Note: Page references in *italics* refer to figures.

A

Active Management (operating model 3), 88,89 alignment, of operating model. See operating model Align the Cost Structure (pillar 2) overview, 4-6 for restructuring and renewal journey. 21-24, 23, 29-30 Amazon, 8 analysis analytical tools for process excellence, 144 business analytics and digitization, 178 - 179Challenge the What, How, and How Well (leadership principle 6), 39-40 Apple, 21, 181 archetypes of operating model, 86-92 Active Management (model 3), 88, 89 business units, 86, 86, 89-90, 91 corporate core, 86, 86 Holding Company (model 1), 87, 88 linkages for operating model structure, 92 operating model framework, 86 Operationally Involved (model 4), 88, 89 shared services organization, 86, 86, 90 Strategy and Oversight (model 2), 88, 89 associated costs, portfolio rationalization and, 64, 68-69 authentic informal leaders (AILs), 234, 243-244

в

Balance Cost Cuts with Capabilities Inv syments (leadership principle 7), 40
behavior
critical few behaviors for change management, 242–243
culture impacts and, 240–241
driving new behaviors for change management, 228–229
unleashing the individual, 255–257
benchmarking, 5, 51–52
Best Buy, 7
budget process. See zero-basing
business units, of operating model, 86, 89–90. 91

С

capabilities Balance Cost Cuts with Capabilities Investments (leadership principle 7), 40 capabilities system, defined, 21 categories of (*See* "lights-on" costs; "table-stakes" costs) defined, 50–52 differentiating, 50–52, 71, 72–73, 74, 76 focusing on (*See* Focus on Differentiating Capabilities (pillar 1)) identifying differentiating capabilities, 50–52 case for change developing, 193, 230–231

case for change (continued) reinforcing, 213-214 See also Diagnostic and Case for Change (cost transformation phase 1) category complexity, 59 center of excellence (CoE), 252 challenge sessions, for zero-basing process, 79 - 82Challenge the What, How, and How Well (leadership principle 6) business portfolio and capability choices ("what" do we do), 52-53, 53 operational excellence ("how" and "how well" do we do it), 55-56 organization and location ("where" do we do it), 53-55, 54 overview, 39-40 change management, 224-245 for Detailed Design (phase 2), 233-241, 235, 236, 239 for Diagnostic and Case for Change (phase 1), 230-233 elements of culture-led program of, 226-229, 229 enabling change, 28 for Execution (phase 3), 242-245 initiating change (See leadership) Make the Case for Change (leadership principle 1), 34-35 overview, 224-226 programmatic approach to change, 192, 192-193 (See also cost transformation) Circuit City, 6-8, 11 Collins, Jim, 7 communication for change management, 227-228 Communicate Before, During, and After (leadership principle 9), 41-42 communications and engagement plan, 236-238, 239 (See also Detailed Design (cost transformation phase 2)) delivering, for execution of transformation, 244 designing communication for outsourcing, 115 developing core message platform, 236-238, 239

between managers and employees during restructuring, 215-216, 222 for outsourcing process, 115 See also leadership; leadership, during restructuring competitiveness identifying starting point for Fit for Growth. 33 "right to win," 17 complexity, relationship to value. See portfolio rationalization conglomerate discount, 57 continuous improvement (CI) capability, 252 - 253contracts, for outsourcing, 112-113 core questions for leaders achieving cost fitness while enabling growth, 38-40 energizing organization for transformation, 34-38 managing and sustaining transformation, 40-43 overview, 34 See also leadership corporate core, of operating model, 86, 86 ost management Balance Cost Cuts with Capabilities Investments (leadership principle 7), 40 cost optimization for, 9-12 costs, defining, 19 80/20 percent transformation, 33 Fit for Growth Index for, 12-16, 14, 15 "ostrich approach" to, 6-8 overview. 3-6 See also cost reduction levers cost of goods sold (COGS), 145 cost reduction levers, 47-56 business portfolio and capability choices ("what" do we do), 52-53, 53 identifying differentiating capabilities, 50 - 52operational excellence ("how" and "how well" do we do it), 55-56 organization and location ("where" do we do it), 53-55, 54 overview, 47-48 process excellence for, 137 selecting levers for, 52

