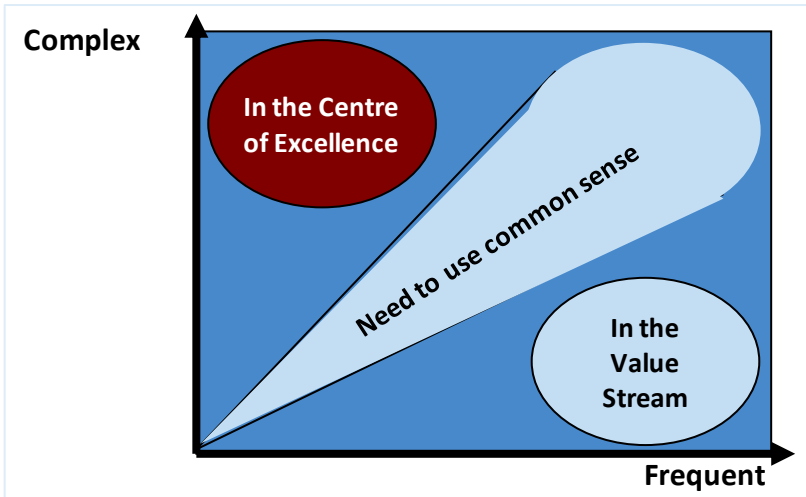
3. What is the role of unions in the process?

- A. The unions must be engaged from the start, they should be involved in developing the vision through to implementation

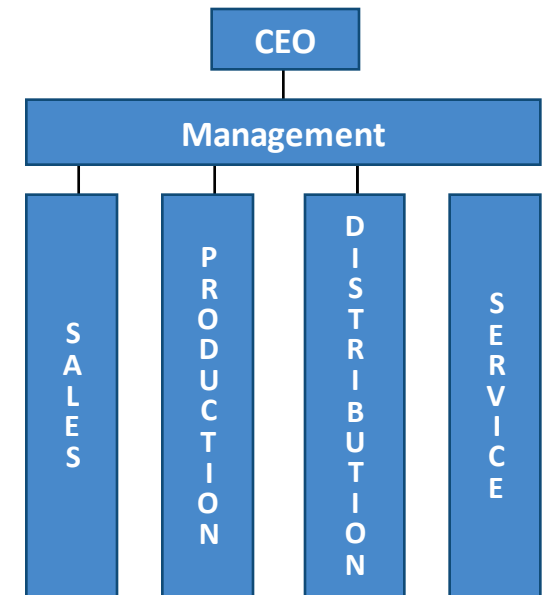
4. How will my day-to-day role change?

- A. A clearer split between roles & activities related to day-to-day delivery & strategy and increased levels of empowerment to manage reduced supervision levels

Defining the roles within the process teams



- **Units defined by skill specialisation.** Each unit responsible for performing a particular function for the entire organisation.
- **Most intuitive structure for large companies with outputs that are:**
 - Limited in number
 - Not subject to customer specification
- **Advantages**
 - Encourages consistent standards & functional loyalty
 - Expedites vertical information flow
 - Creates efficiencies through economies of scale
 - Simplifies due to the clarity of roles and relationships
- **Disadvantages**
 - Responds slowly
 - Lacks flexibility and common goal focus
 - Limits horizontal information flow
 - Suffers from co-ordination and control problems
 - Tends to produce bottlenecks in business flows
- **Heavy engineering, oil & gas, monopoly**



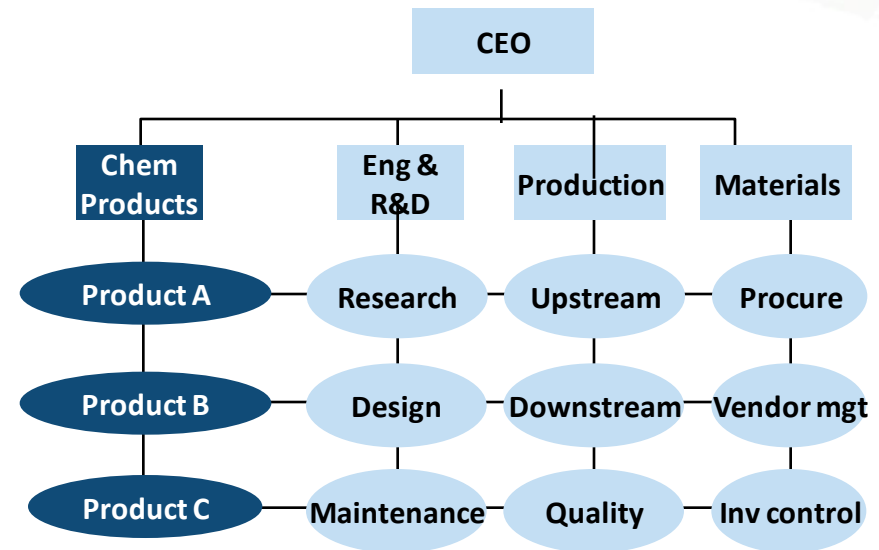
- Combines functional and product forms by dividing responsibility into “functional” and “operational”, with emphasis on Centres of Excellence
- Often found in process manufacturing (eg pharma)

