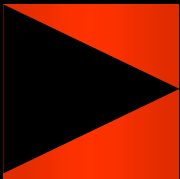


The 2nd Generation of Speed

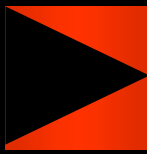
June 7, 2002

Christopher Meyer, Ph.D.
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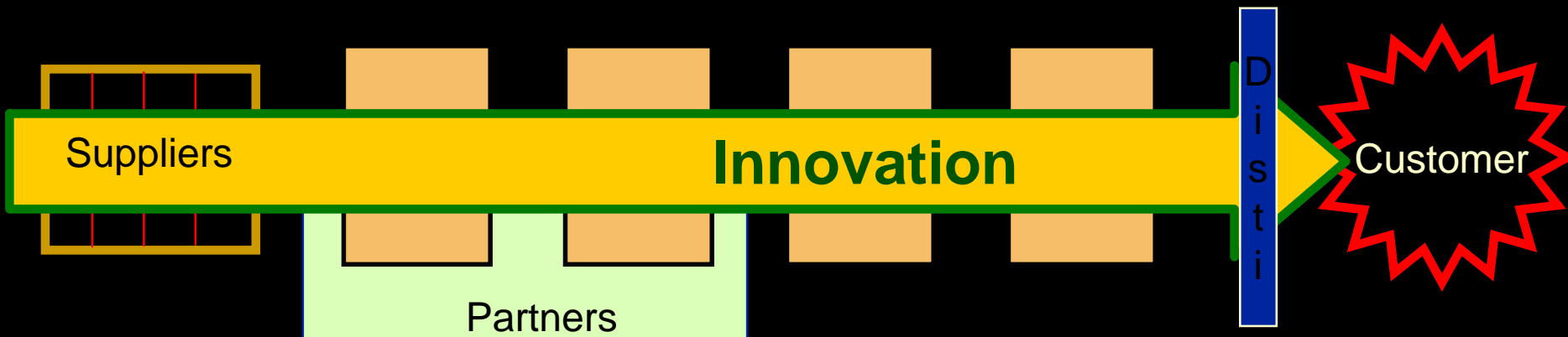


Unchanged: The business of product development

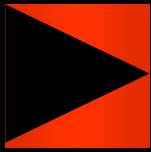


Defining, creating and delivering **new value**

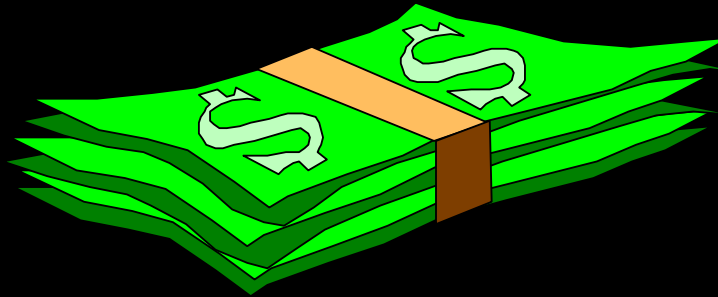
- Defined by **customers**
- Time and **context** sensitive
- Value can't be defined, created or delivered by a single function, or enterprise.



Speed = Value @ the right time

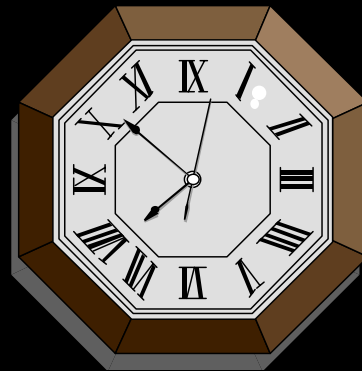


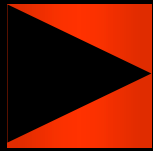
**Value reflects
customer
satisfaction**



