OLIVER WIGHT PAPER series

Education as a Strategic Advantage

How education enables a winning business system



Robert Hirschey – Principal, Oliver Wight Americas

Maintaining competitive advantage in a global marketplace with frenetic change is a challenge for virtually any company. With the ubiquitous availability of technology and systems, as well as globally mobile talent, many companies are increasingly turning to their people as an enduring source of competitive advantage. This requires the ability to attract and retain top talent, and renewal of that talent over time. Education and training together play a pivotal role in creating and maintaining that advantage.

Education and Training: Necessary Ingredients for Business Process Execution

Why education and training? There's a subtle but meaningful difference between the two. Education addresses the questions of "what" and "why." Training addresses the question of "how."

Take the example of a supply planner responsible for planning the production of a product as well as arranging for the availability of its component parts. A myriad of tools can do the math and create a schedule based on a set of assumptions relating to demand, operations, suppliers, etc. And certainly, the planner must be trained in the proper use of these tools to appropriately arrange and prioritize resources, commit to suppliers, set production schedules, arrange for delivery, and so on. That's the "how."

But how much more powerful would it be if the planner were also educated in the principles and best practices for integrated planning, supply planning, master scheduling, material requirements planning, etc.? That's the "what" and "why."

Without that further understanding and context, the supply planner is an "unthinking" planner. The planner merely accepts the parameters built into the tools and parrots the outputs. He or she probably wouldn't have the ability, or perspective, to challenge those assumptions or outputs.



A case in point: A client installed the advanced optimization engine of a leading ERP system and set up a safety stock logic that was not well

understood by the planning team. It was simply designed into the system by the implementation team. The implementation team did not include members from the eventual user community.

The planning team was trained on the functionality of the system, including how to generate inventory position reports and accept auto-generated replenishment orders. However, the team did not receive education on supply management principles, best practice processes, or procedures.

Here's what happened as a result of receiving training without education. The planners were trained on how to use certain system "bells and whistles," including the "override feature." The override feature can be used to ensure availability of key raw materials when the plan or schedule does not indicate that the additional materials will be needed.

Planners like the override feature. It can be used to create a cushion against uncertainty and prevent criticism for not having enough inventory to build product.

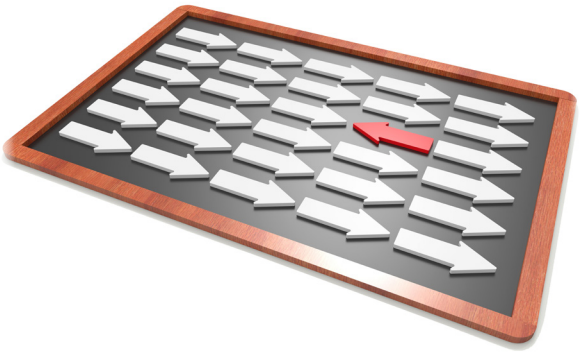
Sure enough, in this case example, many of the planners liberally used that feature to add even more stock to ensure they never ran out of key materials. Their intentions were good, but they were unschooled, or uneducated, on the financial implications of safety stock. The result was a ballooning of inventory that had a negative impact on the company's financial performance.



As this case example illustrates, failure to combine the "what" and "why" (education) with the "how" (training) can lead to suboptimal and/or poor business performance.

Another client referred to the level of capability resulting from both education and training as the "enhanced planner;" that is, someone capable of using the "why" and the "what" (education on best practice planning concepts) in combination with the "how" (systems training).

The planners used their knowledge to challenge the planning parameters incorporated into the system design. They also vetted the outputs of the system, asking questions such as: The system is making a recommendation, but can the company afford to execute the recommendation? Ultimately, they made better planning decisions.



Role of Education in Business Process Transformation and Continuous Improvement

Lack of understanding causes business process transformation efforts to die and continuous improvement to be an endless struggle. Professional education plays a critical role in creating an understanding of best business practices and why those practices are needed. It is vital for drawing contrast between the results best practices provide versus the current state of the processes in a company. Understanding the difference enables ongoing refinement of those processes. Education also is a primary means of closing gaps in competencies required to achieve strategic objectives and the desired process performance.

Education should start with the business leaders. It is important for key leadership to be educated on the best practices and informed about available learning resources. With this knowledge, they can prioritize and commit resources to business process improvement initiatives that are aligned with strategic objectives.

The phrase, "Commitment without understanding is a liability," comes to mind. Absent the education, leadership may chase the latest "fad" in business processes and supporting technology. They may end up spending money on things that are popular and sound good but don't really achieve the strategic agenda.

