

Case Study Pursuing Excellence at Safeway's Employee Service Center



Summary

Business Problem

High level of payroll process rework

Solution

Standardize payroll procedures for local stores

Benefits/Results

- \$565k annual savings
- 60% rework reduction

Key Tools Used

- Assessment
- Process Maps
- Value Stream Maps
- Prioritization Matrix
- Risk/Reward Matrix
- Spaghetti Diagram
- Pareto Chart
- SIPOC
- SOPs
- 5S

Individual commitment to a group effort – that is what makes a team work, a company work, a society work, a civilization work.
– Vince Lombardi

Within the corporate walls of Safeway, at the Employee Service Center (ESC) in Phoenix, Arizona, a team of executives and employees have undergone a transformation. The department is committed to spreading performance excellence among their own colleagues and the Safeway organization as a whole.

ESC Vice President Cathy Lord believes this initiative can be attributed to the adoption of Lean Six Sigma thinking in her organization. The ESC is the first group within Safeway to participate in a process improvement pilot. The ultimate goal of the pilot was to reduce operating expenses and streamline processes, but what Lord and her colleagues discovered was that the program did much more than that: it changed the ESC's culture.

Assessment and Prioritization

The first step of the pilot was to assess the ESC's performance and identify opportunities for improvement. During a two-week period, Lord, along with Sr. VP of Human Resources Russell Jackson, worked with the process improvement experts from Breakthrough Management Group, International (BMGI).

Together, they used Lean Six Sigma tools to evaluate the current state of Safeway's HR, payroll and accounting processes. The team developed both high-level process maps and detail-oriented value stream maps to help identify performance gaps, waste and other opportunities for improvement. The assessment culminated in a list of 27 projects with the potential to dramatically streamline ESC operations and contribute \$1.3 million annually to Safeway's bottom line.

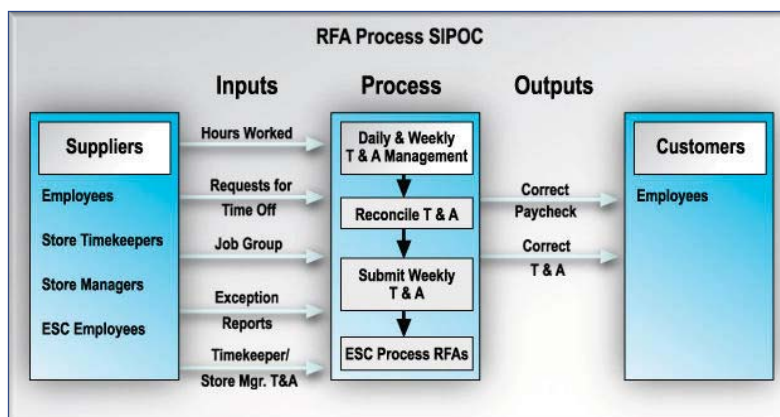
Next, the assessment team used a project prioritization matrix to organize the potential projects into a weighted list. They also applied a risk/reward matrix to determine the payoff relative to the required effort for each project.

Using Lean to Reduce Rework

Lord and her team decided to focus immediately on process improvement projects they could solve with SCORE. The first project aims to reduce the number of payroll RFAs, or Requests for Adjustment, by 60 percent. Given that the ESC receives an average of 5,000 RFAs each week, a reduction of this magnitude would free up significant payroll resources and would save a projected \$565,000 annually.

Currently, RFAs have to be manually processed, which keeps 60 payroll clerks occupied full-time. After gathering information on the number of RFAs by store and by reason code, the team met to analyze the data. It found a moderate correlation between the number of employees in a store and the number of RFAs generated during a pay cycle, but not a high enough correlation to be identified as the culprit.

One of the statistical tools the team applied was a Pareto Chart, which listed the possible root causes for RFAs, along with the frequency of each cause.

