

LEAN AS AN ICEBREAKER

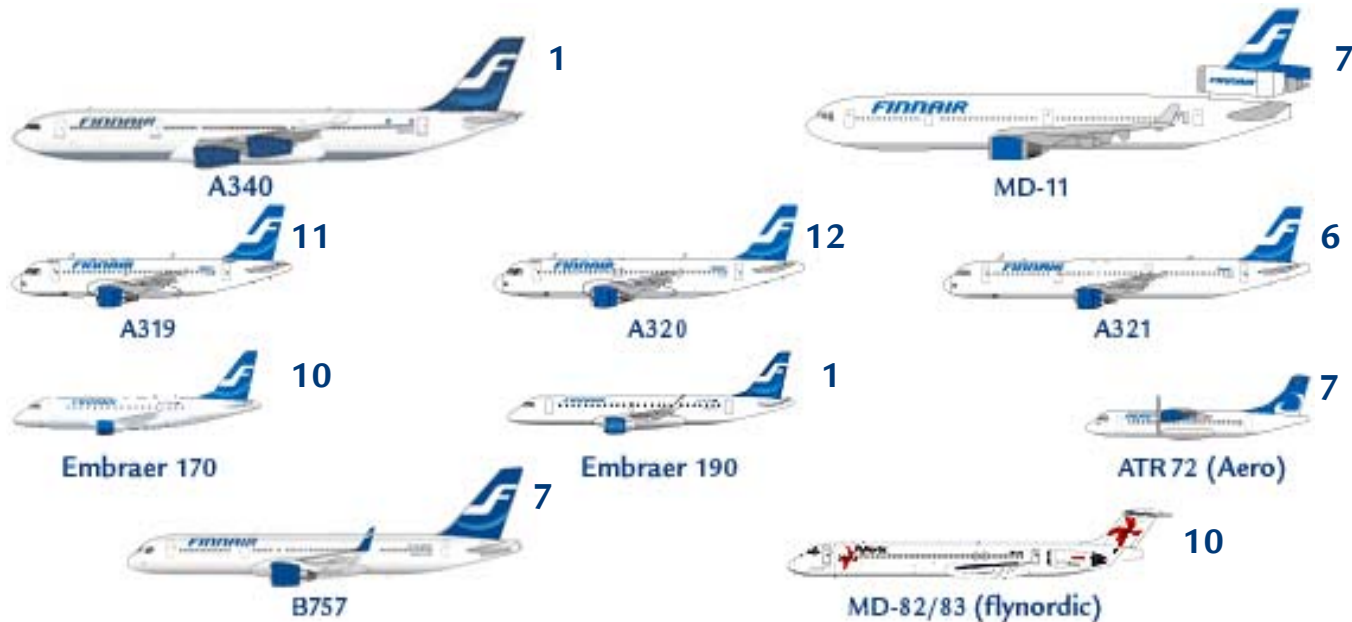


Facts and figures 2006

- Founded in 1923, the 4. oldest airline in the World
- 8.7 million passengers
- Turnover € 1 990 million
- Operating profit € -11 million
- Number of employees 9 598
- Passenger load factor 75,2%
- 58,4% government owned



Number of fleet 72



2007 – 2008

+ 4 A340

2009 – 2014

+ 6-10 A330 or A340

2014 –

+ options for A350XWB



10 Asian and over 40 European Destinations



Change of the paradigm

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Start of the ice age?

Change of paradigm

1923

Old Paradigm: Finland is the northernmost part of the World



EUROPE



2007

New Paradigm: Finland is the gateway between east and west



GLOBE



Change in the operations model

THE OLD OPERATIONS MODEL

- The airline is one entity.



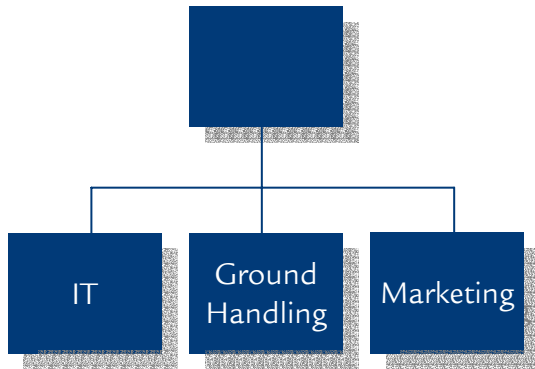
THE NEW OPERATIONS MODEL

- The airline consist of several businesses, that compete against global specialists.



