

STRATEGY LETTER

Waltz and Tango

*or
The CEO,
project choreographer*



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*« Impatience of trifles confounds great projects »
(Confucius)*

In numerous industrial sectors, a company's competitiveness and profitability progress in line with the success and speed of its programs and projects. The most visible examples are in model- and program-based industries (automobile, aerospace etc.) but projects can also be key for the development of a new range of products, technology, countries, clients and in fact everywhere a dedicated "task force" is given reign over the future of the company.

Success creates a collective momentum for profit. Merlin Gerin's enthusiasm meant Schneider inherited an excellent platform of successful programs from very high voltage to medium and above all low voltage circuit breakers, and within these programs from open circuit breakers to molded casing compact circuit breakers and terminal distribution. The company swimmingly morphed from heavy specialty engineering to sleek mass production for world-wide markets.

Failure can threaten a company's dynamism or even survival. Sony, once a superb "winning machine" first faltered with the Betamax before descending into hell (LCD screens, hazardous acquisitions etc.) where its very existence is threatened ; Poclair (the French hydraulics and excavator manufacturer) and Allis-Chalmers have simply disappeared ; for one Scandinavian daily that brilliantly adapts to the Internet, tens of American journals are disappearing despite programs that are announced with a fanfare to save them, rather like for the "Saturn" program (a small Japanese style car) that was largely responsible for General Motors' insolvency at the end of 2008.

So what is the root of this problem?

Modern clients: impatient and demanding

At the dawn of industrialization, clients waited patiently for products to leave the factory. Standardization was all the rage and cars were all the same color since "customization" was only a dream for the visionary CEO. Clients were ready to wait longer than it took to produce cars as they were so happy to have access to this new product.

Industry was regulated by the rhythm of operations and production...and innovation took as long as was needed : this was the golden age of Citroen's Traction noire (black Traction car) and its grey Deux Chevaux, of the first refrigerators and vegetable blenders. Industrialists were less preoccupied with profit and more with the actual production tool itself. Launching several programs without actually evaluating the risks or the project management wasn't an aberration simply because a project's failure didn't constitute a danger to the longevity of the company, at least in the short term (as with Chenard-Walker, Hispano-Suza and Panhard-Levassort...). Strong national borders helped out tremendously.

Today, the situation has changed dramatically. CEOs talking projects? A colony of "buzz words" contribute to their migraines: ROI, PMO, risk, WBS...Yesterday's patient clients, who were willing to wait days or even months for the product they wanted, have been replaced by modern day clients: the hyper-demanders ! They are still sensitive to price and buying power but other product characteristics come in the way of their choice: waiting time, innovation, quality, reliability, service and fashion! All of it, and now straight away, at the best possible price, and, horror of horrors, if they are not satisfied, they turn to a competitor even if they are foreign!

Henry Ford's joke "Any customer can have a car painted any color that he wants so long as it is black" has now been replaced by "Any customer can have a car painted any color, so long as it is reliable, innovative, cheaper than the black car and faster than any competitor's car" ...And these requirements have spread throughout the economy including B2C and B2B: here we go again, I am getting standardization fever...

The CEO as Project Director?

« However beautiful the strategy, you should occasionally look at the results. » (Winston Churchill)

So what should be done to meet all these requirements? How can production be reinvented and remain profitable? In program industries, success is a measure of the results of a company's leading projects: new automobile models, the Airbus A380, Areva's EPR etc but program also refers to most of the important strategic decisions made in every industry be it mergers and acquisitions (the success of Sanofi-Aventis or the failure of Daimler-Chrysler) or activity and product development ...

Part of the answer is in efficient and well managed projects, but what role should the CEO play in these? Surely the results and longevity of the company depend upon them. At the end of the day, it is clear that the problems will end up on the CEO's desk and the

CEO will become a target when it's time to account for them: instead of smiling in front of the microphones and financial analysts, the CEO may or may not end up apologizing for several million defective accelerator pedals... The position of CEO will be most exposed when the company has to announce a delay in a major program (and the associated penalties) or the failure of an acquisition. Projects have become increasingly complex, and "the devil is in the detail", yet the CEO cannot be on every front, so what role should he take on?

The innovation waltz and product launch

Virtuoso friends, you have probably already tested this technical and rather complex dance at a couple of weddings. Its rhythm is slow but steady. Technique and coordination are vital in order not to step on anyone's toes. This is the way of the waltz where different participants in the innovation and development process keep the same tempo and synchronize their steps in a fluid and harmonious way. Gestures appear simple but the slightest mistake can be fatal: a missed beat, a technique that has not been mastered or partners that are out of step can all cause crushing defeats...and result in costly delays: the Finnish EPR or Boeing's Dreamliner are recent examples.

So your latest technology has not reached maturity? Then don't launch into a project without being a master of your dance. Deadlines are too short or your workload has been miscalculated? The rhythm can't change in the middle of a dance. Your suppliers are unable to follow you or major conflicts erupt internally? You can only dance as a couple and in symbiosis with one another ...

Clearly, these are the same old themes and the triptych – technique, timing, coordination – self evident, but how many mistakes could have been averted even before set-up phase or production? The CEO is there to make sure that major programs are followed to the letter so that the slightest slip up is noticed and can be corrected as quickly as possible: when Louis Schweitzer delayed the Twingo car's launch following doubts raised at a quality milestone, he stuck to the rules and this contributed to the later success of the brand!