268

setting objectives, 48-50, 49 zero-basing, 73-74, 76 See also digitization; footprint optimization; operating model; outsourcing; portfolio rationalization; process excellence; spans and layers; strategic supply management; zero-basing cost structure, aligning. See Align the Cost Structure (pillar 2) cost transformation, 191-207 avoiding pitfalls of, 207 best practices, 206-207 Detailed Design (phase 2), 198-203, 200, 202 Diagnostic and Case for Change (phase 1), 193-198 elements of, summarized, 195 Execution (phase 3), 203-206 needs of, 191-192 phases of, overview, 192-193, 194 programmatic approach to, 192, 192-193 transformation team evolution through phases, 204 credibility, 38-39 cross-functional process owners, assigning, 253 culture. See organizational culture customer experience cost management and 9-10

cost structure and support for clients, 22 customer and changed complexity, 59 customer proximity and footprint optimization, 130 customer segmentation, 65, 66 digitization used for, 178, 181 process excellence for, 139

D

decision rights, 26, 100 Declare "New Day" and Grant Amnesty for Past (leadership principle 3), 35–36 deflationary economic environment, contending with, 18–19 delivery macro process. *See* process excellence Detailed Design (cost transformation phase 2), 198–203

change management for, 233-241, 235, 236. 239 leadership during, 212, 214-216 overview, 194, 195, 198-199 transformation team for, 199-201, 200 working process of, 201-203, 202 Diagnostic and Case for Change (cost transformation phase 1), 193-198 change management for, 230-233 governance for, 193-196 leadership during, 211-214, 212 overview, 193, 194, 195 purpose of, 193, 194 transformation team for, 196-197 working process of 197–198 See also cost tran formation digitization avoiding bitfalls, 187-188 best practices, 187 case study, 186 d fined, 177–178 how to digitize, 182, 182–185 levers of cost reduction, 55 myths about, 181 process excellence aligned with, 146-147 process excellence and, 139, 147 stages of, 178-179 when to use digitization, 179-180 direct spend defined, 164 validating expenses, 172 See also strategic supply management discretionary spending, 38 down-select suppliers, 111-112

E

e-commerce, 178 80/20 percent transformation, 33 employees cost management by, 9–12 digitization benefits and, 180 digitization "SWAT team," 187 enlisting employees to drive process improvements, 148 (*See also* process excellence) establishing transformation team, 196–197

employees (continued) full-time-equivalent employees (FTEs), 110, 112 impact assessment of, 235-236 managing vendors for outsourcing, 115 planning for team dissolution, 147 talent as building block of organizational DNA, 27 training, 228 uncertainty of, during restructuring, 209-210, 211-214, 212, 213-214 wages and footprint optimization, 130 Execution (cost transformation phase 3), 203-206 change management for, 242-245 governance, 203-205, 204 leadership during, 212, 216-223 overview, 194, 195, 203 sustainability of plan, 251-253 transformation team for, 204, 205 working process of, 206 execution managers, appointing, 205 executive steering committee for cost transformation phases, 193-196, 198-199, 200 "T-shaped" steering team meeting structure, 202, 202-203 external service providers. See outsourcing

F

fishbone (root cause) analysis, 144 Fit for Growth approack cost management for, 3-16, 14, 15 differences (from other approaches), 43-44, 44 fit, defined, 4 leadership, 31-44, 33, 44 pillars of, overview, 4-6 restructuring and renewal journey of, 17-30, 20, 23 See also change management; cost reduction levers; cost transformation; operating model; restructuring and renewal journey Fit for Growth Index calculating, 15-16 for cost management, 12-16, 14, 15

total shareholder return (TSR) measurement, 12-15, 13, 14 "fit for purpose" approach, 133 flattening of organization. See spans and layers Focus on Differentiating Capabilities (pillar 1) overview, 4-6 for restructuring and renewal journey, 19-21, 20, 29-30 footprint optimization, 119-132 avoiding pitfalls of, 132 best practices, 131-132 case studies, 124-125, 127-129 defined, 119-120 as lever of cost reduction, 54, 55 "network" archetypes and, 120-123, 121, 123 process, 126, 126-131 when to use footprint optimization, 123-124 frugality, modeling, 255-256 full-time-equivalent employees (FTEs), 110, 112