The evolution of industry structure

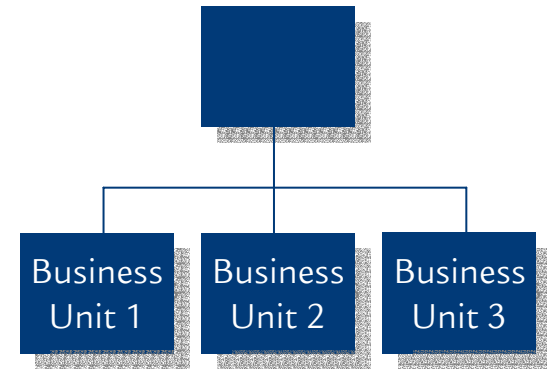
Traditional Flag Carrier



- budget driven
- centralized decision making
- overheads
- low job fluctuation between departments



Business Unit Structure



- profit driven
- de-centralized decision making
- transfer pricing
- low job fluctuation between business units
- sub optimisation, “territories”

”Why I Hate Flying”

- ” If you want to fly somewhere, you must start by being herded – in and out, back and forth, up and down. First you have to stand in line to get a boarding pass. That is to replace the ticket they just sold you.“
- ” Then you have to stand in line to show your boarding pass. That is to prove you bought the ticket they just took away from you. “
- ” This lets you stand in line to be checked for bombs. After this you have to stand in line to give back the boarding pass they just gave you.“
- ” This done, you get to stand in line to get on the plane, which enables you to stand in line to go down the plane.“

Management guru

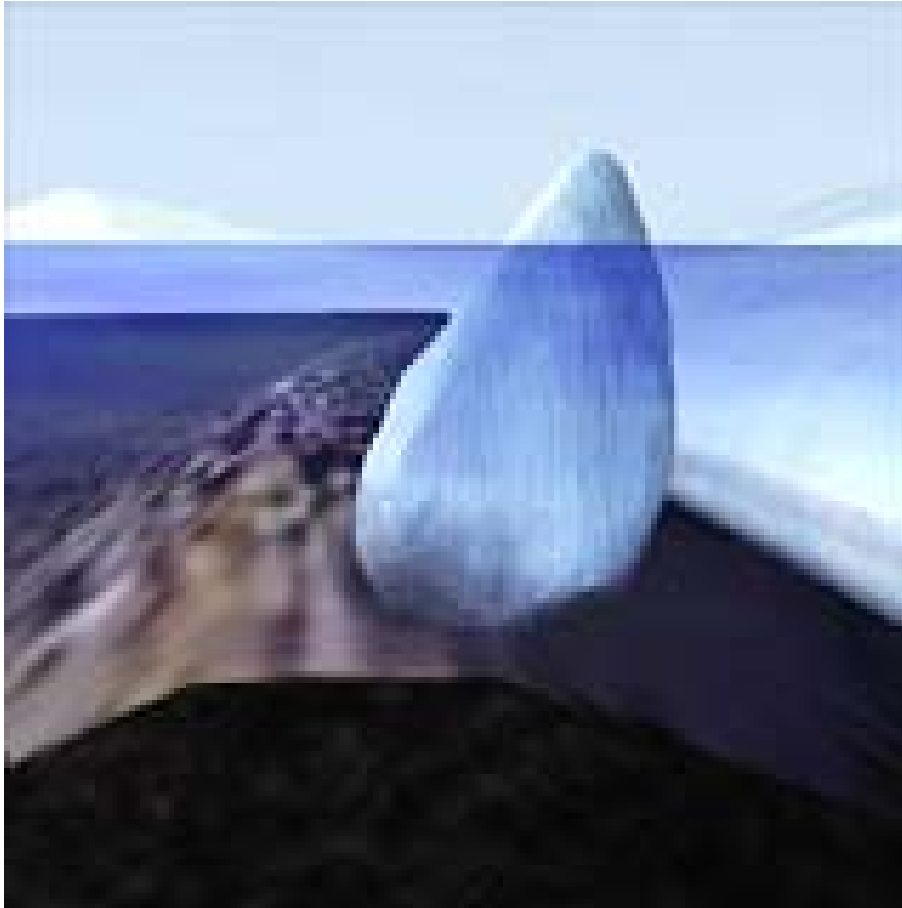
Professor Henry Mintzberg in ”Why I hate flying”