> *"Commitment without understanding is a liability."*
>
> *- Oliver Wight*

For companies in the early stages of a process transformation, education is vital for evaluating the overall scope of the initiative and understanding the associated core competencies that area requires to ensure success. Education also helps develop an awareness of how existing dependent or complementary processes will be impacted. It is the bridge between current state and future state and supports an effective process transformation.

> *"Education is the bridge to effective process transformation."*

When a company identifies competency gaps and commits to developing and implementing process change, professional education is usually required broadly across different business functions and/or units. This education should include hands-on application of the concepts for improving individual processes. It should also be used to develop a clear understanding of how these processes fit into the overall business management system.

Continuous improvement requires continuous learning. After new process changes are fully implemented, ongoing education is critical for maintaining and further refining these processes. It is best for individuals in key process roles to periodically refresh their skills. This education is frequently accomplished through an internal education program or by attending external education and conference programs. The key is to make sure the continuing education program exposes people to emerging best practices. Without this reinforcing education, processes can atrophy along with the skills sets of the people involved.



This happened to a client who implemented an Integrated Business Planning process to a very high level of capability and results. The company had a very dynamic organization model that encouraged individuals to seek out new career challenges and assignments.

> *"Continuous improvement requires continuous learning."*

The company had a good "hand-off" process from those leaving roles to those filling them. However, it did not invest in continuing education for the successors to key roles in their Integrated Business Planning process.

Over time, the Integrated Business Planning process devolved into a financial forecasting process. Why? Because many of the individuals filling the key process roles had financial backgrounds, and they were not educated in best practices of Integrated Business Planning.

After a while, leadership became disenchanted with the process. Fortunately, the president took notice of the atrophy and initiated corrective action. The company has since put in a formal process for continuous learning and improvement specifically aimed at its Integrated Business Planning process.



Cultivating Human Capital: Creating Agents of Change

A company committed to ongoing professional education empowers individuals with the learning tools to become internal knowledge experts for specific processes. Strategic education also broadens an individual's understanding of how those processes interact with other business activities. Functional silos are broken down, and people create expanded personal networking within the company.

By cultivating and nurturing human capital, an organization can reduce recruiting/retraining costs. It does this by developing internal knowledge experts that become agents of change for process transformation and continuous improvement. A strategically focused professional development program develops agents of change at every level of the organization. Ongoing education plays a vital role in that program.

In developing an education program as part of professional development, some companies debate the best approach. Oliver Wight has provided professional education for more than 40 years. We have seen what works and does not work.

The key to the most successful education programs is knowledge transfer delivered by seasoned professionals with real-world experience and best practice credentials. People don't need just theory. They need to learn from people with real-life experiences who understand the nuances and implications when making choices on how to best operate business processes.



The Consequences of a "Training Mindset"

When professional education is not a strategic imperative or priority, a myopic focus on task-specific training arises. Task-specific training "fills the void" and is driven by "bottom-up" demand from employees concerned about learning the skills for their current job roles.

By disconnecting education from the broader corporate vision, training can become a "check the box" exercise. Often this mindset results in a training curriculum only loosely associated with current strategic objectives or not at all. Without strategic purpose, the investment in training is squandered. It frequently does not contribute to achieving a company's strategy or business goals.

Here's an example: One of my client companies allowed employees to take an on-line defensive driving course to satisfy a safety training requirement. They also credited attendance at periodic Toastmasters luncheons. This training might have been effective for personal skills

development, but was hardly aligned or pertinent to strategy (they were not in the trucking or public relations business).

The bottom-up training mindset also positions training as a "nice to do" rather than a "have to do" to develop competencies in support of strategy. The costs of such training are usually funded only after satisfying the needs of other initiatives. In an economic downturn or difficult business environment, these costs are often one of the first to be reduced or eliminated. Once out of the budget, they are very difficult to reinstate.



The training mindset slowly starves the company's human capital and capability. The consequence is an organization that struggles to maintain its competitiveness due to:

- Slower adaptability in an increasingly dynamic global market
- Reduced innovation at all levels
- Lagging productivity
- Stagnant career paths
- Higher turnover and associated staffing costs

"Myopic focus on training at the expense of education slowly starves a company's human capital and capability."

The consequence of a training mindset can potentially cost millions of dollars in time, labor, and lost opportunities. Avoiding or mitigating these costs can more than offset the cost of strategically educating the workforce. It also reinforces the need for incorporating ongoing education as a "have to do" in the budget, year after year.

Building the Case for Strategic Education

Strategic education goes beyond one-off, process-specific initiatives. Visionary leadership invests in continuous education that naturally aligns with the ongoing communication, development, and strategic needs of the business.