G

General Electric, 179 geography complexity, 59 global in-house centers (GICs), 122-123, 123 goals achieving, 246-247 clarity of, 256-257 Declare "New Day" and Grant Amnesty for Past (leadership principle 3), 35-36 objectives, 48-50, 49, 83-84, 161 "good" costs, "bad" costs versus, 23, 251-252 Good to Great (Collins), 7 governance for cost transformation phases, 193-196, 198-199, 200, 203-205, 204 effectiveness of, 175

H

Holding Company (operating model 1), 87, 88

270

hub and spoke "network" archetype, 120, 121, 121

I

IBM, 178-179 IKEA, 9-12, 247, 256 indirect spend defined, 164-166 validating expenses, 172-173 See also strategic supply management individual contributors, 151 information flows, 26 infrastructure, footprint optimization, 130 internal processes, digitization for, 178 involuntary separation, managing, 218, 220-222

I

Jobs, Steve, 37

к

Kamprad, Ingvar, 9, 10 Keep the Weight Off (leadership principle 10), 42-43

L

NHH.X layers defined, 151 reducing, 150 See also spans and layers layoffs. See leadership, during restructuring leadership, 31-44 achieving cost fitness while enabling growth, 38-40 aligning, for change management, 227, 232 - 234authentic informal leaders (AILs), 234, 243 - 244differentiation, 43-44, 44 energizing organization for transformation, 34-38 managing and sustaining transformation, 40-43 modeling frugality for, 255-256 overview, 31-32 starting Fit for Growth journey, 32-33, 33 See also leadership, during restructuring; principles for leadership

leadership, during restructuring, 208-223 addressing uncertainty and anxiety, 209-210 for Detailed Design (phase 2), 214-216 for Diagnostic and Case for Change (phase 1), 211-214 for Execution (phase 3), 216-223 morale and expectations in each transition phase, 212 need for, 208-209 upside of transformation for midlevel managers, 210-211 See also change management Lean approach, process excellence and, 147 legacy programs, 5 level, in organization: 151 "lights-on" costs defined, 22 identifying lights-on activities, 81-82 zero-basing, 71, 72-73, 74, 76 local for local "network" archetype, 120, 121low-cost countries (LCCs), 120 low-cost manufacturing "network" archetype, 120, 121

Μ

Make the Case for Change (leadership principle 1), 34-35 management processes as building block of organizational DNA, 37 management hierarchy, 38 See also midlevel management; senior management managers, defined, 151 midlevel management engaging, for change management, 237 management hierarchy, 38 upside of a transformation for, 210-211 See also leadership; leadership, during restructuring; spans and layers modeling, of frugal behavior, 255-256 morale. See leadership, during restructuring motivators motivating performance over politics, 254 - 255for organizational efficiency, 26

motivators (continued) "pride builders," 257 rewards for cost consciousness, 253–255, 256–257 MTU Aero Engines, 124–125

Ν

natural language processing, 181 nonlabor costs. See strategic supply management

0

objectives for cost reduction levers, 48-50, 49 setting, 83-84 simplistic targets as problem, 161 See also goals offshoring, 104, 111 operating model aligning, overview, 85-86 avoiding pitfalls, 101-102 best practices, 101 case study, 95-96 elements and archetypes of, 86, 86-92, 88, 91 (See also archetypes of operating model) how to redesign, 93-101, 94, 99 (See aiso redesign process for operating model) as lever of cost reduction, 54, 54 process excellence for rebalancing, 138-139 restructuring and renewal journey for, 25 when to redesign, 2operations executing against the plan, 247, 251-253 Operationally Involved (operating model 4), 88, 89 organizational architecture, developing, 98-100. See also redesign process for operating model organizational charts. See spans and layers organizational culture assessment of, 231-232 change management elements, 226-229 change management issues of, 224-226 cultural levers (unleashing the individual), 247, 255-257

culture impacts and critical behaviors, 240 - 241enabling cultural evolution, 28 Keep the Weight Off (leadership principle 10), 42-43 See also change management organizational levers assigning accountability and rewarding cost consciousness, 247, 253-255 operational excellence as cost reduction lever. 55-56 organization and location as cost reduction levers, 53-55, 54 "ostrich approach," 6-8 outsourcing, 103-118 avoiding pitfalls, 118 best practices, 116–117 case study, 115-116 defined, 103-104, 104 as lever of cost reduction, 54, 55 myths about, 106-107 offsheing compared to, 104, 111 process of, 108-115, 109, 114 alue creation with, 103–105, 105, 106 when to outsource, 107-108

