Doing More with Less

Transforming Business Performance through Execution Excellence

Mark O. George

Achieving operational excellence is more critical than ever, as companies come under increasing pressure to enhance their efficiency and extract more value from the same or even scarcer resources. Erosion of operating margins, reduced return on investment and the dwindling of traditional sources of growth are all focusing executives’ attention on their companies’ operations.
A chieving operational excellence is more critical than ever, as companies come under increasing pressure to enhance their efficiency and extract more value from the same or even scarcer resources. Erosion of operating margins, reduced return on investment and the dwindling of traditional sources of growth are all focusing executives’ attention on their companies’ operations. Through operational excellence, companies not only trim costs, they also improve financial performance in significant and measurable terms as well as adapt swiftly and appropriately to changes in their business landscape.

But the ultimate power of operational excellence is that it enables enterprises to sustain performance no matter what’s going on in the larger economy. Indeed, Accenture studies of past economic crises find that when recessions end, the companies that lead their competitive set are those that have regularly applied practices associated with operational excellence.

**Execution excellence: The engine of operational excellence**

Current economic woes, demanding customers and intensifying competition have increased the premium on superior execution. While we expect global economies to emerge from the recent downturn, we will likely see a period of even greater volatility as the economic picture continues to brighten. The growing strength of emerging markets, shifting consumer expectations and geo-political events will bring more uncertainty tomorrow than what businesses are experiencing today.

Perhaps not surprisingly, execution excellence is consistently identified as a priority by C-level decision makers who understand that putting their company’s strategy into action can differentiate their business from rivals and create a sustainable competitive advantage. The Conference Board’s 2010 report on CEOs’ top 10 challenges bears this out. In the report’s list of challenges constituting surveyed executives’ greatest concern in the coming year, *execution in execution* occupies first place. Other leading challenges reported are *consistent execution of strategy by top management, organizational speed, flexibility and adaptability to change*.

To some, execution excellence may sound similar to continuous improvement (CI)—but it’s much more. Most major companies currently have CI programs in place. However, as the Conference Board survey reveals, CEOs are still worried about execution, speed, and agility—the very things that continuous improvement programs are supposed to address. Why the disconnect? Most CI programs are too tactical, too focused on one set of process-improvement tools and not designed to work from the top down. (Think about it: mechanistically applying just one set of tools to a performance-enhancement effort is like preparing for a team pentathlon by training in only one of the five disciplines that will be featured in the race.) And while CI tools are valuable, too many companies don’t use them correctly—and thus don’t get the business results promised by the tool. (See Figure 1.)

Companies demonstrating execution excellence take a far more holistic, end-to-end approach from those relying on CI; their approach is outcome focused and not exclusively characterized by the simple dissemination of tactical tools and training. They start by clarifying their business strategy. They then identify what’s needed operationally to execute the strategy. They also pinpoint operations that are hindering strategy execution. Finally, they construct a plan for carrying out strategy-critical operations and removing roadblocks, drawing on the appropriate tools and methodologies—and using them correctly.

To build execution excellence, companies must activate five “enablers”:

- **Focus**—targeting and prioritizing actions to generate rapid payback, so the effort pays for itself and

![Spotlight on Lean Six Sigma](image)

**Spotlight on Lean Six Sigma**

Lean Six Sigma (LSS) is a performance discipline that has built a proven track record since it was developed in the late 1990s. It combines two of the most powerful performance-improvement engines: *Lean*, which offers mechanisms to quickly and dramatically reduce time and waste in any process anywhere in the organization, and *Six Sigma*, which provides the organizational tools and guidelines for laying data-based foundations for an improvement geared to key customer-related objectives. Many organizations have used LSS in their continuous improvement efforts, but many have made mistakes in the design and launch of the program. For example, they often place about 80 percent of their effort and investment in training resources on the use of tactical tools. Yet they pay little attention to the development of an enterprise portfolio of high-value projects and even less attention to change management. Consequently, they do not achieve the fast, considerable and sustainable performance improvements promised by this methodology.
contributes long-term to the company’s bottom line.

