



ENHANCING YOUR COMPANY'S PERFORMANCE THROUGH OPERATIONS

You've got a great strategy. But can you execute it?

You've worked hard to develop a vision and strategy for your company. But if you can't execute effectively, performance will suffer. Establishing and maintaining effective operations is critical to remaining competitive and continuously improving performance when market conditions and external forces are constantly changing.



In this edition of *Executive Issues & Insights*, we explore key insights drawn from the extensive C-suite and Board experiences

of the NextLevel team on how to enhance your company's performance through operations.

NEXLEVEL CASE STUDY

Manufacturer facing global competition adopts lean processes, improves margins to remain price competitive

A middle market manufacturer of capital equipment faced increased competition from similar manufacturers based in China and Europe. The competitors had lower prices and shorter lead times, allowing them to capture market share as well as erode prices and profit margins. They also had lower costs due to recent investments in manufacturing capability.

The CEO, now a NextLevel partner, working with a lean manufacturing specialist and the director of production, led a complete overhaul of the company's manufacturing and assembly operations over a 12-month period. The key metrics they determined were most affecting market share and profitability were customer lead times, labor hours per unit by machine, and inventory levels.

Two key initiatives were: 1) developing a more efficient plant layout and 2) investing in additional equipment to eliminate

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NEXLEVEL INSIGHTS

Execute the strategic vision

Operations is often seen as less important than developing the strategic vision. But while strategic vision sets the direction, operations is the execution of that vision, and is vitally important to your company's performance. Successful strategic deployment requires at least two things: 1) leadership buys in to the importance to company goals of "blocking and tackling" effectively and knows what that requires, and 2) operations personnel understand and are accountable for their specific contributions to strategic goals.

Move the right needle

Sometimes managers want to execute what they are most comfortable with, not necessarily what is required to impact profitability and sustainability of the total business. It's important to know what aspect of performance you want to enhance and then determine how to affect that. Gather data and develop metrics to measure what will move the right needle most effectively. For example, a company had a shipment-completed-when-promised rate of more than 90 percent, but lost a major client because shipments still weren't being delivered when that customer needed them. Company standards were not tailored to specific customer needs. Customer satisfaction with actual shipment dates would have been a better metric.

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critical production bottlenecks. Through a capital expenditure ROI analysis, the team convinced the company's bank to provide a loan for the new equipment. They also negotiated with major suppliers to allow for just-in-time delivery of certain high-cost components, improving overall plant throughput. Finally, they provided training for unionized production personnel to learn and implement lean manufacturing techniques, which increased the company's labor productivity. The company was able to bring down the number of labor hours per machine by 20 percent, shorten ordering lead times from 14 weeks to 8 weeks, and reduce average inventory levels. By reducing costs and providing a better customer experience, the company remained competitive and improved cash flow and profitability.

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Start by looking at the customer experience

The end customer's experience is ultimately a reflection of all the things that occur inside the company to deliver that experience. When looking to improve your company's performance from an operations perspective, be sure to look at the customer-facing piece and what specific actions would contribute to improving it.

Promote an effective culture

Successful operational execution requires the right people in the right roles doing the right things, feeling engaged and accountable. A problem in execution is often due to a culture that allows it. Adopt a performance management process that reinforces timeliness and makes hitting goals visible in all-hands meetings. Promote an effective culture by ensuring employees understand why each strategic goal is important and empowering them to take the individual actions in their operational area to achieve them. Establish trust by encouraging employees to escalate potential problems as soon as they are identified and responding quickly.

Establish a cadence of continuous improvement

Establishing smooth and efficient operations is just the beginning. Since market conditions and external forces constantly change, you need to establish a process by which you are continuously evaluating and finding ways to improve. That said, lean processes and continuous improvement are just ideas—it is people that execute. If you've established a culture where employees take pride in seeing their department get better metrics and better results, they will be more innovative and open to new processes and ideas.

**“OPERATIONS IS THE HEART OF
ANY SUCCESSFUL COMPANY.”**

**Any company can have
a good strategy, but
effective operations is
what makes it happen.**

KEYS TO ENHANCING YOUR COMPANY'S PERFORMANCE THROUGH OPERATIONS

- **Your strategic deployment:** Do you have leadership buy-in on the importance of operations to successfully execute strategy?
- **Your operations metrics:** Are you developing metrics for moving the right needles most effectively?
- **Your customer experience:** Are you looking at it as a reflection of your company's performance?
- **Your company culture:** Are you promoting a culture that empowers and builds trust with your employees?
- **Your company processes:** Have you set them up to support continuous re-evaluation for improvement?

More Information

To learn more about how NextLevel can help you enhance your company's performance through operations, call us at (800) 833-NEXT or email info@nlbev.com.