Change of mindset

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Breaking the ice

The iceberg syndrome

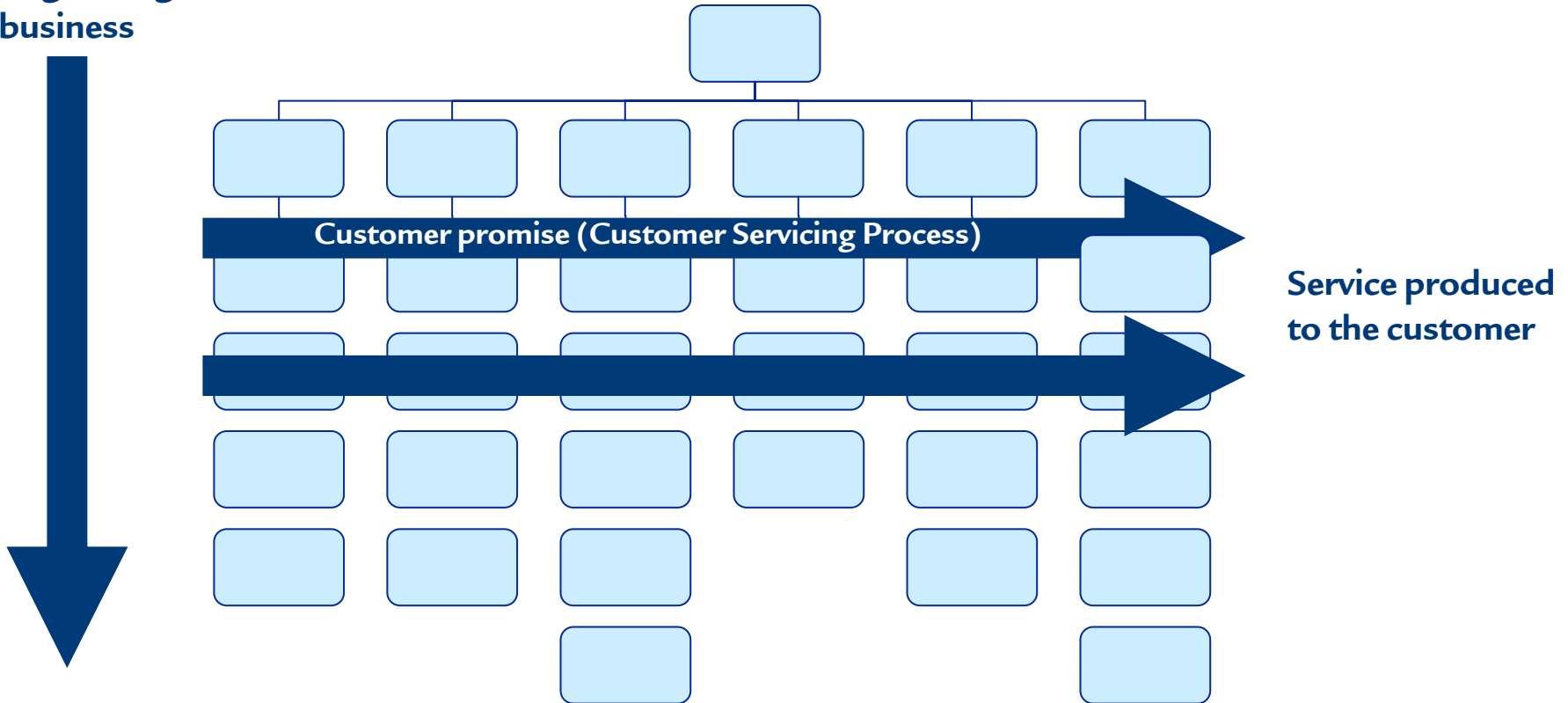


What we see...

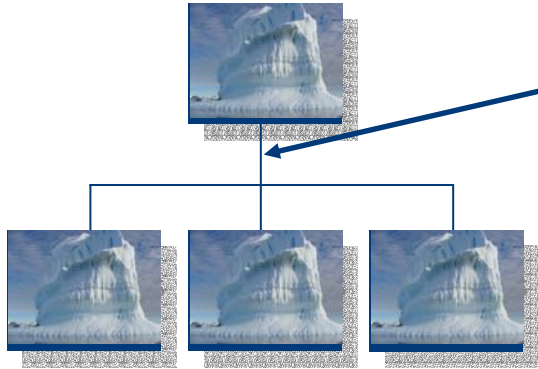
...is not what we are!