- **Simplicity**—identifying ways to reduce the adverse impacts of complexity on profitable growth.
- **Speed**—creating customer value through accelerated, agile and waste-free processes across the enterprise; responding swiftly and flexibly to changes in the business environment, market demand and customer preferences.
- **Discipline**—sustaining momentum and direction through a sound performance management system, while establishing repeatable, reproducible processes that deliver certainty of outcomes and no variation.
- **Journey**—understanding that achieving execution excellence is a process, not a single step, and mapping out the required route, including knowing where the company is starting from, how far it wants to go, and what the organizations’ objectives are. This enabler serves as a foundation for the other four enablers. (See Figure 2.)

**Focus**

We define **focus** as identification of the operational improvements required to achieve execution excellence, the translation of these projects into a financial business case and the leveraging of core analytics to quantify each project’s impact on the company’s performance and bottom line. Focus is critical for driving faster and higher-impact results as well as maintaining enthusiasm and momentum for change. It can also help companies surmount challenges encountered during its execution excellence journey. One of the most daunting of these challenges takes the form of pressure to show financial benefits early on. Many companies fail to create a clear business case for the transformation effort, so commitment wavers if benefits are slow to materialize or if, when they do materialize, they’re less than what everyone expected. Confusion and wastage of resources can also occur if people throughout the organization are working on a lot of projects in parallel without a clear sense of which projects are most important to execution.

Enterprises that excel at focus apply four steps:

1. **Identify value drivers and projects to leverage them.** Value drivers are key value streams that contribute to growth, return on invested capital and operating margin. Develop value driver trees to correlate value creation or destruction to process and execution gaps and improvement opportunities. Identify projects that will leverage and optimize the value drivers. Develop realistic estimates of the value that each initiative might produce. The active and continual engagement of senior leadership in this stage is vital to ensure that the resulting project portfolio directly supports business strategy.

2. **Narrow down the project list.** Subject each project in the list to a benefit/effort analysis, where benefit is defined as the savings or other valuable impacts the project would deliver, and effort is defined as the time needed to implement the project. Depict the results in a matrix. (See Figure 3.) Give top priority to low-effort/high-benefit projects. Use caution with...
medium- or high-effort/low-benefit initiative, as they will require increased resources. Examine low-effort/low-benefit projects for any potential to provide a rapid solution to recurring problems.

3. Create project charters. To enable a better comparison of the best potential projects, draft a charter for each. Include in the charter detailed information on the scope, objectives, required resources and time frame for the project.

4. Select projects to implement. Prepare a list of benefit and effort criteria for each project charter that specify the project’s potential impact on the business, the teams that will be required for successful implementation of the project and other criteria such as project time-to-results and investment required. Rate the charters against the selected criteria, and select winning projects for implementation. Ultimately, you will need to strike a balance between those projects selected for the highest near-term economic payback and those that support the company’s key strategic objectives—the key business outcomes it is striving to achieve. Engagement of Process Owners at this stage is vital to ensure that improvement and change strategies are successfully implemented and that results are sustained through process performance accountability.

Finally, this holistic approach to project portfolio development should look across the enterprise to identify and prioritize projects that, together, aggregate and support key strategic objectives.

Organizations that excel at focus are handsomely rewarded. For instance, an automotive parts supplier focused its change efforts on reducing waste throughout its operations, which drastically lowered its costs, improved customer order lead times and enhanced product quality. Its performance soared, including an increase in operating margin from 5.4 percent to 13.8 percent, and a leap in economic profit from -2 percent to 21 percent. See “dos and don’ts of focus” for ideas on how to further leverage this enabler effectively.

Simplicity
Simplicity is a company’s focused effort to address the adverse affects of organization, offering and process-related complexity. The simplification effort must eliminate the complexity that is unseen and unvalued by customers and instill sufficient standardization and flexibility to profitably serve the complexity that customers do recognize and value. Without simplicity, the company’s cost base, growth potential and ability to execute may all degrade.

But tackling complexity through a simplification drive isn’t easy. Organizations tend to focus on the symptoms of complexity (such as regular overspending and inefficiency in the delivery of customer requirements) instead of the complexity’s root causes (proliferation of inflexible processes, excess offerings, customers and so forth). Lacking awareness of the root causes, organizations take what they believe are corrective actions that focus on the immediate pain points instead of the real problem. Often, they just “chop off the long tail” of their offerings—eliminating low-vol-
volume products and services. But this typically yields sub-optimal and temporary results, and the symptoms of complexity either reemerge or crop up again in another part of the business.