It also inspires a culture of continuous learning. This culture cultivates problem-solving and innovation skills, boosts company morale, more effectively executes business objectives, and helps mitigate disruption due to turnover.



At the individual level, a culture of continuous learning gives employees the opportunity to increase their value to the organization. It allows cultivation of varied career paths and effective transition into new roles. Employees build their credentials while increasingly delivering results. This environment increases retention of key employees and reduces turnover, resulting in substantial savings in recruiting and placement costs.

Professional development must be part of the overall business strategy because education drives competencies critical to best practice planning and execution. For this reason, visionary leadership incorporates the strategy

"Strategic education fuels capabilities that can yield millions of dollars from increased productivity, innovation, and continuous improvement."

and resources for education within its planning process. Executives not only must inspire a learning culture, but must support it by committing adequate and appropriate resources.



Education Options: Choosing the Optimal Blend

There are multiple avenues for garnering the education needed for sustained competitive advantage. These include publicly available courses, private courses tailored for a specific company, customized process coaching sessions, and internally led cascade education. Each avenue offers unique advantages, depending on the business objectives:

Public Courses

These types of courses provide cost-effective opportunities for gaining exposure to best practices germane to a business process transformation or improvement initiative. The best courses develop initial capability for individuals or teams through a combination of learning the concepts and applying them to real-world challenges through facilitated hands-on workshops.

These courses also provide excellent networking opportunities with colleagues from other companies in diverse industries that face similar process challenges and improvement opportunities. The "shared experience" in a public course allows for the flow of ideas, perspectives, and experiences across different industries, companies, and business models.

Private Courses and Coaching

Private courses with a coaching component offer a confidential learning and development environment. This approach also has the advantage of delivering immediate and focused feedback for an organization's specific process issues and challenges, and potential

solutions based on best practices. These sessions can also include facilitated hands-on workshops and be customized to fit an organization's specific competency gaps.

Private courses with coaching are an excellent forum for an organization's leadership team to learn together. A common understanding is developed on the latest best practices. The leadership team works together to determine competency gaps and steer the vision and priorities for business process improvement initiatives.

In a short amount of time, the leadership team can assess the current situation, create a vision for improved processes, build a business case for change, and set the scope of education and resources required to execute the vision.

Cascade Education

Cascade education is a term used to describe how education is delivered internally to colleagues via knowledge experts and agents of change within the company. Often, these knowledge experts and agents of change gain their knowledge through public courses and/or private courses and coaching with the intention of sharing the material and knowledge with other stakeholders in the organization.

An advantage of cascade education: The development of internal resources for providing ongoing education directly within the company. This approach also strengthens competencies of the internal experts.
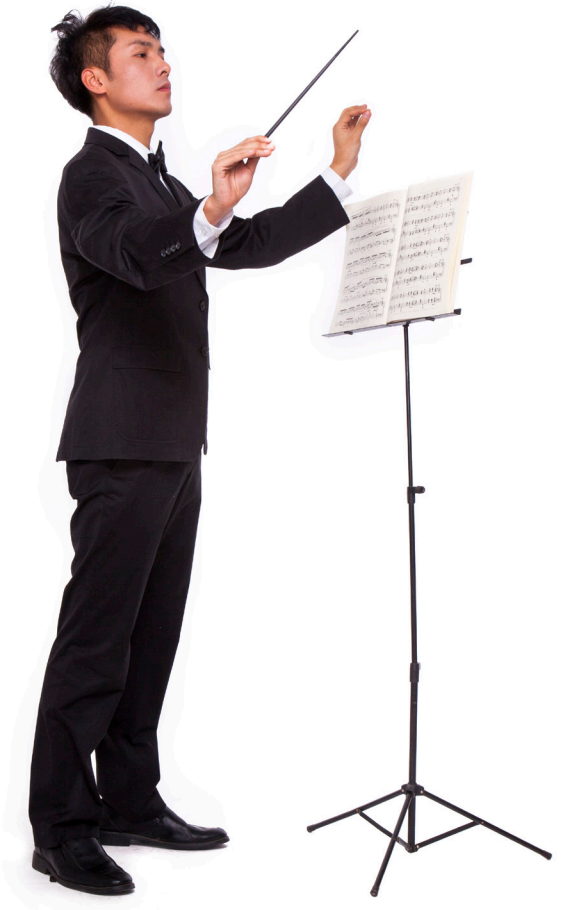


"To teach is to learn twice over."

- Joseph Joubert, French moralist, essayist

Selecting the optimal blend of internal education and public or private courses requires consideration of the nature and extent of process improvement needs. Both public and private courses delivered by seasoned experts are effective venues for creating the initial awareness and understanding of industry best practices. They can also be part of an ongoing education program for continuous improvement.

