

Harrah's gamble on lean techniques pays off for casinos

Opportunity: “The Great Recession” has not been kind to the entertainment industry. Reporter Howard Stutz of the Las Vegas Review-Journal, writing about the impact of the recession on the gaming business in particular, said 2009 would “go down as the worst on record.” With consumers’ discretionary spending under full attack, gaming operators and others in the entertainment business have been under severe pressure to do something to keep their boats afloat. Such was the case at Harrah’s Entertainment’s three gaming operations in Tunica, Miss.

Background: Founded more than 70 years ago by Bill Harrah in Reno, Nev., Harrah’s Entertainment is the world’s largest provider of casino entertainment, employing more than 85,000 people on four continents. Harrah believed that customer service was the key to a competitive advantage in the casino industry, and his philosophy still guides the company today. In fact, improving customer service is the primary focus of employee performance reviews and incentives.

In 2008, Brad Hirsch, who at the time was vice president of operations at Harrah’s Hotel and Casino in Tunica, shared with his superiors his interest in lean improvement techniques. Lean had been used in manufacturing settings to great success, and Hirsch believed that the techniques could help Harrah’s improve customer service and profitability. Later that year, Harrah’s sent Hirsch to a weeklong Lean Applied to Business Processes course offered at the University of Tennessee Center for Executive Education.

Concept: “What I learned at UT was that lean is all about removing waste, which is anything the customer doesn’t value,” Hirsch explained. “If you can accomplish that, you can improve profitability, improve customer service and inspire innovation. And for me personally, lean has dramatically changed how I see the world and how I lead.”

Challenge: After completing the course in fall 2008, Hirsch returned to Tunica and took stock. “I was tasked with launching lean in January 2009, yet I had 4,000 employees in three casinos who had no earthly idea what



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Harrah’s executive Brad Hirsch applied lean techniques he learned at the University of Tennessee at two of the company’s three casinos in Tunica, Miss. and documented more than \$3 million in savings.

lean was,” he recalled. “I formed a team of two managers, two directors and myself, and we set out to train every vice president and director, and then every manager and supervisor. The impact was practically immediate.”

Results: In 2009, Hirsch and his team executed 63 lean events at two casinos, documenting more than \$3 million in savings, substantial improvements in customer service metrics, and significant improvements in employee satisfaction.

“That’s the power of lean,” Hirsch said. “It hits on all the important metrics of a business — especially profitability and service — and boosts company morale at the same time.”

Hirsch and his team launched lean at the third Tunica property in January 2010, with plans to execute 78 more lean events in 2010 at all three properties.

In addition, Harrah’s properties in Tunica now have nine employees certified as lean subject-matter experts. “We’re building an army to help support our team’s vision to become a lean enterprise,” Hirsch said.

The simplicity of lean is one of its greatest attributes, according to Hirsch. “Lean is perfect for front-line implementation. Once employees see how well lean works — how it makes their jobs easier rather than harder, how it eliminates waste and enables them to make a direct impact on the company’s performance — they embrace it.”

Hirsch recalls one employee in the Environmental Services Division who was skeptical about the new “two-bin” inventory system Hirsch wanted to use for janitorial supplies. “I asked him to just give a month to this new way of doing things. Even before the month was up, he told me that his job had never been easier, and he could tell that he was saving the company thousands of dollars. He thanked me, saying, ‘I’ve never felt more important in my job.’”

Another lean technique — one-piece flow — has shattered paradigms throughout the company about the most efficient way to work. Hirsch cites two vastly different departments that shared a common revelation. “We did a full-scale test in our food service

department to prove that making one sandwich or cheese tray at a time was more efficient and profitable than making 20 at a time,” explained Hirsch. “Using one-piece flow, we improved our speed by 45 percent, improved quality and delivered fresher food.”

The applications of lean in a service environment are endless, believes Hirsch, who credits his foray into lean with his own professional transformation, citing his recent promotion to assistant general manager at the Horseshoe Casino & Hotel and Roadhouse Casino & Hotel in Tunica. “Understanding lean makes you a better manager because it helps you focus on the things that will really make a difference,” he said.

Hirsch recently became the first student to be certified by the University of Tennessee as a green belt in Lean Applied to Business Processes.

Case Study is provided by the University of Tennessee College of Business Administration. For more information, contact Cindy Raines at craines1@utk.edu.