***Profitable,
customer
satisfaction***

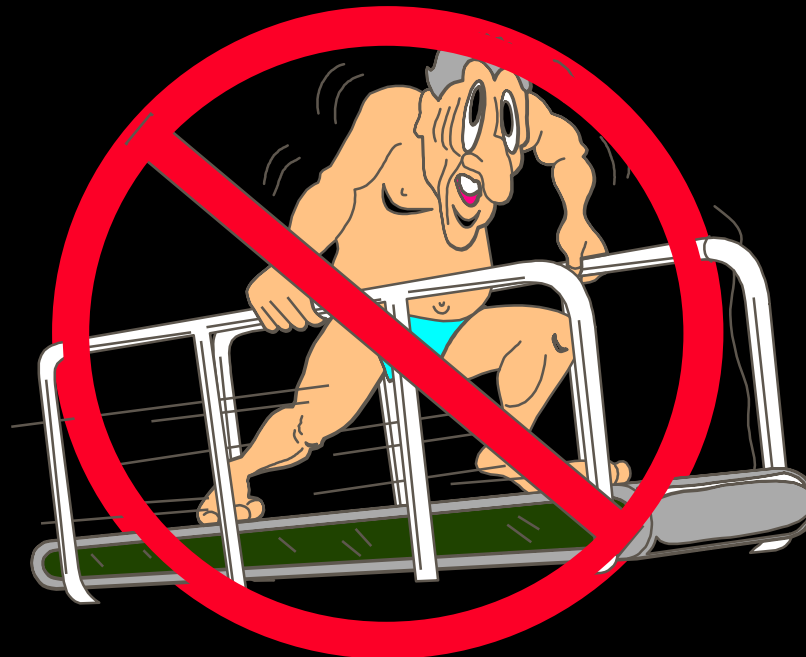
**Time reflects
competitive
effectiveness**





Acceleration is not sustainable if achieved by...

- schedule bashing
- feature/benefit deletion
- A one-time heroic effort
- apart from strategy and business model
- easy to achieve





4 dimensions of speed

Rate: How fast

Time to assimilate

Time to market

Vector: Direction

Time to volume

Time to stop

Time to source

Time to sample

Production cycle time

Time to execute

Change: Course changes

Time to probe

Time to sense

Time to adjust

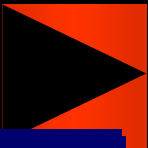
Time to decide

Rhythm: speed variability & matching

When to pit

When to brake

When to accelerate



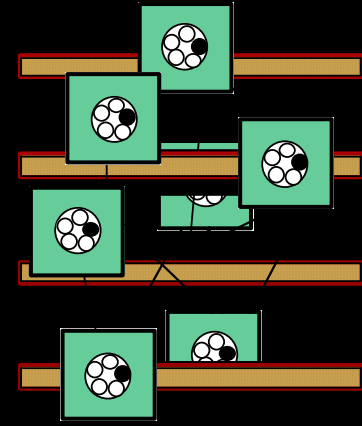
	1975-85	1985-95
Strategic domain of speed	Quality, World Class Manufacturing	Operational
Process focus	Internal – production	Internal - business processes
Focal group	Blue collar	White collar
Style	Careful driver	Dragster
Change focus	Do it right the first time - education	Re-engineering
Geographical focus	Local	Local
Role of IT	Minimal & local e.g. MRP	Minor at working level; e.g. ERP
Consultant role	Educate	Educate, BRP & IT
Tools for speed	JIT, Quality tool kit: SPC, measurement, etc.	Customer value focus, alignment, teams, flattening, process re-design & co-location

1st
Generation
speed

6 steps for achieving 1st generation speed

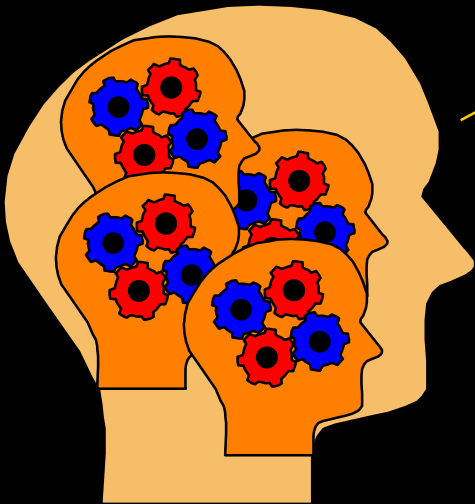


Defining Value...