Private courses and coaching are very effective at creating internal agents of change capable of conducting cascade education throughout an organization.



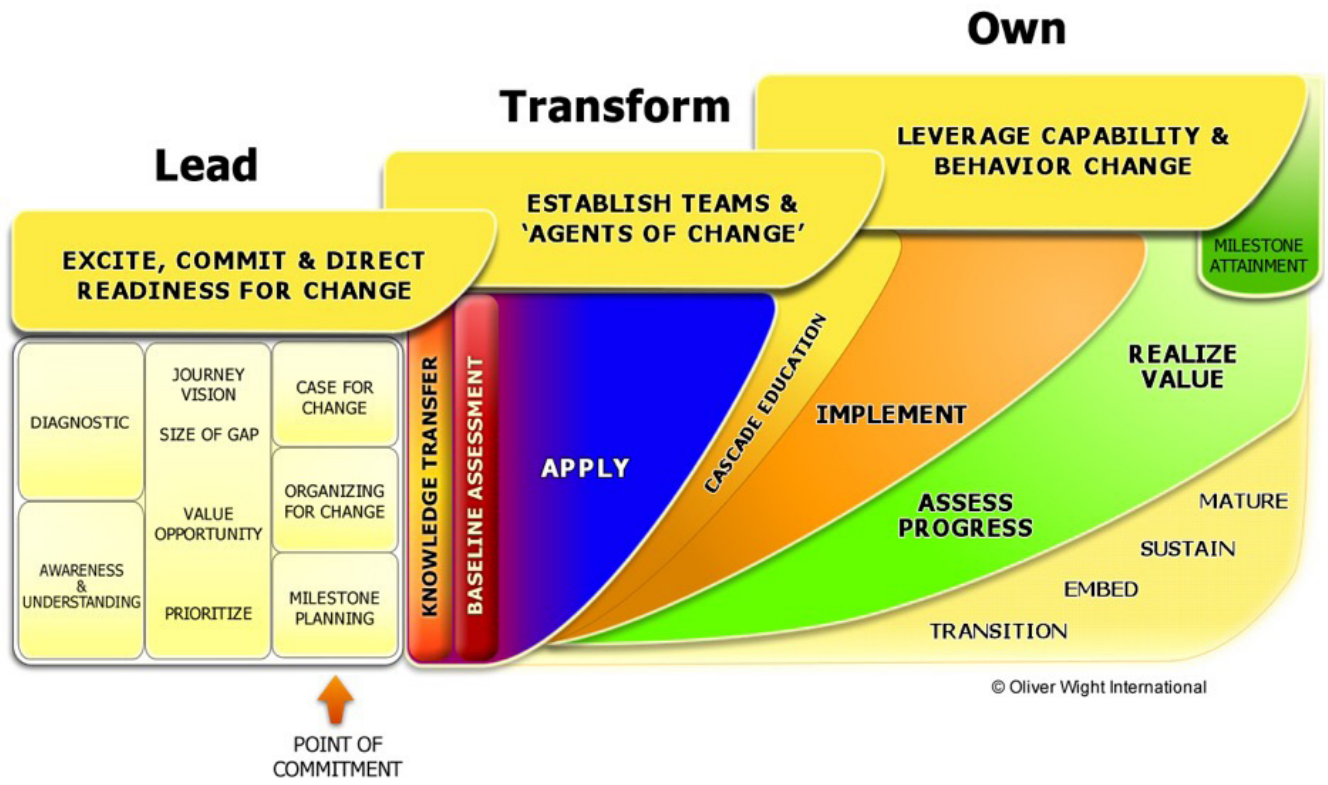
Many organizations use a mix of public education, private education and coaching, and cascade education delivered by internal agents of change. They have found this blended approach maximizes the effectiveness and benefits of their strategic education programs.

Orchestrating Process Change with Education

Business process transformation has many interdependent elements that must systematically incorporate professional education. The Oliver Wight Proven Path is an implementation methodology for business process transformation and continuous improvement. It is based on real-world experiences of notable companies observed and documented over the past 40+ years.

The Proven Path provides a systematic process for exposing competency gaps and establishing best practices. It also incorporates the education and coaching required to effectively implement or improve processes that drive business excellence and superior results.

"Visionary leadership and ongoing strategic education cascading from influential internal champions are at the heart of the Proven Path."



