Operational Assessments

Why one should be in your future.

Jim Workman, Vice President, Center for Technology and Research;
and Steve Anzalone, Consultant, Printing Industries of America

In today's challenging environment in the printing industry—overcapacity, erosion of demand, and pricing pressure, to name a few—top performers will be separated from the pack by their ability to control operational costs while differentiating themselves from the competition with unique capabilities and superior service. While there may be few opportunities to raise prices or even to charge a premium for those unique capabilities, a focus on operational excellence needs to be part of any company's strategy for creating a profitable future. Accomplishing this requires a relentless and never-ending mindset of assessing the opportunities for improvement in your operation.

Over the last decade, PIA's research shows that the average printer's before-tax income as a percentage of sales has been around 3 percent. What that statistic obscures is that the top 25 percent of companies by profit margin achieved about 10 percent, and the rest, on average, basically broke even. The research reveals that printers that achieve profit-leading rankings do so consistently by virtue of strategic and operational excellence. Similarly, printers in the profit-challenger category (bottom 75 percent of companies) typically remain in that category.

Operational excellence means that throughput speed, inventory levels, day-to-day operating costs, and customer satisfaction are all superior and improving. Jobs are delivered on time and done right. Resources are efficiently used. The culture breeds engaged employees and innovation.

Getting there requires assessing the operation—evaluating processes, systems, and workflows that touch all areas of the business, from front to back. This includes the areas of human resources, accounting and administration, sales and client services, and, of course, the print manufacturing operation. In our experience, an assessment based on a known problem will almost always reveal a root cause seemingly unrelated to the issue at hand. For example, a deep dive into assessing a spoilage and rework crisis will probably uncover shortcomings in hiring, onboarding, and training. An on-time delivery issue may reveal an unacceptably long front-end order entry and job planning workflow. Thus, it is important to take a holistic approach to evaluating the entire business operation.

This holistic assessment approach can be broken in to several broad categories: people, human resources,

ABOUT THE AUTHORS

Steve Anzalone is a featured consultant with PIA, specializing in operational assessments. He was formerly president of the HardingPoorman Group, a leading commercial printer. Jim Workman oversees many PIA products and services. Contact Jim and Steve at **consulting@printing.org.**

and culture; systems and equipment; operations and workflow; and finance and measurement. Let's take a closer look at a few aspects of these areas.

People, Human Resources, and Culture

As we all know, in any company people are our greatest asset. But surprisingly, and in companies of all sizes, we routinely see gaps in human resources practices that contribute to a lack of engagement and the inability of employees to fully attain their potential effectiveness. An assessment should examine the hiring process, job descriptions, employee handbooks,

onboarding, training, performance evaluation, and compensation. And most importantly, an assessment should examine how we communicate with employees, such as newsletters, department meetings, staff meetings, and the like.

Systems and Equipment

Printing and graphic arts companies are traditionally defined by their equipment configurations, but oftentimes these configurations can become out of date or suffer from incomplete implementations or lack of utilization. The heart of the assessment usually centers on the MIS/ERP system and the level to which it is fully implemented and used, as well as its integration (or lack thereof) with secondary

systems such as accounting, prepress RIPs, web-to-print, fulfillment, and shipping. These frequently unconnected "silos" are prime opportunities to enhance automation and improve efficiencies.

Operation and Workflow

Hand in hand with the aforementioned systems and equipment assessment is the evaluation of the workflow design and operational systems. The focus here is on the organizational structure and job responsibilities of employees, especially with respect to sales, client services, job planning, scheduling,
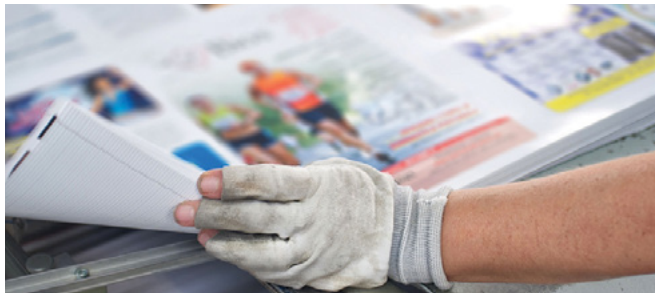
prepress, and how work flows through the front end of the business. It is not uncommon for companies to be obsessed with manufacturing efficiency and throughput in the press and bindery (which is critically important, of course), while taking more than half of the allotted turn time in the front of the house. Assessment of this workflow, along with how the MIS and secondary business systems are being utilized, frequently yields significant opportunities for improvement.

Finance and Measurement

And finally, an assessment should always examine the financials and key performance indicators (KPIs), what's being measured, and how and to whom it's

being reported. Once again, we see in companies of all sizes a lack of well thought out and intentional measurement and reporting. Using the old axiom "you can only improve what you measure," it's important to design a streamlined set of KPIs and the systems to compile, distribute, analyze, and take action as a result of them.

Quality System and Continuous Improvement

What we haven't talked about yet is an overarching quality management system. Since our industry is mostly made up of very small companies, and despite the perception that Lean manufacturing and continuous improvement programs are widespread, most small (and many large) printing companies do not possess these systems. In fact, most companies do not even have basic written standard operating procedures and simply operate from tribal knowledge. A full operational assessment can provide the opportunity to detect the gaps in the four areas mentioned above and overlay simple continuous improvement techniques and systems that can help to generate improved operational effectiveness and margins.

The Ability to See Waste and Inefficiency

Companies can change their ways—improve themselves strategically and operationally—and become profit leaders, but only if they're willing to take a frank and unflinching look at their operation. It is possible to create an assessment checklist and take stock of your operation using your own internal staff; the challenge for executives is to see inefficiency in a system in which they live every day. Human nature may cause errors and waste to be ignored or spun in such a way that it reinforces and perpetuates the way it's always been done. If that tendency can be overcome, there is then the need to do something about the improvement opportunities uncovered.

Getting a perspective from an experienced and unbiased third party can be immensely helpful: not only to be able to see things that executives may not,

but also to craft an improvement action plan. Either way, whether companies try to accurately assess their strengths and weaknesses or bring in an outside expert, being committed to operational excellence is a key to a sustainable and financially rewarding future.

10 QUESTIONS THAT NEED TO BE ASKED DURING AN ASSESSMENT

#1
What are the operational strengths and weaknesses of the operation?

#2
What information and capabilities are needed from the MIS software that are not being provided?

#3
To what extent can the workflows (starting with job submission) be more automated with fewer manual touches?

#4
What is preventing the operation from being more efficient and productive (i.e., producing faster with fewer costs)?

#5
What key performance metrics should be tracked and reported beyond those already tracked?

#6
How engaged are the employees in the success of the company, such as improving processes and reducing waste?

#7
Are there sufficient standard operating procedures and do they need to be updated and improved?

#8
Are rework, customer complaints, and on-time delivery being measured and the results acted on?

#9
Are there tools and approaches to support continuous improvement?

#10
Are front-office processes helping or hurting the goal of reducing lead time?