

The **VOICE** of Operational Excellence



Our mission is to bring readers insights and different perspectives on Operational Excellence through unique interviews with industrial leaders from various sectors.

Interview responses have been edited and condensed in some areas. All responses have been approved for publication by our interviewee.

Q: How does Larry Pentz define Operational Excellence?

A: It means different things to different people and I'm quite ok with that. I don't think you need a rigid definition of operational excellence. I think it's important that people own the thought of what operational excellence is. If you want to be just focused on the plant or manufacturing that's narrow but it's a starting point. I think eventually you have to broaden it out to the entire supply chain. I've noticed in the operations I've been involved in, once you begin to introduce operational excellence, everybody in the company wants to get involved. The finance people, the lawyers become interested because you're introducing a methodology, a process, and those functions see the continuous improvement aspect. They realize "wow, we can actually improve". I think what you teach the other functions is that status quo is not good enough.

Q: Is Operational Excellence just about continuous improvement or six sigma or lean?

A: My experience tells me that the 'what you do' is also variable. There are a plethora of tools out there and every consultant has their own methodology and approach to use these techniques. I remember when I started working, I wasn't aware of a 'way of working'. I was aware of the idea of continuous improvement but that's just common sense. That's wanting to do better and most people want to do better. Sometimes they need to be led on how to do better and some people just naturally implement better. It's the leading, a way of working, that's important to define for your organization. The first time I saw an organized approach was Crosby. A gentleman from IBM who gained

Our Interview with: **LARRY PENTZ**



Larry is the Chairman of the Board for Victrex PLC and Scapa PLC. He is the former Executive Director and Board member of Johnson Matthey serving in several international divisions of the company.

Larry holds a BScE from Georgia Tech, an MBA from Seton Hall and advanced management certificate from Wharton School of Business.

Larry is a self proclaimed "manufacturing guy" with significant experience in managing both operations and complete businesses in many diverse countries.

some experience in Japan and came back , tweaked it with some original thought and packaged it as a way of doing continuous improvement. Not THE way, A way which is an important distinction. I was never in an organization that actively focused on six sigma as the way of continuous improvement. For me this is important because tools like six sigma are just that- tools. Victrex has called in a consultant to look at their supply chain and they have techniques they're employing that I'm not aware of but for me, I don't care because the Chief Executive is leading the effort to improve the operational costs . It's an area of focus that hadn't been taken on because of the success of the company.

Q: Do you feel this can apply to a \$10-\$50 M company? To businesses that are smaller and can't afford large consultants?

A: Operational Excellence can apply to the one person company or the 100,000 person company. That's where you get back to the organization needing to define what Operational Excellence is to them. They can see what others have done but ultimately they need to decide for themselves. Yes, having someone who's been there and done that help you define what this is for you can be beneficial. Having a 'fit for purpose' expertise to aid you improves the chance for success. The smaller experts are out there. They may be harder to find since they're not in the mainstream media, but they all have people who have been there and done that. You have to do your work and look for them but affordable assistance is out there.

Q: Do you think one can accomplish the goal by not having external help?

A: I started out by talking about common sense. Most people can improve some things if they go about trying to improve. But its like anything else in life, you have to know your talents. Doing the research yourself and then trying to apply it will get you somewhere, but where is it going to be? If you're unsure of your skillset, find someone who has them. If you don't know anything about electricity you're not going to

wire your house. You're going to find an electrician right? Same thing here. You're best served by finding the experience that you need. I'm using the word "experience" because depending on the size of your company and your industry, finding the individual in business for themselves may actually serve you much better than a larger resource.

Q: My understanding is that Johnson Matthey didn't use an external consultant to kick off their program. Why not?

A: At Johnson Matthey we knew that something wasn't broken but we knew we could do better. We didn't have a fire so we had the luxury of time on our side. We were a larger organization with a lot of good talent and we could afford to learn ourselves and take the two steps forward one step back approach. In the end, the solution would be ours. Not the AD Little way or the BCG way, we would own it. There would be a pride of ownership and I think that's absolutely key. At the end of the day, the consultants walk away so you need to own it. The biggest challenge to establishing operational excellence at Johnson Matthey was creating the burning platform. All of the early work was about showing folks what could be. Not that we had to do it, but if we did it the benefits would be big.