Business model is the sum of it's processes

Organizing the
business

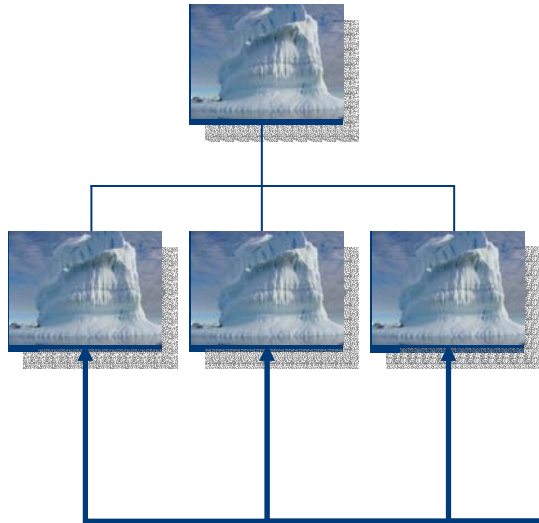


Potential risks in functional structure



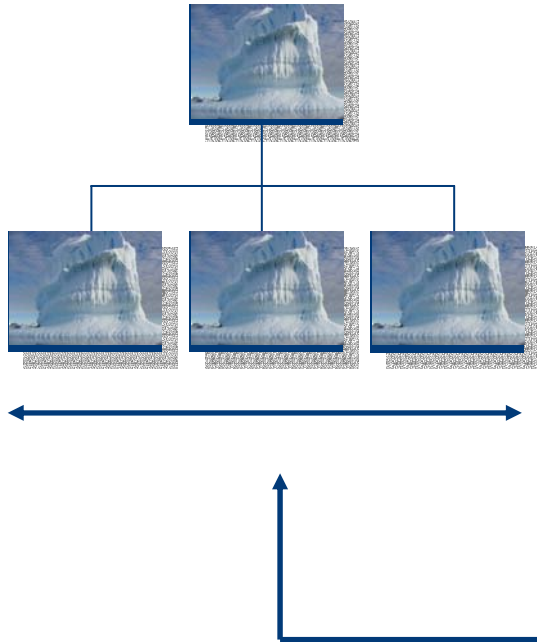
- Gap between strategic planning and strategy implementation
- Functional organization is not flexible enough for strategy implementation
- The “big picture” varies between different organizations
- Targets are based on functions, not processes (sub optimization)
- Massive overhead costs, hidden costs

Potential risks in functional structure



- Poor processes fixed with IT
- IT rules the change
- “Someone” or other functions are blamed if process does not work
- “Someone” will fix the problem

Potential risks in functional structure



- Used terms and concepts vary from BU to BU
- Incompetence and poor decision making
- Rigid organizational culture
- Uncertainty and confusion
- Unclear roles and role overloads
- “Hero –performances”
- Organizational stress
- Bad motivation
- Worse productivity
- More accidents

FinnLean organizing

BU MANAGEMENT

- orders the project:
 - strategic
 - operational

STEERING GROUP

- prioritizes the projects
- names the project group

FACILITATOR

- Breaks the commitment to existing operations model
- Implements change dynamics
- Cleans the air by dredging up the problems
- Arouses need for change
- Keeps the progress systematic
- Acts as a change force

- Keeps neutrality in all situations → diplomacy



Start from scratch

- Creative approach = business model innovation
- 100% of the energy in creating something new
- Silent knowledge put to use → controlled know how transfer
- Innovation is managed
- Activates and commits the participants
- Process work is NOT derived from an “as is” state but a vision

- Time consuming
- Demanding

- Critical factor: cohesion of the group



Follow the steps

DESCRIBE THE PROCESS

LIST THE COMPETENCES

ALLOCATE RESOURCES



ASSESS THE INTERRUPTION RISKS

MAKE AN IMPLEMENTATION PLAN

FOLLOW THE IMPLEMENTATION

Summary of one sub process



- Name of the process
- What is being done in this process
- HR requirements:
 - Core competences needed
 - Nr. of personnel
- Cost/month €
- IT requirements
- Owner of the process
- Interruption risks