- **Advantages**

- Relatively flexible
- Allows for flexible careers
- Strong problem-solving focus
- Creates vertical and horizontal information flow

- **Disadvantages**

- Inherent conflict between functional & project managers
- Ambiguity – who do I report to? Whose fault? Who takes the decision?
- Double the managers – increased cost
- Difficult to measure costs
- Encourages interfacing of activities across departments

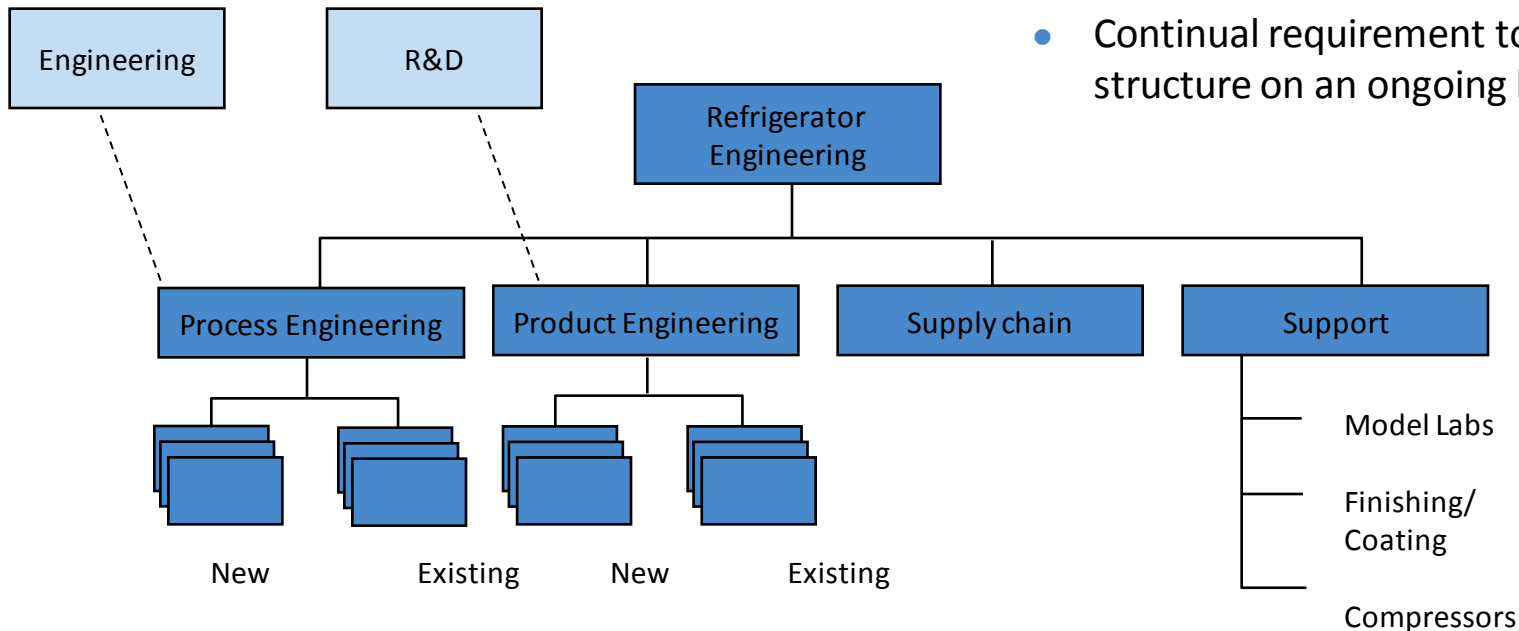


■ Advantages

- Flexible, i.e. makes best use of skills required at a point in time
- Promotes a variety of work
- Development of new skills

■ Disadvantages

- May not have appropriate skills to fill roles – which may lead to a reliance on contractors
- Disruptive in terms of continuity of management, which can lead to feelings of job insecurity
- Continual requirement to review structure on an ongoing basis