Q: What are the key things that are important to the success of an Operational excellence program?

A: First is ownership. The key is "you" need to own it and it needs to come from the top. If the owner/CEO doesn't want it to happen, it certainly won't.

You need to be willing to dedicate resource to it. It always amazes me when people say I can't afford to invest in continuous improvement. If that investment is only modestly efficient, it will more than pay for itself.

Then you need experience. People who know what the techniques are about and how to implement them. That experience cuts across the tools, when to implement them and factoring in cultural aspects of the organization as well as the capabilities. There are

things that are foundational based that won't show an immediate payback and other techniques that will provide payback quickly. And lastly, patience. The results won't happen overnight. There will be different levels of patience that need to be managed in how you implement operational excellence.

Q: Can you give us an example where you've tried a program like this and it didn't work?

A: In JM back before the early 2000s, the thinking was that the corporate center could not tell the businesses what they needed to do. Some of us tried to initiate a global purchasing activity on the company as a start to a fuller supply chain program. The CEO at the time, who fostered the decentralized culture, was not supportive. So the idea of leveraging our global size failed quite quickly. A rather simple view of operational excellence in this example but one that clearly demonstrates the need for leadership at the top of the organization to be successful.

Q: And what was your takeaway from this?

A: Just because you say you want something to happen doesn't mean its going to happen. You need to put the resource and commitment to it. You need to own it. You need to do all the things we talked about earlier.

Q: Can you offer us an example of a success story in this area?

A: My example will be with Johnson Matthey. The CEO of the company post the 2008 financial crisis said "I'd like you to do something in lean manufacturing". He saw lean manufacturing principles working at one site in the company and he thought it would be a good idea to implement on a global level. This could have been successful on its own but I wanted to canvas the stakeholders...the people running manufacturing around the world. The result of those discussions led to a formal manufacturing excellence program that not only included lean implementation but also covered focused training for operations executives,

technology implementation and a broad approach to utilizing global engineering talents within the company.

Q: Was there ever discussion about doing a "trial" program or limited implementation?

A: There was actually a decent amount of discussion about this. In the end, it's the classic half pregnant conversation. If you really believe in this and its right for your organization, then commit to it fully. In a partial implementation, you run the risk of turning off everybody else that isn't included in a pilot. You also have the danger of just never getting around to expanding it.

Q: How did you measure success?

A: Again, a very unique answer. You need to find out for yourself how to measure it. You need to find a financial measurement because at the end of the day, you're in business to make money. It should be influenced by your ongoing business. You need to look at the net margin line. You can focus on your unit costs or production costs but those are just components of the P&L or balance sheet. Tell me how you're implementing operational excellence and I'll tell you how to measure it. If you're implementing narrowly then I think you need a more refined measurement. If you're implementing across the larger business, you'll need a broader metric. You need to understand the measurement and what's influencing it. In Johnson Matthey we chose to use cost over revenue, the inverse of gross margin, because we were measuring across four large and very different businesses. For us, this was a successful metric.

Q: What advice do you have for people when it comes to embracing operational excellence. How would you summarize your advice?

A: Don't wait. Don't wait for the burning platform. Get started now. If you're not doing something, get started. If you are doing something, why not do something more? And don't let "not knowing" stop you from

getting started. I think that's the biggest roadblock for people to overcome. You can deliver cost cutting without delivering operational excellence but that cost cutting has an end. Operational excellence does not have an end.

Q: Is there anything that I haven't asked you about Operational Excellence that you would like to get across. Anything we haven't touched on yet?

A: No- not really. Do something. That was my biggest lesson from my experience with Johnson Matthey.

Just do something.

OpX Take-Aways

In this interview the overriding message is to not be complacent with your businesses' performance. Try something new to improve operational efficiency and if you're already doing something, challenge your team about what else can be accomplished.

Larry also points out that while not having a crisis or "burning platform" may create a challenge in motivating some people to engage, it's by far the better option than waiting until you're forced to doing something. Find a way to create that artificial need and get started sooner rather than later.

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