



Manufacturing CEOs and senior executives spend a lot of time outsmarting themselves. They walk big, talk big and sometimes even think big, but they often spend so little time executing those big thoughts that they might as well never have had them in the first place. I was reminded of this during a recent strategy discussion with a group of executives when I was asked: “Is employee empowerment important in this strategy?”

Got Strategies? So What.

Manufacturing expert John Brandt asserts that strategies are meaningless without the tactics to back them up.

“Yes!” I stammered, unable to comprehend that someone could even think that the need for empowerment had passed. “Of course! More than ever!” Yet the question got me to thinking: Maybe one of the reasons it seems more difficult to lead a firm these days is not simply because of the tremendous amount of change our firms are experiencing, but also because we know more now about what works – in leadership strategies, in management tactics – than we ever did before. Yet this wealth of knowledge, instead of liberating us from the bad practices of the past has, instead, too often confused and paralyzed us. With so many possible paths to improvement, how can we know which to choose first?

The result of this confusion is a growing divergence between the grand visions of CEOs and senior executives and the day-to-day jobs of employees expected to implement those initiatives. For lack of a better term, let’s call it the Strategy-Tactics Gap – the distance between what CEOs want and the process intelligence that employees need so that they can fulfill those wants.

The size of this gap is evident in newly released data from the 2003 *IndustryWeek/Manufacturing Performance Institute* Census of Manufacturers. One of the largest studies of U.S. manufacturing metrics, management practices and financial results ever conducted, the 2003 census indicates a shocking lack of attention to

process intelligence and improvement methodologies. For example, although 71.6 percent of plants reported improving customer lead time over the last three years, less than half (49.5 percent) managed to increase total inventory turn rates. Product may be getting to customers sooner, these numbers indicate, but it's moving there at the expense of added inventory rather than improved manufacturing practice. Nor is this inventory getting less expensive; barely half of all plants reported a decline in per-unit manufacturing costs over the last three years.

Even more striking are the results that CEOs and senior executives can achieve if they do pay attention to the details of execution and process intelligence throughout the manufacturing process. Nearly two-thirds of plants reporting complete implementation of any of the following improvement methodologies have achieved (or made significant progress toward achieving) world-class status in manufacturing:

- Agile manufacturing.
- Lean.

- Six Sigma.
- Lean and Six Sigma.
- Theory of constraints.
- Total quality management.
- Toyota production system.

By contrast, only 6 percent of those with no improvement methodology have made any noticeable progress. These world-class plants, by the way, not only have better plant-floor metrics, but also make more money, with a median return on invested capital that is 33 percent higher than the median for all those surveyed.

These numbers reinforce the fact that leadership supported by appropriate process intelligence can make a significant difference in performance and profits. To avoid a Strategy-Tactics Gap, this leadership must emphasize both strategies and tactics. Strategies for the future include:

Collaboration: How will your company create customer value by partnering with suppliers, vendors and customers? Whether you call it collaborative commerce or value-chain management or leading the extended

enterprise, it's clear that tomorrow's winners will be the companies that optimize customer value by working with partners via new information technologies and shared customer management. Choosing the right manufacturing partners – and building trustworthy and durable relationships with those partners – will be near-fulltime jobs for CEOs and senior executives in the future.

Innovation: How can your company create a structure that produces innovation – in products, in business processes, in employee development – in a consistent fashion? In the future, consistent growth in revenues and profits will result from a willingness to create new business models and to reinvent entire companies, again and again and again. Smart CEOs are devoting an increasing amount of time to fostering environments that encourage innovation – and forgive its inevitable mistakes.

Yet vital as these strategies are, they'll prove useless if companies aren't also focused on three key tactics, including:

Teaming and empowerment: No strategy will work long-term if workers are not engaged creatively in the process of both determining and implementing it. Engagement comes from three things: training, delegation of real decision-making authority to those closest to the customer, and incentives in the form of profit- or gain-sharing. Everything else – pizza parties, t-shirts, motivational programs – is B.S., and you know it. More important, your employees know it.

Customer focus: If you're not surveying your customers regularly – in written format, on the phone, in weekly meetings between your shipping clerk and their shipping clerk – you won't have a clue whether any of your fancy new strategies are working or not, or whether your customers even care. Do something really radical and invite your customers into your strategy sessions. You may find out that they're a hell of a lot smarter than you gave them credit for. With any luck, they might teach you a thing or two.

Adopt a single manufacturing methodology and complete it: You can't win the marathon unless you're in shape to begin with. And if you haven't spent the time and effort to implement an appropriate manufacturing methodology to get your production into a new, more efficient mode, you can't expect a new collaboration or innovation strategy to work any better than the old one – because there's no guarantee that the new one will ever get executed. As a matter of fact, if you haven't developed the process intelligence to analyze your entire manufacturing operation from supplier to end customer, there's no guarantee that you've even implemented your old strategy.

Which means that you may already be smarter than you think. Or not.

BIO

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