The high cost typically associated with low-volume offerings often stems from complexity “hot spots”—points in the stream where problems (such as inflexibility, capacity limitations, long cycle times, defects and rework) recur. Organizations must understand not only where hot spots are destroying value but also what kinds of complexity customers are willing to pay for—and then be able to deliver it profitably.

Ultimately the organization must understand the effect that introducing additional products or services will have on each point in the stream. At every place along the stream, how would supporting the newly added offering affect the organization’s agility and process flexibility? (See Figure 5.)

A key to battling the effects of complexity is to identify and quantify its costs throughout the organization and then design simplification initiatives that produce the most profitable improvements. “Dos and don’ts of simplicity” provides additional ideas for leveraging this execution excellence enabler.

Organizations that achieve simplicity can eliminate duplication, rework and low-value activities; clarify decision-making authority; standardize and harmonize processes; streamline the product and service portfolio; serve customers more efficiently; and achieve sustainable cost reductions. To illustrate, a computer hardware manufacturer eliminated an estimated US$10.3 million in margin-leak by standardizing its buy-sell sub-processes. It also improved working capital by about US$16 million by improving invoicing processes in its logistics and original design manufacturing operations.

Speed

We define speed as the acceleration of end-to-end process cycle times across the enterprise to drive rapid execution of strategy. Speed and agility at the enterprise level enable organizations to achieve true, defensible competitive advantage through step-change reductions in operating cost, increased returns on invested capital and revenue growth by means of market responsiveness and higher customer service levels.

While few can argue about the benefits of a fast and agile enterprise, it’s the rare organization that truly ever achieves it. Why? The causes of slow and cumbersome processes are seldom understood. An understanding of enterprise speed requires not only a process perspective but also a comprehension of workflow management and scheduling, the impacts of the offerings served by processes and the adverse effects of variability.
To begin to understand enterprise speed, let’s begin with a simple yet powerful metric, Process Cycle Efficiency (PCE).

\[
\text{Process Cycle Efficiency} = \frac{\text{Customer Value Add Time}}{\text{Total Cycle Time}}
\]

PCE is a measure of how efficiently a process utilizes the organization’s capital to create customer value. Those processes with a high PCE percentage will deliver outputs to customers (in terms of goods or services) with a minimum amount of waste. Conversely, processes with low PCE are fraught with waste that in no way adds customer-perceived value to delivered outputs. There are eight activities commonly referred to as process waste. These include transportation or conveyance (usually internal), inspection, excess motion, waiting time, over-processing, over production, defects and ineffective use of capital (human and financial).

To mitigate these manifestations of process waste, organizations can implement an array of continuous improvement tools such as those of the Lean Six Sigma toolset. These tools improve process flow and the work environment, reduce waiting or queue time, improve equipment availability and eliminate defects, rework, hand-offs and so on. Note that creating waste not only consumes resources, it also consumes time. Hence, improving PCE goes a long way toward simultaneously improving process quality, cost and speed.

Is a focus on PCE and the related waste elimination enough to enable enterprise speed? After all, don’t waiting or queue time constitute primary forms of waste? Waiting time indeed should be reduced as much as possible. But improving waiting time at the local process level usually provides only incremental, gradual benefit. It is speed and agility at the enterprise level—across multiple functions and value streams—that confers true competitive advantage. To better understand how this works, let’s go beyond PCE, the metric of waste, and discuss some other determinants of enterprise speed. The first and foremost of these is Little’s Law, first postulated by Dr. John Little of MIT in 1961.
Like PCE, Little’s Law is elegantly simple but equally powerful in determining enterprise speed.

Little’s Law

\[
\text{Lead Time} = \frac{\text{The number of items in Process}}{\text{Completion Rate}}
\]

Little’s Law indicates that the lead time of any process—how long the next outcome of the process (such as production of an order or delivery of a service) will have to wait to be produced—depends on the ratio of the number of “items” or “work” in process (WIP) to the completion rate per item for that process. For example, if you have 90 orders in a process that has the capability to complete 12 orders per hour, process lead time (PLT) is 7.5 hours.

