

Viabile Vision

Strategy & Tactics

Featuring:

- *Strategy & tactics to achieve sustained growth*
- *How to unify a senior management team*
- *The way to proactively address resource constraints*
- *The Five Steps to build and execute a vision that will drive energy and urgency to new heights*
- *The prerequisite logistics and breakthrough ideas necessary to surpass stakeholder expectations*
- *How to develop and sell a decisive competitive edge*

Introduction

“When your company’s growth is decoupled from the industry growth, your potential is well beyond management’s current beliefs” [Gerald Kendall, author of *Viabile Vision*]

The key to gaining the decisive competitive edge that allows such growth is simple—find ONE factor in which your company can excel over the competition by an order of magnitude. You must pick a factor that is not easy for competitors to copy. For example:

RETAIL / DISTRIBUTION: There are two plagues in this industry—shortages and excess inventory. The Viabile Vision solution overcomes both with dynamic pull, dramatically increases turns and sales per square foot or meter.

MANUFACTURING: In all environments in which we have implemented Viabile Visions, due date performance was less than 70% when we started. From a customer’s point of view, this is unreliable enough to justify expensive contingency actions. The Viabile Vision Solution brings the organization to sustain over 99% due date performance. Then, it teaches salespeople how to justify and sell reliability.

PROJECTS: Project companies in industries as varied as construction, software and power generation have a lot of problems in common. They are strained for lack of available skilled people. They frequently deliver big projects late, some-

times by weeks or months. The Viabile Vision Solution for Projects brings companies to deliver big projects over 95% on time, in combination with the ability to deliver more projects with the same resources.

This executive brief:

1. looks at two different approaches to improving a company—the traditional and the Viabile Vision approach.
2. spells out the reasons why the traditional approach is popular, but often breeds skepticism and fails to overcome the obstacles.
3. explains how the Viabile Vision approach works by showing the series of steps necessary to create a Viabile Vision that is enthusiastically supported and executed by the entire top management team.

This is the dynamite needed to permanently break down the silos that are cemented in many of today’s management structures.

Two Ways to Manage

Most executives currently deal with a very complex environment—one that is far more complex than it was 20 years ago. The Internet, for one thing, has exponentially increased competition and made business life uniquely challeng-



Dr. Eli Goldratt, founder of the Theory of Constraints (TOC) methodology

ing.

Another challenge is how to lead and manage people in the knowledge worker age. Many people no longer accept being told what to do. Many younger generation people want more control over their lives at work.

The common practice to manage this complexity is to break down the organization into manageable parts (usually functional areas and departments), and to forcibly hold each part accountable for meeting goals within its silo. If you have any doubt about this, just look at your own organization chart and related metrics.

In this mode of management, we see executives spending considerable time to get individual silos to willingly perform; it is even more challenging to get silos to cooperate with each other. Individual functional heads interpret what they think is best for their unit and assume it is best for the



INTERNATIONAL
THEORY OF CONSTRAINTS

+865-430-3128

email:

KendallJacquelyn@cs.com

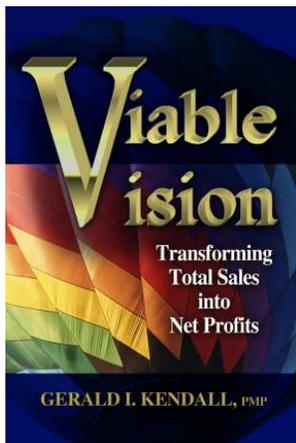
www.tocinternational.com

MAKING A VIABLE VISION WORK



Align the entire management team. Speak the same language at all levels.

Available from
J. Ross Publishing
www.jrosspub.com



A Viable Vision Seminar in India

company as a whole. But often the best we can hope for, in this mode of management, is an attempt to minimize the cross-functional conflicts and damage. *Executives become frustrated referees and jugglers, frequently overriding silo metrics in trying to do what makes sense for the organization as a whole.*

One typical real-life example is the head of Procurement of a large Bangladesh company who claimed he was saving 70 million Taka (about US\$1.3 million) per year by his department's actions to reduce material costs. His staff spent an arduous year finding reliable and cheaper local suppliers to replace overseas vendors. These same actions were costing US \$200,000 per week in lost Throughput, due to manufacturing problems created by substandard materials. The head of manufacturing and the procurement people fought constantly over whether or not the materials were the cause of the problem. The conflicts had become so common that they were just accepted as a fact of life.

We see similar conflicts between Sales and Manufacturing or Sales and Marketing, or between Distributors and Suppliers within a supply chain, between Operations and Delivery personnel—especially in service organizations.

