Creating Value in an Age of Uncertainty

*How World-Class Companies Transform Their Employees into Catalysts for Sustained Profitability*
Every leader is under pressure
Will recovery hold — or stall?
Will I be able to find the talent I need?
Will I be able to meet increasing operational pressures?
Will I be able to control costs?
Will we be competitive tomorrow? Next year?
Creating value is fundamentally more difficult in 2017 than ever before.
Technology has made it possible for employees to work anywhere, anytime, 24/7 — but research shows that this can create more stress and productivity losses than older, tethered styles of working.

Multi-tasking is a myth, due largely to “switching costs” — the loss of focus and productivity when shifting from one task to another. Digital communications — web, email, texts, smartphones, social media — aggravate this problem geometrically.

Organizations are changing
Changing societal norms and expectations have blurred the boundaries between work and non-work in confusing ways:

- If an important work email arrives on a smartphone at home at 9p, should an employee answer it?
- Where’s the dividing line between work and the rest of life?
The social contract between employer and employee is at best different and at worst frayed beyond repair:

- Workers with flexible or part-time positions won’t feel as loyal and motivated, unless employers specifically target employee engagement.

- What does an employee owe an employer that may outsource him or her at any time? What do organizational loyalty and responsibility mean in an era of unprecedented economic turmoil and flux?

Social contracts are changing
Change is vital to survival …
… But change can leave teams — and leaders — feeling overwhelmed
Overwhelmed people without leaders follow a 4-S model

- Snipe
- Sabotage
- Shut down
- Snap
How will you overcome the 4-S model to create value in 2017 and beyond?
To create value in 2017 and beyond, great leaders create new synergies via three core strategies:

- Collaborative Innovation
- Collaborative Talent
- Collaborative Process
Collaborative Innovation

Develop, make and deliver new value that meets stakeholders’ needs at a pace faster than the competition.
Secure a competitive performance advantage by having superior systems in place to recruit, hire, develop, and retain talent.
Collaborative Process

Record annual productivity/quality gains that exceed the competition through a organization-wide commitment to continuous improvement.
The path to the future is winding, but clear
Top-performing leaders and organizations in each strategy do three things differently than those furthest from best-in-class performance:

- They invest more time and effort into that particular strategy.
- They manage in innovative ways, implementing best practices at far higher rates.
- They outperform organizations furthest from best-in-class status on a wide array of operational and financial metrics.
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- Collaborative Innovation
- Collaborative Talent
- Collaborative Process
Innovate

Make changes in something established, especially by introducing new methods, ideas, or products.
We live in a relationship economy
• 360buy.com
  • Making price irrelevant
• Guinness Storehouse
  • Employee meetings & development
  • Bartender training
  • Brand as community

What do stakeholders really want?

Innovation is based on stakeholder value

- Value is fundamentally determined at the point of the end-user
- Value now extends far beyond physical or service quality characteristics
  - Delivery
  - Total cost of ownership
  - Data and information
  - Value or solution “bundles”
  - Business expertise
  - Brand experience
• Starwood
  • Customer surveys PROVE that they want bar soap, not bulk.
  • Starwood put its own Bliss spa products in stylish dispensers — with a message.
  • What does “every stakeholder know” that you should forget?

• P&G
  • Downy sales “low and stagnant” in 2000s
  • Adopted “Living It” program; developed Downy Single Rinse for Mexican market
  • How much time does your team spend with stakeholders?

What do your stakeholders want from you?

Where will your stakeholders look for innovation in 2018?
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- Collaborative Innovation
- Collaborative Talent
Talent

Natural aptitude or skill; or people possessing such aptitude or skill.
• Hire well
  • Mistakes are long-lasting, and look you in the eye every day.

• Train well
  • Your employees are your only contact with stakeholders, and make thousands of decisions each day that affect budgets and perceptions. How much do you want them to know?

• Get lost!
  • You’re not as smart (or indispensable) as you think.
Positive Experiences at “Moment of Truth”

- Perception of bank improved, but did nothing: 58%
- Increased value of purchased products at bank: 29%
- Purchased new product: 13%

SOURCE: 2004 McKinsey surveys of consumers in Belgium, Germany, Italy.
Negative Experiences at “Moment of Truth”

- Perception of bank worsened, but did nothing: 23%
- Decreased value of purchased products at bank: 14%
- Switched main bank: 15%
- Stopped product: 20%
- Bought product at another bank: 28%

SOURCE: 2004 McKinsey surveys of consumers in Belgium, Germany, Italy.
Which moment matters?