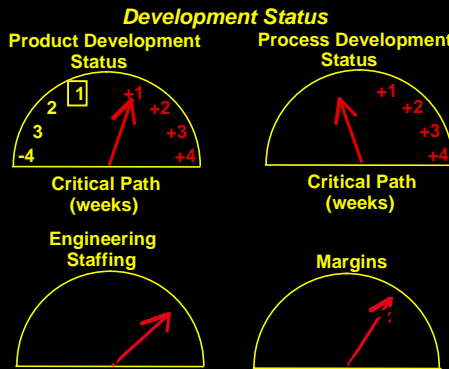


Multi-functional structure...

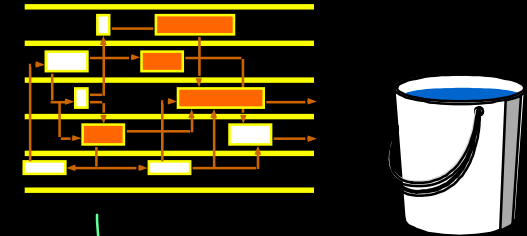
Speed



Organization learning...



Metrics: type & use...



Process re-design...

First generation results

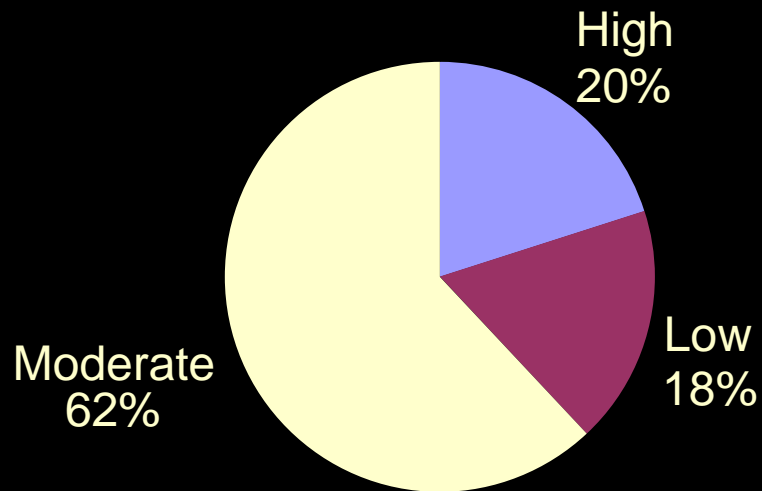


- 30-70% improvements in operating cycle times
- First movers can also become first losers
 - Hitting the “window” is key.
 - The window shape and movement differs in industries and markets
- One time improvements much easier than sustainable, firm-wide change
 - Competitive pressure is intense
 - Compression and pressure often replace systems approach
 - Common language and business architecture are key
- Senior management must change what & how they manage.
- Forcing new work methods is key and more tougher than setting goals