The Proven Path has three distinct phases of people-focused change management activity:

Lead Phase: Initiates the business process transformation by rallying the organization's leadership and key management around the improvement effort (excite), arranging the necessary resources (commit), and setting a clear vision and expectations (direct). The "Awareness & Understanding" component is where education is conducted to prevent "commitment without understanding is a liability." Successful education in the Lead Phase results in "commitment with understanding being an asset."

Transform Phase: Focuses on knowledge transfer of industry best practices applied to the required process design (or redesign). Embedding the necessary knowledge within the company creates the internal experts and "agents of change" who lead and sustain the business process transformation. Private courses and coaching are the primary means of knowledge transfer.

Own Phase: Implements the redesigned processes and realizes the initial vision, expectations, and benefits. At this phase, it is critical to leverage capabilities and the needed behavior change identified during the redesign and cascading them throughout the organization. Done well, the redesigned processes are firmly established as the new way of doing business. A foundation for continuous improvement is also established. Cascade education delivered by internal experts and change agents is used to ensure all affected employees understand the new business policies, procedures, and practices.

Various forms of education are fundamental throughout the Proven Path. This education must be appropriately timed and combined with training in enabling systems and tools. When deployed in this manner, our clients tell us the Proven Path and its associated education is a failsafe methodology for business process transformation and change management. Hence, the name Proven Path.

Conclusion

Ongoing education is vital for developing the competencies, capabilities, and skills required at the individual and corporate level to successfully implement and sustain the business processes in support of strategic objectives. It is a critical ingredient in the winning business formula.

A piecemeal training strategy disconnected from the overall strategic plan leads to an under-educated enterprise that lacks the critical competencies and skills to effectively and efficiently deliver results. Ad hoc training for current roles is a short-sighted approach that results in decreased productivity, low innovation, slower response time, and higher costs.

Therefore, it is critical for leadership to deliver the vision of strategic education and back it up with a plan. It is imperative that education is part of that plan and has the appropriate priority and investment. That is the way that companies enable a winning business system and turn human capital into an enduring source of competitive advantage.

"Vision without action is merely a dream. Action without vision just passes the time. Vision with action can change the world."

– Joel A. Barker



Oliver Wight Business Improvement Courses

Oliver Wight provides client support through education events that accentuate best practice knowledge transfer. We enable the application of best practices through public business improvement courses held at venues throughout the United States and South America; private courses tailored specifically to your company's individual needs; and facilitated workshops for small teams in a hands-on format.

Integrated Business Planning (Advanced S&OP) Course

Using the Integrated Business Planning (Advanced Sales and Operations Planning) process to create one company agenda.

Demand Management Course

Best practice forecasting and demand management in the integrated business environment - roles, accountabilities, process flows, levels, timing horizons, technologies, and mechanics.

Demand Labs Course

This two-day workshop focuses on applying best practice demand planning principles in a variety of real-world scenarios, enabling participants to overcome real-life challenges and situations.

Integrated Supply Chain Management Course

This foundation course will provide you with the basis for integrating all functions and processes of your business with the goal being enhanced speed to market and cost reductions in your supply chain.

Master Scheduling Course

Schedule your products to satisfy customers and support changes in demand while maximizing plant and supplier resources.

Product and Portfolio Management Course

This highly interactive course positions Product and Portfolio Management as an integral part of an organization’s business strategy, its customer and financial objectives, and the demand planning and supply chain management processes; fully integrating it with the Oliver Wight Integrated Business Planning process driving innovation and clarity through hands-on workshops so that you can win the innovation race.



ABOUT THE AUTHOR

Robert Hirschey, a principal with Oliver Wight, has nearly 25 years of experience in the forest products and related industries. His diverse background includes strategy development, execution, and measurement; business planning and analysis; capital investment analysis; mergers and acquisitions, and various corporate development activities. Bob's experience extends to the private label consumer products industry, where he helped start up a new division for a company in the disposable personal care products business.

As a principal with Oliver Wight, Bob has assisted companies in a broad range of industries in transforming their business planning and execution processes – consumer packaged goods, retail food and beverage, generic pharmaceuticals, downstream oil and gas, OEM transportation equipment, automotive lubricants, etc. This broad, real-world experience and delivery of results makes Bob uniquely qualified to apply industry best practices to a wide range of industries and companies.

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Oliver Wight Americas, Inc

PO Box 368, 292 Main Street
New London, New Hampshire 03257, USA

Telephone:
1.800.258.3862
1.603.526.5800

Facsimile:
1.603.526.5809

info@oliverwight.com
www.oliverwight-americas.com

© Oliver Wight International

Asia/Pacific

131 Martin Street
Brighton, VIC 3186, Australia

Europe, Africa & Middle East

The Willows
The Steadings Business Centre
Maisemore, Gloucester GL2 8EY, UK