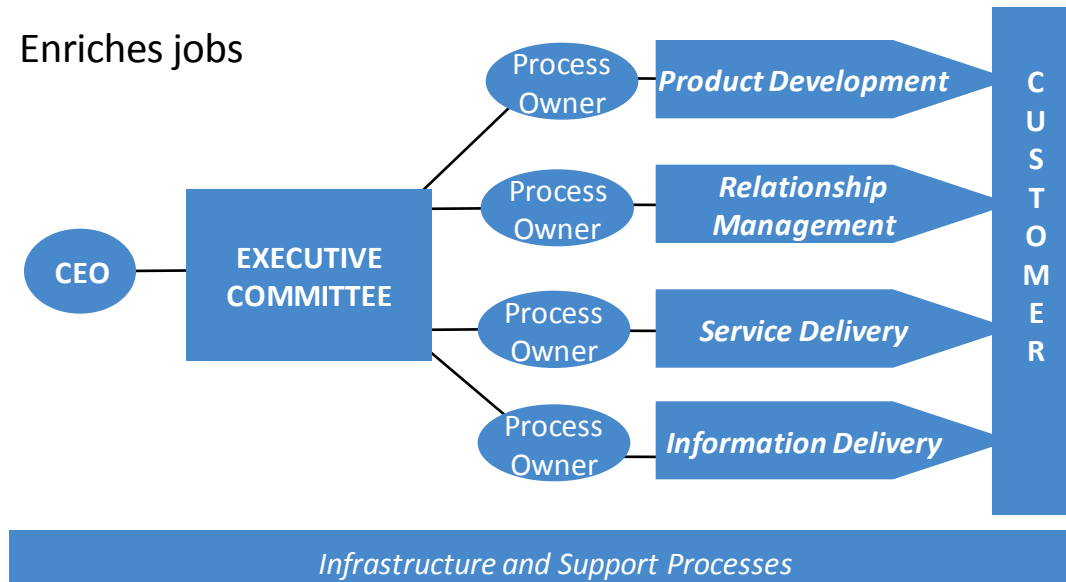


■ Advantages

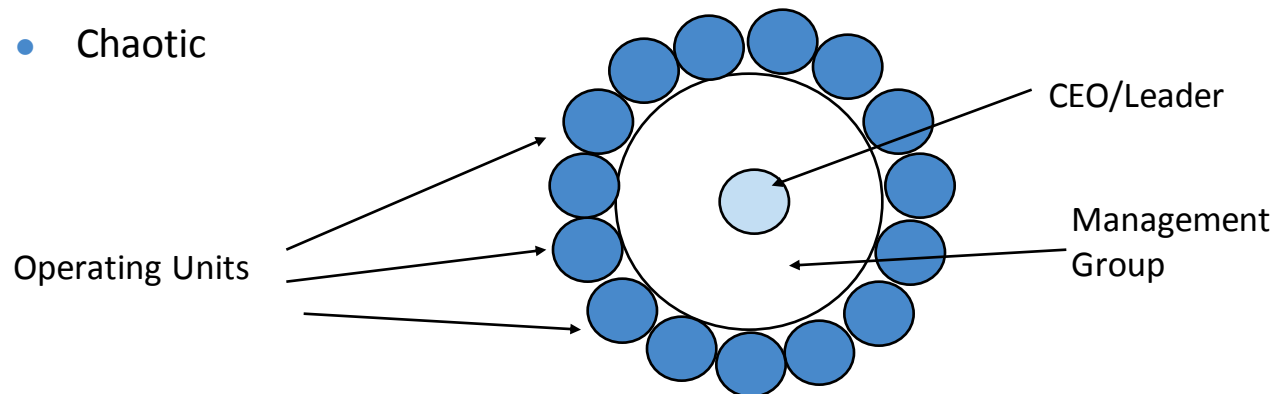
- Eliminate organizational silos
- Increase in co-operation and co-ordination
- Reduction in response time
- Increase in accountability
- Increase in customer-focus
- Enriches jobs

■ Disadvantages

- Often requires redesign of facilities
- Culture change required
- Requires rethinking of traditional vertical career paths
- Silo on its side???



- **Multi-functional teams, typically centred around one market or issue. Teams may be assembled on a temporary basis.**
- **Advantages**
 - Supports the free flow of information between all members of an organisation
 - Increases the quality of customer service
 - “young company” culture
- **Disadvantages**
 - Loss of economies of scale.
 - Staff disenfranchised between projects
 - Chaotic





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