These conflicts are an inherent part of *this* way of managing complexity. However, there is *another* way—the Viable Vision approach. This approach also accepts that organizations are a complex beast. **To manage the complexity, Viable Vision finds the inherent simplicity in the midst of the complexity.**

This approach assumes that an organization has **one customer-focused factor** in which it can be order of magni-

tude better than any of its significant competitors. Finding and strengthening this factor, learning how to sell it effectively, and sustaining it for the long term is the way to ensure exponential growth.

Why the Traditional Approach Fails

With each functional head tasked with and measured on improving their area, they know they must achieve significant change within the quarter and the year to meet their goals. Such change fosters new projects, which each functional head sees as their absolute right to initiate.

Some projects require cross-functional resources. This is where huge conflicts often exist, since these same cross-functional resources (usually in Information Technology, sometimes in engineering, R&D or marketing) are in high demand by other functional areas.

The conflicts, however, are not just over resources. For example, if you are the Manufacturing VP, improvement means that you have made your area more efficient. Often, this translates into being able to produce more with the same resources. If you achieve this goal, but Sales is unable to sell your excess capacity, then the pressure is on you to lay off people—something that has many negative ramifications. This can lead to finger-pointing and other ill-feeling in the top management ranks.

There is another major reason why the traditional approach fails. *Most companies have a vision, but unfortunately, many visions are not perceived as viable.* The cross-functional logistics and steps needed to move closer to the vision are

not in place. In this situation, each silo feels like it has no choice but to proceed, on its own, to local optima—i.e., to improving within the silo. But without the connection between silos, many local improvement efforts do not translate into significant bottom line results.

4 steps are absolutely essential to finding a Viable Vision and executing correctly. If any one step is missed or executed out of sequence, then the entire effort will be in jeopardy.

4 Steps to Viable Vision

Step 1—Identify the organization's Vision (the one factor they will be better than competitors on) and the Strategy & Tactics needed to achieve it.

If you examine the flow of products and services through a supply chain, of which your company is one piece, where is the flow blocked? What is the source of the blockage?

For example, if there is lots of capacity in the supply chain right through to the end consumer of the product, but there are not enough end consumers buying the product, then the constraint is clearly in the market. The Viable Vision process must find the reason behind the market constraint and overcome it.

Some companies bring many prospects to their door and then waste them—they don't close the deal. Why not? The answer to this question might be vital to achieve a viable vision.

In other cases, the company is tapped out of prospects in the markets they serve. They may have a high market share

MAKING A VIABLE VISION WORK

or they may not have achieved a competitive edge, even with a superior product. Viable Vision creates an offer to the market that clearly identifies the tangible benefits that no competitor can provide.

However, if creating such an offer requires new products to be developed, the company could suffer for a long period of time before tangible improvements are reached. A Viable Vision must do better than simply relying on new product development.

While over 70% of all companies have their constraint in the market, there are other possibilities. For example, a company may not be able to produce enough to meet the market demand. This may be a production logistics problem or a project management problem. Sometimes, even when the constraint is in the market, the correct answer to address the problem lies in changing manufacturing logistics to stabilize lead times, improve reliability or for other reasons.

The constraint might be in the distribution channel, with suppliers or in engineering or even in sales. ***Regardless of where it is, the first step is to correctly identify the organi-***

zation's Vision.

In the Viable Vision process, the data collection needed for the assessment is done by a Theory of Constraints expert. The identification of the Vision and logistics needed to support it is done by one of the TOC International principals.

Step 2—Gain the buy-in of the CEO to the Viable Vision

Viable Vision is a top down approach. What the CEO understands and supports gets done.

This critical dogma is not just a Viable Vision concept. It has been proven through research and empirical evidence and stated in the most popular management books—Good to Great, Leading Change, Execution, Six Sigma, and many more.

In the Viable Vision process, the CEO (or top business unit executive) buy-in is achieved in a 2-3 hour, face-to-face meeting.

Step 3—Gain the buy-in of the entire top management team

The Strategy & Tactics Workshop

CEO buy-in is necessary, but not sufficient, to ensure the successful paradigm shifts for a Viable Vision. Therefore, the next step is to help the top management team understand the full strategy and tactics to a detailed level.

It takes several days to build top management understanding of the cause-effect relationships across a supply chain. One top manager who went through this process compared this to “drinking from a fire hose for days.”

The necessary logistics and sequence of implementing logistics and other changes are defined. Every function sees where they fit in to the overall strategy and what is needed from them. All major obstacles that are blocking the implementation are captured.

The Strategy & Tactics session is conducted by a TOC expert.