Management system

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Keeping the flow

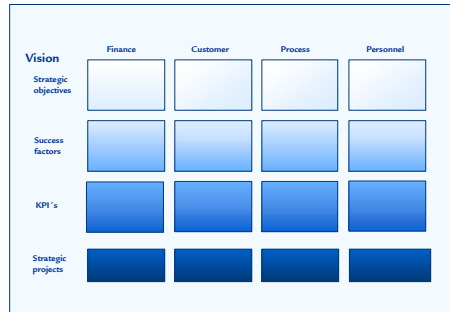
Management system: BSC

Inspiration Implementation

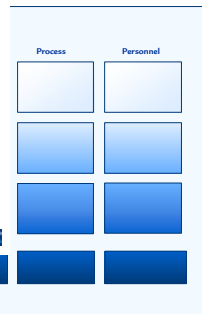
Vision	Finance	Customer	Process	Personnel
Strategic objectives				
Success factors				
KPI's				
Strategic projects				

Balanced Scorecard roll out

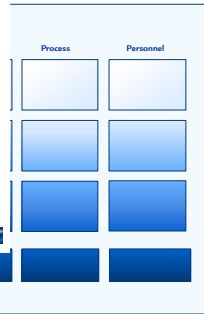
Finnair Group



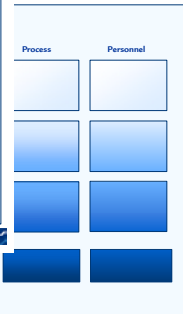
Scheduled Passenger Traffic



Flight Operations Division



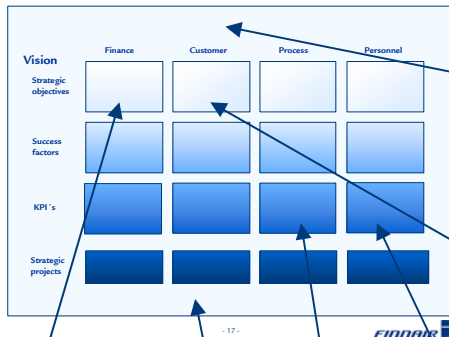
Cabin Operations



Personal Scorecard

Nimi:	Tehtävä:			
	Talous	Asiakas	Prosessi	Henkilöstö
Tavoitteet				
Menestystekijät				
Mittarit				

Process development = development of co-operation



Activity based accounting

Clear-cut target setting

KPI's

Building projects

Subcontracting

Risk management

IT

Managed innovation

Greater flexibility
when facing external
forces

Strategy implementation

Bridge builder between
organizations

Change management

Brand management

More consistent
interface with
customers

Communication tool

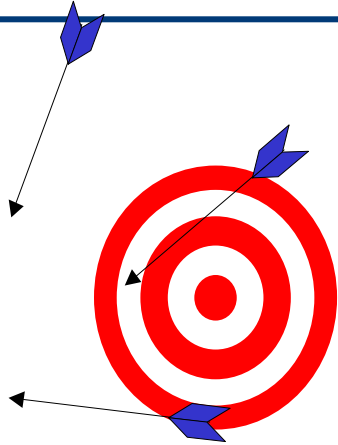
Knowledge and
competence
management

Combines emotions
with rationality

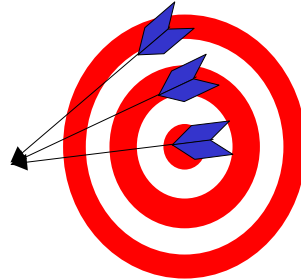
**Reduces panic
breakings and
speed-ups**



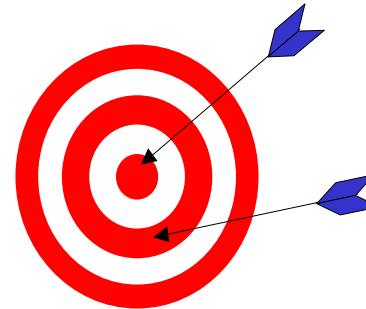
A good process gives quality and cost efficiency



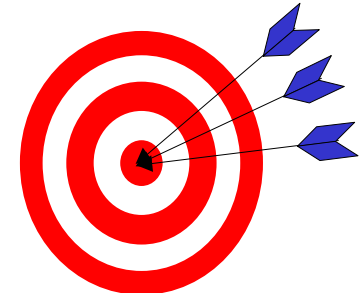
- Fumbling, ununiform and expensive process.
- "Wrong luggage in the wrong planes."



- Process which is working, but the target is wrong.
- "Right luggage in wrong planes."



- Slow and expensive process.
- "The plane took off already".



- Process which brings quality and cost efficiency.
- "The right luggage in the right planes."

Old way of doing = Old result

New way of doing = New result

**Break the ice
before
the ice breaks you.**