PLT is a key enabler of enterprise speed. And Little’s Law makes it clear that PLT is determined not only by how quickly work is performed at the task level (completion rate) but also by the amount of work introduced to processes. Adding work (a common managerial move when greater output is required) only increases PLT—forcing stakeholders of the process (such as customers) to wait longer. Reducing WIP is actually the simplest way to improve PLT. Companies can gain further speed by accelerating their process completion rates; for example, through use of Lean Six Sigma continuous improvement tools as stated earlier.

Little’s Law reveals the need to link process capability directly to work scheduling and planning—whether in manufacturing or in services. This means that true enterprise speed can only be achieved when the operating metrics, targets and incentives across disparate functions (those related to execution and those related to planning and scheduling) are all aligned toward driving speed. Managers must establish metrics, dashboards and leading indicators of process capability. Equally important, they must understand total demand (number of “items” in process) at any given time and the amount of work being introduced into their company’s processes. Only by understanding and monitoring all these aspects of Little’s Law can managers determine how best to increase their enterprise’s speed.

A third key determinant of enterprise speed is process stability. Yet this concept has been overlooked by some who have embraced only the traditional Lean toolset (and strayed from Six Sigma’s rigor, which addresses variation reduction). As we shall see, process variation can exponentially increase completion rates and thus degrade enterprise speed and agility. Our ex-
Experience has shown that, by contrast, process stability can greatly improve completion time. (See Figure 7.) Processes that have sufficient reserve capacity are not greatly affected by their degree of variability in terms of its effects on completion time. However, as processes are pushed to their upper limits of utilization, the impact on completion time can become great if the process exhibits even moderate degrees of variation. As processes with variation are tasked with more work, they experience an exponential increase in completion time for every 1 percent of utilization consumed. In today’s increasingly competitive landscape, businesses around the globe are trying to do more with less—reducing headcount and capital expenditure, and tasking remaining resources with higher degrees of expected utilization. Such actions erode customer satisfaction—especially when organizations don’t address process stability and its root causes while reducing operating budgets.

The fourth key determinant of enterprise speed is complexity, especially in the breadth and varying attributes of an organization’s products and services. Offering standardization, platform design and standard work are common approaches to neutralizing the adverse effects of complexity. As the offering portfolio expands, processes and resources must be able to flexibly serve the attributes unique to each product or service. Most organizations have few dedicated channels that serve only one offering or customer group. But proliferation of offerings and transaction types requires resources and equipment to literally switch or changeover from executing one type of task to another. Whether in a product or service environment, changeovers are disruptive, time consuming and often costly. To negate the cost of complexity and impact on enterprise speed, organizations, at a minimum, must improve process flexibility at the same rate they increase complexity.

“Dos and don’ts of speed” summarizes tips for gaining these and other related benefits from this execution excellence enabler.

**Discipline**

Discipline is the ability to drive accountability for actions and behaviors across an organization. Discipline manifests itself as an effective performance management (PM) system. Performance management is the process of deploying strategic goals in a top-down approach.
through an organization to link goals and effect behavior toward corrective actions when the current state and the goal state are not in alignment. A performance management system is the infrastructure by which strategic goals are deployed and needed action is taken.

A PM system compromises performance metrics, targets, review cycles and corrective actions. To build a PM system, executives must ask a series of questions related to their organization’s vision and strategy, operating future state and operating model blueprint. (See Figure 9.)

**Figure 8**

**Dos and don’ts of speed**

<table>
<thead>
<tr>
<th>Dos</th>
<th>Don’ts</th>
</tr>
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<tbody>
<tr>
<td>• Do adopt Process Cycle Efficiency (PCE) as a primary metric of process performance.</td>
<td>• Don’t expect the elimination of waste alone to make substantive improvements in speed across the enterprise.</td>
</tr>
<tr>
<td>• Do know total demand (number of “items” in process) at any given time, and continuously monitor your company’s process capabilities and completion rates, as well as the amount of work being introduced into your processes at any given moment.</td>
<td>• Don’t neglect to craft and communicate a compelling vision of how greater speed will benefit everyone in the organization (such as making jobs easier or less frustrating)—as well as enhance the overall performance of the organization itself. You’ll win stakeholders’ buy-in for speed-related change initiatives.</td>
</tr>
<tr>
<td>• Do place rigor around measuring process utilization / capacity and stability. Understand the root causes of critical process variability, and take steps to mitigate and continually control them.</td>
<td>• Don’t try to speed up execution merely by adding more work into the pipeline—you’ll only increase process lead time by increasing work in process.</td>
</tr>
<tr>
<td>• Do make conscious, organized efforts to increase process flexibility at least at the same rate complexity is being increased</td>
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**Figure 9**

**Performance management questions for executives**

- **What do we aspire to be (3-5+ years)?**
  - How will we achieve that purpose?
  - What goals do we set for success? What is the timing?
  - How will we compete, grow and differentiate ourselves?