Step 4—Implementation

After a successful Strategy & Tactics workshop, Viable Vision is the company's top initiative. Every top manager is directly involved.

In the Viable Vision process, TOC International is the prime contractor. Client fees are largely based on achieving deliverables. TOC experts with a track record of success ensure a successful Viable Vision client.

Self-funding a breakthrough

By focusing on the organization's constraint, and using the Critical Chain rapid project management approach, bottom line results are typically achieved in months, not years.



Overcoming the traditional company financial and resource roller coaster



TOC International experts bring many years of TOC implementation, consulting and training expertise.

Clients include Lockheed Martin, Raytheon, Alcan Aluminum, Genencor, TESSCO Technologies, British

OUR EXPERTISE

American Tobacco, Intel, Covad Communications, Scarborough Public Utilities and many more.

TOC International experts are certified by the TOC-International Certification Organization (TOC-ICO), in all related application areas.

Expertise includes 4x4 Strategic Planning process, Critical Chain Project Management,

‘Mafia’ Offers, Production Logistics, Distribution Logistics and the TOC Thinking Process.

TOC International works closely with Dr. Eli Goldratt and others to ensure successful implementations of all TOC applications and software.



Viable Vision permanently reduces cross-functional conflicts.

THEORY OF CONSTRAINTS APPLICATIONS

1. Critical Chain Project Management

After 40 years of Critical Path experience, projects are still frequently late, over budget and not within specifications. Critical Chain reveals new assumptions about human behavior and overloaded project environments, and offers a breakthrough solution. Clients who have implemented Critical Chain claim that their project durations drop dramatically and that they are able to flow many more projects through without adding resources. Critical Chain uses a statistically sound method of protecting projects, while removing harmful old metrics. The “Relay Runner Work Ethic” becomes the new way of project performance.

2. Production Logistics (Drum, Buffer, Rope)

Most people that face the daily challenges of a production environment blame their management problems on “Murphy”. Murphy occurs when, for example, suppliers deliver late or with poor quality, machines break down, tooling fails, and many other unanticipated problems occur. As illustrated in Dr. Goldratt’s best-selling book, *The Goal*, TOC proposes Drum, Buffer, Rope as a way to success in spite of “Murphy”. Through the application of the powerful Five Focusing Steps of TOC, clients claim to have reduced lead time by half, within a period of less than a year. Furthermore, the approach dramatically simplifies daily operations while providing a practical process of ongoing improvement on the shop floor.

3. Distribution Logistics

Establish a pull system, with just the right inventory in the right place at the right time. Increase total supply chain Throughput by reducing obsolescence, increasing shelf space variety, reducing stock-outs of popular products and reducing lead time for replenishment. TOC’s distribution logistics provides a powerful alternative to the traditional “min/max” approach to inventory management. While significantly reducing overall inventories, the TOC Distribution Logistics method simultaneously raises the service level. Re-ordering is handled easily and simply by rules, rather than by exception. Trends are noted and acted upon automatically, to reduce risk and increase sales across the supply chain.

4. The “Mafia” Offer

As Goldratt explains, Marketing is bringing the ducks to desire the corn in your field. In fact, if marketing is doing their job, the ducks should be sitting in your field with glue on their feet. Sales’ job is to shoot the sitting ducks. To create such a compelling offer to the market, Marketing people must analyze the undesirable effects that customers experience, NOT WITH YOUR COMPANY, but rather with the entire industry. The offer is based upon overcoming industry-wide negative effects. Such an offer is never based on price reductions or inherent product modifications. The solution is intended to give a minimum 2 year competitive advantage. It documents the components to enable salespeople to effectively overcome the layers of resistance to change in selling the solution to the market.

5. The Strategy & Tactics Workshop

This process customizes and facilitates the understanding of a comprehensive strategy designed to meet the company’s vision. The techniques first build the commitment of all key members of the senior management team. Starting with a generic analysis of the industry and supply chain, the facilitator carefully translates this material to the participant organization. The first few days builds, through a powerful combination of participant interaction and lectures, a common understanding of the overall strategy and tactics (to 3 levels) using cause-effect relationships and assumptions about the strategy. In the next few days, more details about the solution are provided through education and looking at the strategy to up to two more levels of detail (levels 4 and 5). Participants are given ample opportunity to voice their obstacles and concerns, and to customize the strategy. The session concludes with a fully integrated strategy and tactics structure and the ability for any individual to see where their part fits into the overall strategy..

