Operational Excellence:  
*Alphabet Soup or Competitive Strategy*

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**Session Objectives**

- Propose a compelling vision
- Define the key components of the system
- Propose the key measures of success
- Share a number of case studies
- Define the steps necessary to initiate this strategy
Who Is This Guy

Early Career
Pharmacy / Health Care admin
$1.5B IDN
FQHC Turnaround
Corporate Quality

Cardinal Health
Pharma Supply Chain
Medical Supply Chain
Pharma Manufacturing
Med device Manufacturing
Retail Pharmacy
Specialty Pharmacy
Corporate Leadership

Essential facts

- Leading provider of products and services across the healthcare supply chain
- Extensive footprint across multiple channels
- Delivering products to ~60,000 customers daily
- More than 30,000 employees with direct operations in 10 countries
- #1 on the Gartner Health Care Supply Chain Report – 3 consecutive years
Essential to Excellence

Foundational Capability:

Ensure continuous improvement and operational excellence as part of our go-to-market strategy

Alphabet Soup

ANOVA    B&E Matrix
Baldrige  ISO 9000
Kaizen    DMAIC
Operational Excellence

High Reliability

TQM

LEAN

P-D-C-A

Coefficient of variation
Transformation Business Case

- Are we working on the “Quality” of the business or the business of quality
- “Quality” is a governance and strategic imperative
- An “Integrated” approach to Excellence is essential - it delivers what the customer values at minimum cost
- Aligning “Value Streams” will align the opportunities
- Remember the majority of work activities are delivered at the local level

Transformational Improvement

- Combination of daily improvement and Value Stream alignment create the capacity for transformation change
- It’s not cost cutting; it’s value creation → heavy emphasis on enabling organic growth through customer driven, customer focused improvement
Leadership for Excellence

Key Elements

- A system of daily improvement
  - Visual controls
  - Huddles
  - Methods to support daily problem solving

- A method to escalate and support problems that cross organizational boundaries
  - Kaizen

- A method to align and improve key value streams

- A integrated management system
Result: Culture Driven Transformation

- Line of Sight
- Customer Loyalty
- Teamwork
- Mindset
- Empower

Employees that are: Inspired Engaged

Deployment principles

**Cultural objective**

- **Drive** the business from the customers’ point of view
- **Align** projects and resources to key strategic drivers
- **Drive** continuous improvement methods broadly into all areas of the business (the way we work)
- **Embed** common language / process thinking/skills / methodology throughout Cardinal Health
- **Require** Lean Six Sigma as a leadership development tool
- **Achieve** zealous leadership involvement and support
A Few Examples

- Beth Israel Deaconess – standardized ICU room entry
- Bronson Healthcare – primary care office design
- Inova – ED service line
- Henry Ford – Lean Lab
- Lehigh Valley – daily management
- Memorial Healthcare – ED triage
- Palo Alto Medical – The model line approach
- ThedaCare – Writing the new playbook on healthcare

Operational Excellence...a Journey

2004
- Pre-launch - 2004
- Process improvement
- Quality and Operations
- Sizing the opportunity
- Evaluating the capability
- Drive cost out

2005
- January – accelerate
- June -169 BB, 297 GB, 209 KL, 1,600 sponsors.
- Shift to “Value Stream”
- Pharma Lean
- Innovation awards

2006
- May 2005, full deployment launch
- 12 Site Assessments
- June, Sponsor, BB, Kaizen
- December summit

2007
- Top Gun
- Medical lean
- MBB promotions
- June - 160 BB (net of 55 "PTS"), 835 GB/ KL

2008
- Top Gun
- MBB promotions
- June: +65 promotions
- Full value stream view
- Lean office
- HVN Sponsor

2009
- Top Gun
- MBB promotions
- June: +65 promotions
- Full value stream view
- Lean office
- HVN Sponsor

2010
- Enterprise capability
- Perfect processes
- Value stream alignment
- +95 promotions
- 1,025 improvement projects

2011
- Lean Leader
- +170+ promotions
- > 5,000 projects
- >100 customer engagements

2012
- Lean Road Maps
- Full enterprise
- MBB Internal candidates
- Shingo Assessor workshops with HVN

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Where Can I Go For More:

- **Academy for Excellence in Healthcare** – Visit www.go.osu.edu/AEH
- Healthcare Value Network
- Institute for Healthcare Improvement
- Lean Enterprise Improvement
- **Cardinal Health Performance Improvement Consulting**
- Center for Lean Research in Healthcare

Vision – World class behaviors

- Achieve **absolute customer** preference built on execution
- Create a **culture** that **relentlessly pursues** waste elimination, cycle time minimization, and customer loyalty
- Embed **metrics** that **drive** operational excellence **goals and culture**
- Achieve full **productive utilization** of resources and assets
- Drive **zealous leadership** participation
Lesson #1 –
It will take courage to be honest and transparent regarding the “True” quality of your organization

Lesson #2 –
This is bigger than a “cost out” program. EXCELLENCE is about connecting the entire value chain.
Lesson #3 –
Leaders must be willing to “Break Glass”

Operational Excellence
Changing how you think

- Everything I do affects the customer
- Continuous improvement mentality (we can do better)
- Question why
- Think in order of quality, delivery, cost throughout all our work and processes
- Stop and fix mentality (see an issue, address it)
Operational Excellence
Changing how you manage and lead

• Communicate simply, concisely and consistently
• Create strategic implementation plans which align our daily work
• Transfer knowledge and develop others
• Champion the customer
• Lead in the market place

Lesson #4 –
You must create experiences that create a “Chip Change” – Goodbye to “That’s the way we do it”
Lesson #5 –
Stay the Course, the immune response will be strong! See and “connect” the value stream; it is vital.

Operational excellence
Thank You

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