- **How must we operate to execute our strategy and achieve our business objectives?**
  - What principles will guide the change in operating model?
  - What factors must be present for each capability to execute?

- **What functional capabilities will be needed for execution?**
  - What will the process implications be?
  - What individual capabilities will be needed - culture, skills, structure, behaviors, and performance measures?
Figure 10

From undisciplined to disciplined

The goal of discipline is to go from this...

To this...

From undisciplined to disciplined

CEO and Senior Staff
Executive Management Sr VPs
Jr VPs and Directors
Front Line Management
Staff Associates and Employees

Overall Review, Assessment and Redirection
Strategic Planning, Direction and Review
Communication Ceiling

Real Time Information and Ideas Filtered from Sr Leaders
Goal Alignment Issues

CEO and Senior Staff
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Jr VPs and Directors
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Overall Review, Assessment and Redirection
Strategic Planning, Direction and Review
Translation of Strategic Plan into Operational Goals
Project Creation and Management
Project Execution

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Translation of Strategic Plan into Operational Goals
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Project Execution
Perhaps the biggest challenge to achieving discipline through an effective PM system is that holding people accountable is difficult for most managers. We human beings have an innate desire to be liked. Holding people accountable for their performance can make some managers feel that they’re acting like disciplinarians—hardly a likeable quality. Moreover, it’s hard to enforce discipline in an organization unless the enterprise is facing dire straits. In tough circumstances, everyone understands that an easygoing style is not acceptable. During boom times, when the economy and markets are thriving, there is little impetus for managers to establish discipline and to demand better-than-ever performance.

To complicate things even further, many vice presidents reporting to the C-suite “filter” information about their units’ performance when communicating with the CEO, COO and CFO. This “communication ceiling” hampers efforts to establish discipline and accountability, as review of the organization’s overall performance and strategic planning remain cloistered within the C-suite. The goal of discipline is to remove that ceiling, get information (about projects initiated and results obtained) flowing from the bottom of the organization to the top, and get strategic direction, operational goals and project execution efforts communicated from the top to the bottom. (See Figure 10.)

As an added boon of discipline, business operations become repeatable and reproducible, and their outcomes become certain.

To achieve discipline, an organization needs to establish an infrastructure of cascading performance metrics and feedback reviews from those who are formulating the company’s strategy down to every employee in the organization. Executives, managers and team leaders all play critical roles in establishing and using this infrastructure.

When companies establish discipline by implementing a robust performance management system, results show up across the P&L statement. For example, revenue increases as the company's innovation and new product development efforts produce offerings that are needed by the market and that support the company’s strategy. Cost and process cycle time decrease as progress against these goals is measured daily, weekly and monthly. “Dos and don’ts of discipline” shows additional recommendations for using this execution excellence enabler.

Journey
We define journey as a coordinated set of strategies, methods, approaches, tools, capabilities, practices and actions uniquely tailored to transform a company from its current state of executional performance and maturity toward true excellence—while delivering tangible business benefits, a positive change in culture and defensible competitive advantage.

An organization’s execution excellence journey comprises the following steps:

1. **Diagnose current executional capabilities.** Managers assess four key elements of execution, looking for gaps between what’s needed and where the company is already excelling. The four elements are people metrics and feedback reviews from those who are formulating the company’s strategy down to every employee in the organization. Executives, managers and team leaders all play critical roles in establishing and using this infrastructure.

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(do we have the right talent/skills match and performance management system in place?), process (how are we handling process transformation, process innovation and Lean Six Sigma?), tools (how are we doing with automation and tool rationalization?) and organization (how effective are our governance structure and organizational redesign efforts?).