Production tango or production ramp-up

Once targets, objectives, design and other key characteristics have been decided, it is production time. At this stage, everything speeds up: ramping up production requires a faster and more intense rhythm. Techniques change – talk is of industrialization, ramp-up, manufacturing, supply chain and just-in-time – but effi-

ciency will always come from dancers' coordination. The environment as a whole is controlled in order to secure efficient, reliable and predictable production...

Dancers practice their steps before going on stage; experts watch and evaluate them in order to avoid any mistakes. And when these occur, they are broken apart in order to better optimize in the future. Everything is minutely watched because the challenges are many: will my supply chain be strong enough? Will my suppliers keep up? Will the dance troupe give the best of itself in the allotted time?

The production tango is wilder; more animal like... mistakes can be rectified by sparks of brilliance. Only the intensity and power of the dance will mean the target is reached. Will this supplier be able to keep up with the rhythm? What the devil, should I secure their ramp up, internalize or replace them? Solutions exist but the only thing that counts is the final result: "good on the first go" (and avoid recalling thousands of books), "on time" (and limit late completion penalties) and "in the glare of the spotlight" (to strengthen the brand image and springboard from this success).

CEO: leading dancer and choreographer

It is rare that a dancer is expert both at the waltz and the tango...and it is probable that a CEO (whether an engineer or a sales person) is an expert of neither one of these dances. However, the CEO will systematically have the privilege of being the patriarch and will be heavily involved at the beginning of the waltz (or even before it starts): the CEO will set the pace, have the first dance, set the target and show the way. After all, if this waltz actually happens, it is because the CEO had both the vision and the desire to make it work. The CEO naturally becomes involved early on, framing, structuring and validating the principals and objectives set out in the project. However, their role cannot be limited to the first dance. There are far too many challenges and risks ahead...

In most large groups, CEOs depend on a COO or a Director but even when this is the case, they have to keep a close eye on the troupe. Project management, performance management and risk control are all traditional tools that are available for a CEO to use in this case. Montaigne praised the “fine harmony when doing and saying go together”, and in fact the CEO guarantees this and has a panel of instruments at hand in order to keep a watchful eye on what is done.

So what else can be done? Hang around in the wings? Revert to the good old MBWA technique – management by walking around – because it is in the field that parallel organization charts with trusted relays who inform the CEO of any problems are created. Far better than written reports, these informal networks are key to obtaining information on the reality of how each project is progressing. They also help understand who are the real levers within the company and then boost them with the spirit of conquest which will ultimately ensure the success of ambitious projects ...

CEOs also play the role of choreographer: they ensure the passage from one dance to another, coordinate the efforts of different dancers and watch over the harmony of the whole piece. They change angles and view points, be it from above or from far away to obtain a global view from the balcony, or of details when they step in close to the dancers' feet to correct small mistakes that can cause global hysteresis. Their role as choreographer reaches a climax during transition phases ...

These CEOs know (directly or thanks to deputies whom they have taken the supreme risk of trusting) the key points of each dance movement and know how to move from one movement to the next. They know how to manage transition phases in spite of technical differences or requirements set by innovation and production. They know each impediment and that a bad transition could

reduce a beautifully choreographed movement into a series of hysterical movements with no rhythm or coherency...that will obviously end in catastrophe!

And what if development is not yet finished? Operations are not ready? CEOs intervene at key moments in order to ensure a smooth and efficient transition between each dancer. Each dance movement is prepared minutely so that the transition from prototype to industrial production is a success. To achieve this, concerned parties' parameters are integrated: suppliers, Industrial Management, client deadlines, infrastructure and investment. CEOs are at each dancer's side so they can understand their needs and accompany them onto the stage. Onto the stage and ramped up...because the associated risks are theirs to take! For Boeing and the Dreamliner, the project is 40 months behind schedule and has already cost 32 billion dollars, so ramping up production and efficiency are absolutely vital to the company. In contrast to "the old lady of Seattle" (Chicago today), Sergio Marchionne looks like a hero, saving Fiat from the edge of the precipice by delivering his American bounty, Chrysler.

So although your own Executive Committee and project managers are present and assist with the elaboration and execution of your programs, a program isn't just a beautiful internal ballet. It is first and foremost

a competitive weapon that needs to strike at the right time, at the right strength and with the right ammunition. In the mobile phone sector, Motorola reacted too late to Nokia's advances and the latter appeared to improvise its Smartphone program rather hastily to stand up to the powerful wave from iPhone.

CEOs need to play the competitor's ball and not simply look at it. Projects are a special feature of a company rather like a crossroads where the external (major strategic decisions, a renewed or reaffirmed competitive stance etc) is intimately linked to the internal (operations, workers...). And it is the CEO's job to make sure this alignment is efficient and coherent. In order to do this, CEOs need project time in their agendas, they need to multiply the different sources of information they receive and lead the troupe as well as motivate the team. And on top of all this, with their knowledge of the market and their experience of the company, they need a sprinkling of intuition and, when making those lonely tough calls, a bit of luck.

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**« His presence on the field
made the difference of forty
thousand men. »**

**(The Duke of Wellington, talking about
Napoleon)**

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