



# 2000 Award Winner

## Operations Management International, Inc.

Employee-owned Operations Management International, Inc. (OMI) runs more than 170 wastewater and drinking water treatment facilities in 29 states and eight other nations. Nearly 95 percent of OMI's customers are U.S. cities, counties, and other public entities that have outsourced the operation and maintenance of their plants. The remainder are industrial and international customers.

Between 1998 and 2000, OMI's public customers realized first-year savings that averaged \$325,000, their operating costs decreased more than 20 percent, and facility compliance with environmental requirements improved substantially.

OMI's total workforce of 1,400 associates is widely dispersed. Only one site employs more than 70 people; most employ fewer than 10. The company's policy is to hire workers formerly employed at facilities that OMI has been contracted to operate.

Headquartered in Englewood, Colorado, OMI was formed in 1980 as part of the CH2M HILL family of employee-owned companies. It was among the first businesses to offer the service of running publicly owned wastewater and water treatment plants, concentrating on



### Highlights

- Annual average revenue per associate improved from \$92,600 in 1997 to almost \$108,000 in 2000—an increase of more than 15 percent.
- Market share in its core business segment has increased to 60 percent, up from 50 percent in 1996. Over this span, total revenue grew at an average annual rate of 15 percent, as compared with 4.5 percent for OMI's top competitor.
- Associate turnover decreased from 25.5 percent in 1994 to 15.5 percent in 1999, better than the national average of 18.6 percent and the service industry average of 27.1 percent.
- For all six components of customer satisfaction, scores show an eight-year improvement trend, all rising above 5 on a 7-point scale for which 1 means "very poor" and 7 means "excellent."

small to mid-sized facilities. Such "privatized" utility operations account for 80 percent of OMI's annual revenues, which totaled about \$147 million in 2000.

### 'Obsessed With Quality'

At OMI, the pursuit of quality is an admitted obsession, but there's a carefully cultured method to this self-instilled organizational approach; OMI's *Obsessed With Quality* process. Corresponding with the principles and criteria of the Malcolm Baldrige National Quality Award, the process spans the entire company, links all personnel levels, and creates a common foundation and focus for OMI's far-flung operations. Key elements of this integrative process include a Quality as a Business Strategy leadership system, a six-phase *Obsessed With Quality* training program for new employees, and a company-wide Linkage of Process Model that facilitates systematic evaluation of more than 150 critical corporate processes.

Planning begins with the Red Team, consisting of seven top company executives and led by OMI President and Chief Executive Officer Don S. Evans, but it quickly becomes an inclusive affair. An expanded leadership team, which also includes regional executives and managers, sets organizational priorities and strategic directions, and team members communicate these to all sites. Teams at each site develop business and action plans that are consistent with the company's overall strategy, yet are specific to circumstances and customer requirements particular to their facilities.

To achieve shared focus and to coordinate efforts across sites, OMI uses a variety of approaches and tools to initiate and then drive progress toward the company's short-term and five-year improvement goals. For example, long-standing focus teams, first established in 1990, provide continuity of effort and sustain company-wide commitment in five key areas: leadership, information and analysis, human resources, process management, and customer satisfaction. Like many other teams at OMI, membership cuts across the entire organization in terms of function and personnel, including top executives and hourly workers.

Other techniques to foster alignment and to ensure that important information flows to all OMI offices and facilities include newsletters, regional meetings, e-mail communications, and the company's annual Project Management Summit, a Red Team-hosted event for exchanging information among OMI-operated facilities on best practices, emerging technologies, and training needs.

## OMI as a System

OMI's management views the organization as a system—an integrated whole—and it aims for synergy in its decisions and actions. Key enablers are the company's Linkage of Process Model, which defines relationships among processes, and its Family of Measures, a balanced scorecard of 20 integrated metrics. These measures of operational performance correspond to OMI's four strategic objectives—customer focus, business growth, innovation, and market leadership.

Improvement initiatives in the company's strategic plan are selected and crafted so that each initiative contributes significantly to achieving one or more strategic objectives and key customer requirements. In 2000, OMI had 26 improvement initiatives under way, each one assigned to a team led by a high-level executive. All teams write charters that state their purpose, objectives, and timeline for completion. A team charter also specifies which of OMI's more than 150 critical processes are involved, the metrics that will be used for evaluation, costs, required resources, and other information vital to the success of the initiative. Charters provide team members and company executives with the means for a quick and thorough analysis of progress toward planned goals.

Every year, the Red Team reviews the entire set of critical processes, and it ranks each process according to its perceived impact on progress toward strategic objectives. Existing processes are modified and strengthened, and new ones are conceived to advance OMI's continuous improvement efforts. The Red Team also reviews the Family of Measures to ensure that the composite set of metrics continues to provide an accurate assessment of organizational health.

Systematic attention to these and other important organizational details points the way to high-impact improvement initiatives. For example, the Red Team's review

of the company's measurement scorecard suggested untapped opportunities to reduce variable operating costs at OMI-run facilities. The outcome was a recently launched plant-optimization program that aims for a one percent reduction in variable costs, to be achieved primarily through more systematic deployment of home-grown innovations.

## 'Paid to Think'

OMI works to cultivate empowerment and innovation among its employees. Associates are "paid to think," a claim that OMI backs up by providing extensive training opportunities. Skill development is a high priority, and associates are given plenty of chances to apply what they learn. All employees are authorized to improve job designs, respond directly to process problems, and address customer issues. Empowerment is reinforced by compensation, reward, and recognition systems designed to encourage workers to think and act like company owners. With labor accounting for half of total costs, the company reasons that investments to motivate associates and to increase their skills will be paid back through gains in operational performance and, ultimately, customer satisfaction.

From 1996 to 2000, OMI's expenditures on training and tuition nearly doubled. Associates are evaluated every six months, and training plans are updated as part of every evaluation. Ongoing employee focus groups, new employee surveys, and biennial internal customer satisfaction surveys help management track levels of morale and motivation. Annual regional salary surveys are used to ensure that compensation levels are competitive with the rest of the industry.

Besides empowering employees, exceeding customer expectations and enhancing the environment are the two other defining elements of OMI's culture. The company uses a variety of listening approaches—surveys, interviews, focus groups, and market research—to learn customers' current and long-term requirements. A contract renewal rate of almost 95 percent in 1999 and the industry's top rank in the average length of customer retention indicates that OMI is well-versed in the requirements of its customers.

For OMI, protecting the environment is part of its contractual obligation. However, many OMI-managed facilities are model performers. The company has won more than 100 federal and state awards for excellence in the past five years; more than half of these were earned in the last two years.

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