2. **Determine execution readiness.** Managers evaluate qualitative, culture-related measures that indicate degree of readiness for execution excellence (such as top-down commitment to transformation, workforce engagement and executives’ ability to “walk the talk”). They also evaluate quantitative readiness measures related to processes, people and infrastructure (for example, use of tool sets, leadership quality and strategic alignment of initiatives). (See Figure 12.)

3. **Define journey design elements.** Depending on an organization’s execution capabilities and readiness, journey design elements can range anywhere from deployment strategy, candidate selection and financial control to change management, training and project management. (See Figure 13.)

4. **Define stages toward the desired future state.** This step includes mapping out the organization’s desired future state for each of the journey design elements it has identified, and articulating the stages through which the organization will travel on its way to the desired future state. (See Figure 14.)

Leveraging the journey enabler correctly is challenging, as managers can fall prey to a number of pitfalls. “Dos and don’ts of defining your journey” offers suggestions for avoiding those pitfalls. Companies that build and implement a carefully thought out and architected execution excellence journey generate impressive results. For example, a global leader in consumer packaging, with a legacy of disparate and failed change initiatives, reduced its year-on-year of cost of goods sold (COGS) by 3 percent by crafting the right journey—and repeated and sustained those benefits for four consecutive years. While the company aggres-

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**Figure 12**

**Determining execution readiness**

<table>
<thead>
<tr>
<th>Culture</th>
<th>Process</th>
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<tbody>
<tr>
<td>Top Down Commitment</td>
<td>Project Identification and Selection Process</td>
</tr>
<tr>
<td>Engaged Management</td>
<td>Project Portfolio Management</td>
</tr>
<tr>
<td>Rigor and discipline to sustain gains</td>
<td>Project Reviews</td>
</tr>
<tr>
<td>Communication and “Walk the Talk”</td>
<td>Financial Guidelines to track projects</td>
</tr>
<tr>
<td></td>
<td>Use of Tool sets</td>
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<table>
<thead>
<tr>
<th>Infrastructure</th>
<th>People</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Alignment to other initiatives</td>
<td>Roles and Responsibilities</td>
</tr>
<tr>
<td>Engaged Project Sponsors &amp; Process Owners</td>
<td>Job Descriptions and Career Path</td>
</tr>
<tr>
<td>Deployment strategy &amp; implementation</td>
<td>Reward and Recognition</td>
</tr>
</tbody>
</table>

- **Culture**
  - Requires design, implementation and monitoring
- **Process**
  - Leverage, revise and monitor
- **People**
  - Link and monitor
sively set out to simultaneously reconfigure thousands of processes around the globe and strengthen its internal capabilities, the initiative was cost-neutral in less than one year.

Execution excellence: A case in point

An automotive parts supplier we worked with provides a useful case study of a company that leveraged the execution excellence enablers and achieved remarkable results.\(^1\) The company, which supplies hoses and fittings to the automotive industry, was barely profitable, generating a negative 2 percent economic profit. Customer order lead time was 14 days; the industry average, 7 days. Quality was also a problem; the company frequently shipped defective brake and steering parts to its primary customers.

Executives embarked on a carefully architected transformation journey that unfolded over several years. Top management defined the overall focus of the journey as enterprise speed—which the organization sought to improve by reducing waste across and between functional units. The goal? Lower costs, improve process cycle efficiency and sharpen the company’s competitive edge.

Simplicity played a key role in this drive to increase speed. One of the company’s clients was a leading manufacturer of heavy-duty trucks. Unlike other customers, the truck manufacturer created a high proliferation of end items (mostly low-volume runners) required for its wide variety of vehicle models. Through complexity analytics, the parts supplier discovered that the major culprit behind long manufacturing lead times was the imperative to provide the vast number of part numbers for the truck customer. Management decided to drop the truck company as a client. This move eliminated the related complexity and enabled the company to focus on its remaining clients—those with higher volumes and fewer part numbers.

By eliminating complexity, the company could also concentrate on reducing the number of defective brake and steering components shipped to clients. Executives established discipline around quality by committing the organization to delivering reliably on what customers cared about most and to ensuring certainty of outcome of manufacturing processes. It launched an all-out assault on quality-control processes, prioritizing project identification and selection around defect prevention (which demonstrated focus on the project-management level).