P

performance, translating strategy into, 247-250, 248 P&G, 21, 115-116 player-coaches, 151 portfolio rationalization, 57-69 balancing revenue and complexity costs to maximize value, 60-62, 61 best practices, 69 business portfolio and capability choices, 52-53, 53 case studies, 60, 63-64, 66 conglomerate discount, 57 myths about, 61-62 portfolio complexity, defined, 58, 59 portfolio complexity, understanding, 64, 64-66, 67 taking out associated costs, 64, 68-69 trade-offs, managing, 64, 67-68 trade-offs between complexity and value, 58, 58-60

272

when to use portfolio rationalization, 62 - 63"pride builders," 257 principles for leadership Align the Top (principle 2), 35 Balance Cost Cuts with Capabilities Investments (principle 7), 40 Challenge the What, How, and How Well (principle 6), 39-40 Communicate Before, During, and After (principle 9), 41-42 Declare "New Day" and Grant Amnesty for Past (principle 3), 35-36 Keep the Weight Off (principle 10), 42-43 levers to drive sustainability of, 247-257, 248 Make the Case for Change (principle 1), 34 - 35overview, 34, 38, 40-41 Put Everything on the Table (principle 5), 38-39Set Up a Parallel Organization to Change the Business (principle 8), 41 Showcase Quick Wins (principle 4) 36-38 process excellence, 55, 133-148 advancing transformation goals with, 137-138 aligning with other cost levers, 146-147 analytical tools for, 144 avoiding pitfalls of, 148 best practices, 147-148 case study, 135-136 defined, 134-137 "fit for purpose" approach, 133 guide to, 140-146, 141 levels of processes, 142 myths about, 140 for operational challenges, 135 overview, 133, 134 rebalancing operating model with, 138-139 when to use process excellence, 139 product complexity, 59 program lead, for transformation team, 196-197 program management office (PMO)

for cost transformation, 193, 197, 199–201, 200, 203, 205, 206, 207 Set Up a Parallel Organization to Change the Business (leadership principle 8), 41 programmatic approach, to change, 192, 192–193. See also cost transformation Progressive, 179 Put Everything on the Table (leadership principle 5), 38–39 PwC, 134, 135, 225

R

readiness, for change. See change management redesign process for operating model, 93-101 building implementation road map (Step 4), 100-101 case study, 95-96 d veloping organizational architecture (Step 3), 98-100 framing options to accelerate value creation (Step 2), 97-98, 99 how to design operating model, 93, 94 recognizing need for, 92 understanding value creation levers (Step 1), 94-97 Reorganize for Growth (pillar 3) overview, 4-6 for restructuring and renewal journey, 24-27, 29-30 request for proposals (RFPs), 111-112 restructuring and renewal journey, 17-30 Align the Cost Structure (pillar 2) for, 21-24.23 for continuous cost-fitness renewal, 29 in deflationary economy, 18-19 enabling change and cultural evolution for, 28 Focus on Differentiating Capabilities (pillar 1) for, 19-21, 20 identity of a Fit for Growth company, 29 - 30overview, 17-19 Reorganize for Growth (pillar 3) for, 24 - 27

274

rewards for cost consciousness, 253–255, 256–257 Showcase Quick Wins (leadership principle 4), 36–38 "right to win," 17 roles, clarifying, 254