6. Throughput Accounting and Metrics

One of the keys to imbedding new, positive behavior into an organization lies with financial reporting and measurements. A good measurement system must give every individual the tools to make correct, real-time decisions. In addition, individuals must have simple, clear reports and information that show them the impact of their decisions on the goals of the company. TOC's Throughput Accounting approach to achieving proper metrics and reporting does not replace existing accounting systems. Traditional systems are still used for external reporting. Rather, Throughput Accounting is used to help managers make better holistic decisions. The primary metrics include the impact of any decision on Throughput, Investment and Operating Expenses. Supply Chain metrics include Throughput Value Days and Inventory Value Days.

7. The TOC Thinking Process and Five Focusing Steps

The TOC Thinking Process, in combination with the Five Focusing Steps, give an individual the ability to take any organization and improve it, making a significant contribution to that organization's goals. An expert in these processes, or 'Jonah', has the skill to analyze any situation and get others to buy-in to their logic. To learn and really understand these processes, an individual must apply them with success to their organization or client. Furthermore, to avoid re-inventing the wheel, these processes should be applied in conjunction with the applications of TOC already invented in the areas described above and below (i.e., production and distribution logistics, etc.). In a Viable Vision effort, these processes are used to deal with issues that do not have generic solutions. In most implementations, it is normal for such issues to arise.

8. Information Technology—Necessary But Not Sufficient

Many companies made an enormous investment in technology over the past few years. How many CEOs have you heard bragging about their fantastic ERP and I.T. implementations and the incredible return on investment they provided? Annoyed CEOs are looking for the "sweet spot" of technology and so are I.T. executives. But I.T. and functional executives are often in conflict as they struggle to find the common ground. Technology vendors are part of this battleground. TOC believes in the application of technology to help address the organization's constraint. It asks a series of questions that help ensure that Technology is used in the right places and with significant changes in organization rules. This approach—changing rules to take advantage of changes in technology—helps to ensure the sufficiency of technology to yield outstanding, tangible results.

9. Sales—Selling the Compelling Marketing Offer

Compelling offers to the market do not sell themselves. To be effective, salespeople must overcome a root problem of many sales failures. This root problem is described in Neil Rackham's book entitled *SPIN Selling*—the tendency to jump too quickly into solutions, before the customer agrees with you about their problem. The TOC approach to sales rigorously works at overcoming the layers of resistance to change, through a formal process. Learning how to involve the customer and take a step-by-step approach, Salespeople go through extensive role plays to perfect the TOC sales skills

10. Managing People—Winning Collaboration

Winning Collaboration builds four day-to-day management skills to get people working together in organizations facing change. Every manager and employee must be able to resolve conflicts, within and between departments and functional areas, in a win-win way that meets organization goals. Another essential skill is in better understanding and preventing negative effects that can occur from change—from implementing ideas that are not well enough thought through. A third skill is in being able to formulate project plans for change that incorporate major concerns of team members and stakeholders. Finally, managers must increase their effectiveness with buy-in, meetings and procedures. These are the skills that Winning Collaboration builds.

Principals



Gerald I. Kendall, PMP

Gerry is a world expert in the Theory of Constraints. He is a Project Management Professional (PMP) with extensive senior management and consulting experience. Gerald has worked with clients across the U.S., Canada, Mexico and Asia dealing with issues of change management and organizational strategies. His experience includes extensive work in the supply chain, project management, labor relations, production logistics, marketing, sales, operations and human resource development. He has worked in strategic planning with the senior executives of a wide range of industries including medical products and services, shipbuilding, aluminum and steel production, high technology, food production and electric and water utilities.

Gerry is a graduate and silver medal winner of McGill University, and author of the books *Viable Vision*, *Advanced Project Portfolio Management* and *the PMO and Securing the Future, Strategies for Exponential Growth Using the Theory of Constraints*. He is certified in all six TOC Applications by the Theory of Constraints International Certification Organization.



Jacquelyn K. Kendall, PMP

Jacquelyn Kendall is an expert in the areas of Theory of Constraints, supply chain improvement, strategic planning, production logistics, organization and training, management skills, union relationships, finance and measurements and market development. Jacquelyn has facilitated public training programs with York University in Toronto, Canada, as well as public and on-site executive and management training programs with thousands of individuals and dozens of groups over the past 10 years.

Jacquelyn's clients include aluminum and steel companies, food service and cigarette multinationals, judicial systems, leading health insurance companies and a wide variety of manufacturers and distributors. She has worked with union presidents, CEOs and senior management teams of many organizations, helping them find the common ground across functional areas to implement successful improvement strategies. She is certified in all six TOC Applications by the Theory of Constraints International Certification Organization.

For More Information or to set up a program on your site:

Contact: Jacquelyn Kendall at TOC International

Phone: 865-430-3128

Email: Kendalljacquelyn@cs.com

www.tocinternational.com