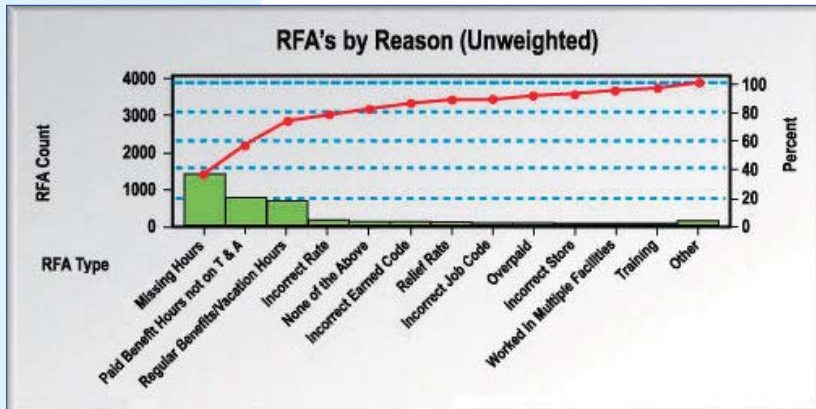


A SIPOC helped team members identify key process inputs and outputs.

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As it turned out, 78 percent of all RFAs are caused by four reasons (out of a possible 20). The primary causes include:

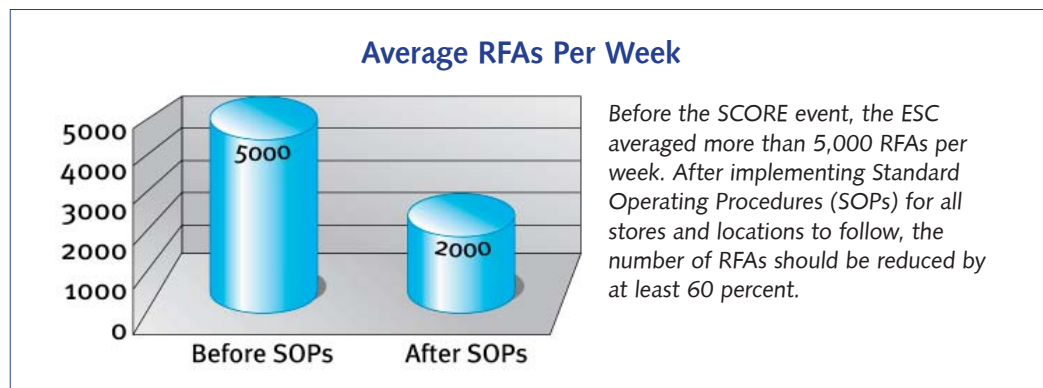
- Missing hours
- Paid benefits not in the Time and Attendance system
- Regular benefits or vacation hours not in the system
- Incorrect pay rate



This Pareto Chart shows that 78 percent of RFAs are caused by four reasons.

Based on a store visit, and anecdotal evidence from three team members with considerable store management experience, the team concluded that no standardized process exists across stores and locations for processing Time and Attendance data. Therefore, the biggest single causative factor for generating RFAs is likely poor management practices as a result of no standardized process.

The solution the SCORE team proposes is a set of standard operating procedures for RFAs. Over the next few weeks, team members will visit several exemplary stores to observe best practices. The team will then meet again to develop and document standard operating procedures for every Safeway store to follow. The ESC is also taking responsibility for training store managers on the new procedures.



Changing a Department's Culture

Not only have the employees at the ESC succeeded in their first process improvement project, they have also adopted Lean Six Sigma as the way they work, and the way they think about their work.

"This project has been an eye opener for the whole organization," Lord reveals. "We're getting smarter about how we work and how we streamline our processes."

Members of the ESC are stepping outside of their silos and collaborating cross-functionally with other Safeway employees. "They now feel like they are part of the larger organization," says Lord. "The focus has been to truly partner with the organization and not live just within our four walls. They have ownership in what they do and approach problems with out of the box thinking. This has become a whole new way of life."

The proposed improvements to the RFA system are just the beginning for the ESC. In addition to future SCORE events, the ESC group has started to use their new skills in everyday work life. After just a few days of training, they applied a Lean method called "5S" to help remove waste and inefficiency in their functional groups. By following the motto, "a place for everything and everything in its place," ESC employees saw a direct impact to the way they work.

The team has set their sights on a common goal – to become a center of excellence for the entire company. It's no small feat, but with the right set of tools and the knowledge to use them, the ESC will prove that real and lasting transformation requires a commitment to change from the inside out. ■

"I believe in people and I believe in the structure of process improvement. By looking at how we do business and by establishing an 'owner's' mentality of continuous improvement, employees can influence greatly the success of our business. The Process Excellence initiative taking place at the ESC, is proof that leadership combined with process improvement, can be a powerful force in improving the operating results of any part of the organization that implements it."

- Russell M. Jackson
Sr. VP Human Resources
Safeway