S

sales, general, and administrative (SG&A) costs case study, 95-96 footprint optimization, 121-122 for outsourcing, 104 spans and layers, 159-160 segmentation analysis employee impact assessment, 235-236 overview, 65, 66 stakeholder engagement and, 234, 235, 236 for zero-basing process, 77-78 senior management Align the Top (leadership principle 2), 35 empowerment of, 24 engaging, for change management, 242 executive steering committee for cost transformation, 193-196, 198-199 200, 202, 202-203 management hierarchy, 38 spans and layers redesign involvement, 161 talent as building block of organizational DNA, 27 See also management processes "sense and adjust" planning process, 249-250 separation, during restructuring, 218, 220-222 Set Up a Parallel Organization to Change the Business (leadership principle 8), 41 seven-waste assessment, 144 shared services organization, of operating model, 86, 86, 90 Showcase Quick Wins (leadership principle 4), 36-38 Siri (Apple), 181 site performance check, 129 "smart factory" systems, 145 sourcing strategy, developing, 109-111 Southwest Airlines, 21 spans and layers, 149-162

avoiding pitfalls of, 161-162 benefits of efficiency in, 152-153 best practices, 161 case study, 159-160 definitions, 149-150, 151 how to restructure spans and layers, 155 - 159as lever of cost reduction, 55 myths about, 153 span of control, defined, 151 spans of control for management, variations, 150-153, 152 when to restructure spans and layers, 154, 154-155 spend defined, 163 direct spend, 164 indirect spend, 164-166 typical savings ty category, 167 See also strategic supply management stakeholders engaging, 228, 234, 235 starting point, for Fit for Growth approach, 2-33, 33 scoring committee. See executive steering committee strategic levers (translating strategy into performance), 247-250, 248 strategic supply management, 55, 163-170 avoiding pitfalls of, 176 best practices, 174-175 case study, 171-172 control of direct and indirect categories, 164-166, 167 defined, 163-164 guide to, 169-175, 170 maturity framework of, 165 myths about, 168-169 spend, defined, 163 when to use strategic supply management, 167-168 Strategy and Oversight (operating model 2), 88,89 structure, organizational DNA and, 26-27 subject-matter experts, for transformation, 197 supply management, strategic, 55 sustainability, 246-258 for achieving goals, 246-247

cultural levers (unleashing the individual), 255–257 leadership for, 40–43 operational levers (executing against the plan), 251–253 organizational levers (assigning accountability and rewarding cost consciousness), 253–255 to remain Fit for Growth, 258 strategic levers (translating strategy into performance), 247–250, 248

Т

"table-stakes" costs defined, 22 zero-basing, 71, 72-73, 74, 76 talent as building block of organizational DNA, 27 footprint optimization, 130 See also employees; midlevel management; senior management targets, defining, 77 technology. See digitization time and motion studies, 144 timing, for Fit for Growth approach, 32-53 33 tools, for cost reduction. See cost reduction levers total shareholder return (TSR) 12-15, 13, 14 training for change management, 228 delivering, for execution of transformation, 244-245 developing plan for, 239-240 transformation team engaging, for change management, 238 establishing, 196-197 evolution of, 199-201, 200 execution by, 205 leadership during restructuring (See leadership, during restructuring) "T-shaped" steering team meeting structure, 202, 202-203

U

uncertainty about change, 224–226 (See also change management) addressing, 209–210 of employees, during restructuring, 211–214

v

value/value creation framing options to accelerate value creation, 97-98, 99 with outsourcing, 103-105, 105, 106 relationship to complexity (See portfolio rationalization) understanding value creation levers, 94-97 value add/non-value add analysis, 144 value assessment and zero-basing process, 78-79,80 value capture and process excellence, 147 value chain and process excellence, 142 value-stream mapping, 144 See also redesign process for operating model vendors. See outsourcing oluntary separation, managing, 218, 220 - 222

W

Walmart, 21 Welch, Jack, 37 working team, for transformation, 197 workload demand profile, 144 world factory "network" archetype, 120, *121* Worling, Ian, 9, 10, 11 Wurtzel, Sam, 6–7

Z

zero-basing, 52–53, 55–56, 70–84 avoiding pitfalls of, 83–84 best practices, 82–83 defined, 70–71 example, 72, 72–73, 73 myths about, 75 process of, 76–82, 77, 80 recognizing need for, 76 uses of, 71–72 as versatile and holistic cost lever, 73–74 http://www.pookshop.com