- Routine transactions must work, but don’t offer opportunities to create “separation” from competitors
- Crisis moments offer opportunity:
  - When things go wrong
  - When tempers flare
  - When technology fails
Hertz standardizes hiring and training

- Hertz:
  - 8,400 locations in 146 countries
    - High turnover in first 90 days damaged:
      - Service levels
      - Customer satisfaction
      - Growth
    - Global Talent Management Center of Expertise (GTM), driven by technology:
      - Plan
      - Attract
      - Assess and select
      - Offer and on-board

“The assumption was that just because they were busy, they were making money. They had no clue that in a couple of our locations we had actually lost a significant amount of money in the year prior.”

—CFO, Federal Warehouse
...and succeed!

- Monthly finance meeting
- Training
- Incentive program
  - 2/3 unit performance vs. target, 1/3 company performance
  - Fair return to shareholders, then:
    - 40% to pool
    - Beyond budget, 50%
    - $443,000 in first year

- Workers Comp from $625,000 to $350,000
- Damage claims from 1.2% of sales to 0.75%
- Overall profitability
  - Tripled first year...
  - ...Increased 30% in second year
How will you find, leverage and retain the best talent in 2018?
Creating Value in an Era of Uncertainty

- Collaborative Innovation
- Collaborative Talent
- Collaborative Process
Process

A series of actions or steps taken in order to achieve a particular end.
Where can you innovate?
Key Questions

- How much stakeholder value is created by this activity or function?
- How do you manage activities in this function?
- How do you know if you’ve succeeded in this function?
- What are your “total costs” for activities in this function?
• AT&T
  • #1 driver of customer satisfaction is relationship with employee.
  • Greeting is key: 10 seconds or less
  • Which perceptions are you creating that affect stakeholder satisfaction?

• Amazon
  • 40% of shoppers stop buying from a website after delivery trouble
  • Amazon is installing delivery lockers in London and major U.S. cities
  • How does your delivery impact stakeholder value?

What do stakeholders really want?

SOURCE: “Delivering the goods: Package pick-up services are set to prosper,” The Economist, 8/25/12.
Improvement Methodologies

Lean Manufacturing
Total Quality Management
Six Sigma
Theory of Constraints
Toyota Production System
Agile Manufacturing
Other methodology(ies)
No methodology

SOURCE: MPI 2012 Manufacturing Study Executive Summary.
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Point

Tool here, tool there

System

Connecting islands of excellence

Thinking

Organization-wide; Rooted in culture and people
Your stakeholders are working as hard as you are
Work collaboratively on process

- Vermeer Manufacturing
- Kaizen events internally and with customers
- Close observation of customer, up to one week:
  - Problem with equipment
  - Difficulty with processes in construction
  - Identify waste points in customer processes
“We talk to customers not only about product design but factors most crucial to them and how we can address them. For instance, equipment reliability is a huge concern, as is commonality of platform and parts. Given their difficulty in finding skilled workers, customers don’t want to have to retrain people on different models of equipment. We have to make the equipment simple and reliable….This requires not just talking to customers but visiting job sites and talking to operators.”

—CEO Mary Andringa
• Airline uses Twitter to communicate with in-transit customers. If customer complains about delay or conditions on plane, JetBlue quickly responds to the customer’s message.

• Blogger complained about heat, empty ticket counter, JetBlue offered specific responses (sometimes the crew can get overzealous when flying between cold-weather locations and we’ve sent a message to our general manager at that location)

Jet Blue tweets to the future
How will you help deliver one great process innovation in 2018?
What’s on your leadership dashboard?
Are you collaboratively innovating service, process, and value?

Innovation focus

- Whom do your stakeholders believe you compete with?
- From what organizations do your stakeholders get great value they wish they could get from you?
- Do all your employees feel the responsibility and authority to innovate?

Innovation performance

- Stakeholder value from new services as a % of annual budget?
- % of services developed with an integrated stakeholder approach?
- Stakeholder satisfaction % change
Are you collaboratively leveraging the best talent?

**Talent focus**
- Have you created the space and time for creativity to breathe?
- How do you train, empower and develop new innovators?
- How do you reward their success?

**Talent performance**
- Training hours
- Empowerment levels
- Rewards
- % shared
- % employees with educational incentives
- Employee satisfaction
Are you collaboratively improving processes every day?

**Process focus**
- Have you conducted a thorough review of all functions at your organization?
- Which functions are ripe for innovation? For outsourcing?
- Does innovation cross departments and functions at your organization?

**Process performance**
- % of new services launched
  - On-time
  - On-budget
- Right First Time On Time (RFTOT) at all process steps

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Creating value in an uncertain world by rethinking three core strategies

Collaborative Innovation

Collaborative Talent

Collaborative Process
What will stakeholders say about your value in 2018?
For more information

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