With product quality under control, the company focused again on speed as well as flexibility. It initiated a series of operations assessments that identified the cause of long process lead times and developed a mitigation plan that included the synchronized deployment of Lean tools (such as 5S, work cells, process flow improvement, setup reduction and eventually pull systems).

This holistic approach—combining complexity reduction, quality improvement and elimination of process waste—delivered remarkable results. For example, in less than two years, profit margins doubled, COGS plummeted as lead times dropped and manufacturing cycle time went from 14 days on average to just 2 days. Indeed, once cycle time was 50 percent less than the lead time demanded by customers, the company could close a large warehouse and quality containment facility. These changes in turn generated additional reductions in the considerable costs associated with what’s often referred to as the “hidden factory.” These included inventory, capital and equipment, energy, insurance, taxes, excess la-

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Stage 1</th>
<th>Stage 2</th>
<th>Stage 3</th>
</tr>
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<tbody>
<tr>
<td>Customer focus</td>
<td>Customer focus limited to special requests and responding to complaints. Reactive rather than proactive gathering of voice of customer.</td>
<td>Regular communication with customer, joint problem solving.</td>
<td>Formal processes to understand customer expectations including those which are unstated. Customer engages ‘us’ to identify improvement opportunities.</td>
</tr>
<tr>
<td>Production/Service Scheduling</td>
<td>Entirely driven by forecast, long product and service lead times, informal efforts to control WIP inventor. No corporate wide method for handling requests greater than capacity.</td>
<td>WIP is controlled within the plant through localized pull systems but not linked directly for customer demand.</td>
<td>Production/Service directly driven by customer demand, e.g. replenishment of finished goods shipped daily. Has an effective Sales and Operations planning methodology.</td>
</tr>
<tr>
<td>Asset/Resource Effectiveness</td>
<td>Constraints are understood and efforts exist to improve their utilization. PM program exists.</td>
<td>Productivity metrics are tracked for key resources. PM used extensively. Starting to use Pdm.</td>
<td>Specific strategies for key resources and Work Management programs in place. View is holistic rather than individual.</td>
</tr>
<tr>
<td>Network Management</td>
<td>Senior Management takes a network view for capacity planning but it is informal. Best practices are shared at plan manager level. Transactional backoffice and service nodes are invisible. Boundaries exist and are not violated at functional and office and floor levels.</td>
<td>Active efforts to optimize the network rather than individual plants, best practice sharing at mid-manager level and transactional nodes recognized.</td>
<td>Continuous focus on optimizing the resources for the best ROIC while meeting variable customer needs. Resources and asset usage is thought is handled at global levels. Extensive and formal best practice sharing between sites at all levels.</td>
</tr>
</tbody>
</table>
In a world of ever-increasing uncertainty, the ability to execute strategy has become the differentiator between enterprises that pull ahead—and stay ahead—of the competition, and those that are left struggling to catch up. But building execution excellence is not for the faint-hearted: It requires immense will, clarity of thought and patience. Activating five powerful and mutually reinforcing enablers—journey, focus, simplification, speed and discipline—can help companies seize the advantages essential for remaining competitive in good times and bad, including low costs, greater profitability and the power to respond quickly and flexibly to a constantly shifting business landscape.

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**Dos and don’ts of journey**

<table>
<thead>
<tr>
<th>Dos</th>
<th>Don’ts</th>
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</thead>
<tbody>
<tr>
<td>• Do be objective and honest when assessing the strength of your company’s execution capabilities and its readiness for change.</td>
<td>• Don’t forget to identify the attributes and activities in your organization that present the greatest impediments to execution and develop strategies for removing these roadblocks.</td>
</tr>
<tr>
<td>• Do pay adequate attention to the human condition in implementing your journey—including investing in change management efforts.</td>
<td>• Don’t assume that your execution excellence journey will deliver optimal performance immediately. “Quick hit” projects will contribute to rapid program payback but won’t, in themselves, transform the organization.</td>
</tr>
<tr>
<td>• Do hold people accountable at all levels for sustaining momentum as the organization moves toward its desired future state.</td>
<td>• Don’t over-rely on experts in tactical process-improvement tools, such as Master Black Belts or Lean Senseis, to lead your journey.</td>
</tr>
</tbody>
</table>

**Figure 15**

Dos and don’ts of journey

bor, transportation and handling to address product damage.

* * *

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