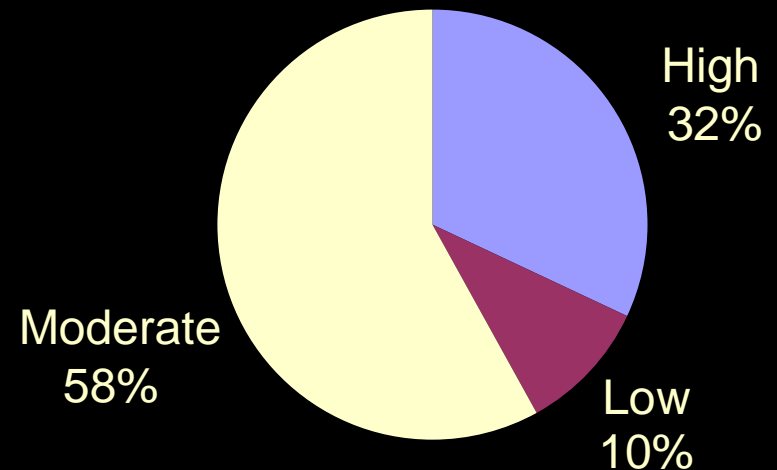


Improvement takes persistence

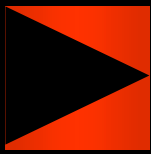
2 yrs. or less



3 yrs. or more



Barriers to 1st generation speed

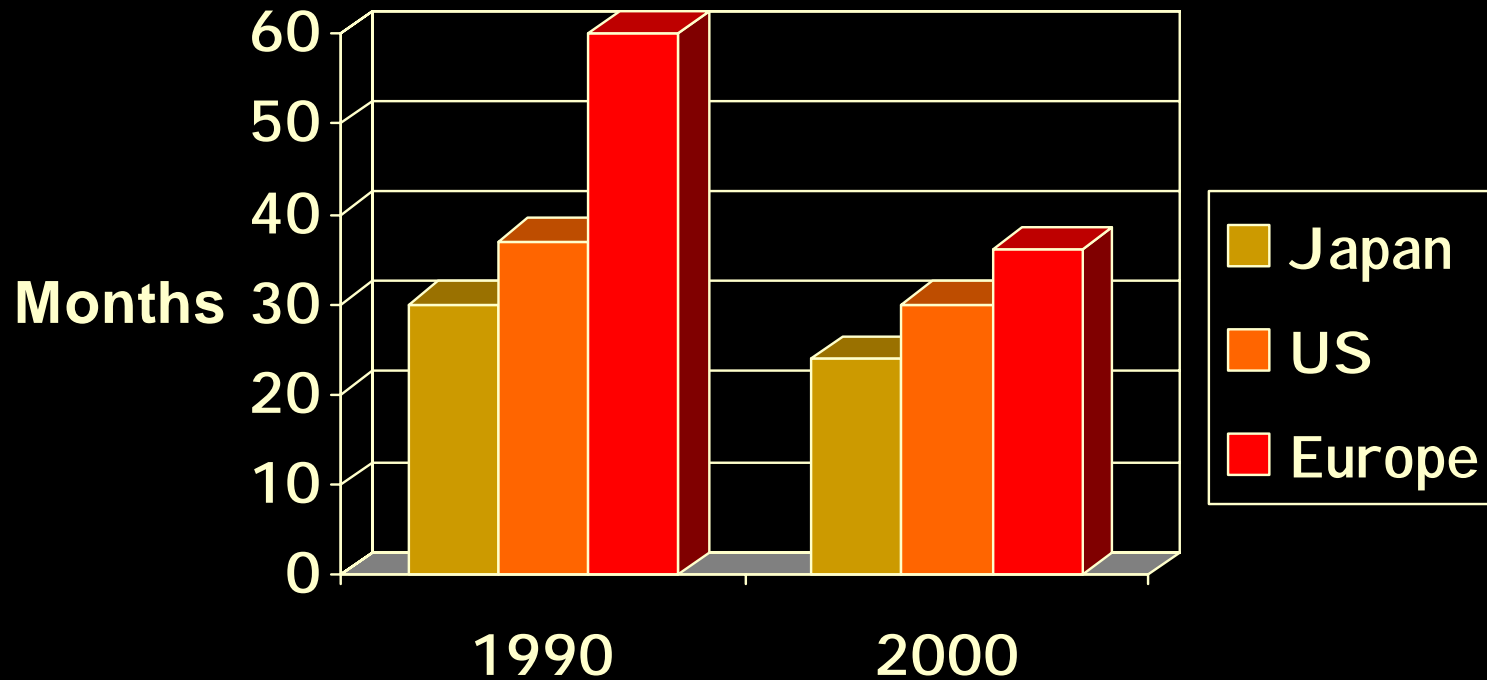


Reluctance to kill low -return projects	53%
Lack of alignment across business units	49%
NI H syndrome	48%
Inadequate support for speed initiatives	47%
Attachment to legacy products/services	47%
Poor IT tools/supprt	47%

1st generation success shifts strategic focus



New Car Development Time



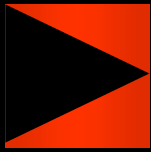
When the time gap shrinks, other factors provide differentiation



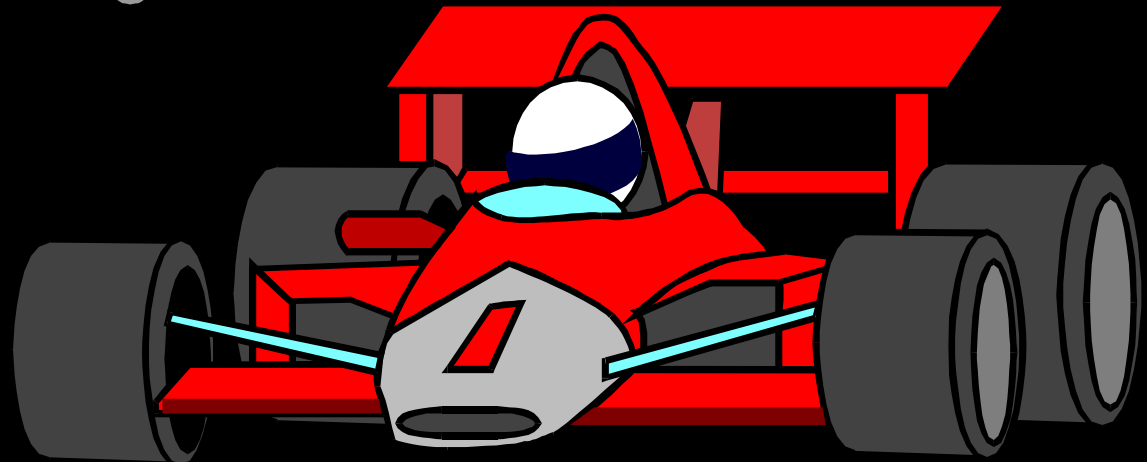
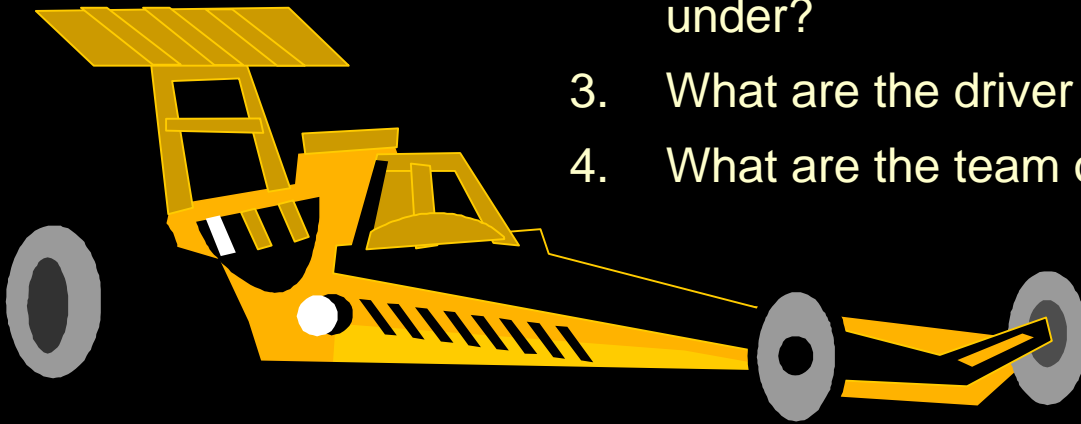
Is the 1st generation dead?...depends

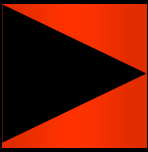
- Foundation for 2nd generation
- Untouched industries: furniture
- Lagging firms/divisions
- Impacted by major change: 800 software, Amazon, banking
- Where operational speed has high leverage
 - Fast food:
 - 65% of revenue now comes through the drive-in window
 - 10% speed improvement = ~10% more revenue/restaurant

Differentiating two generations of speed



1. What are the requirements for victory through speed?
2. What are the environmental conditions each operates under?
3. What are the driver requirements?
4. What are the team or support requirements?



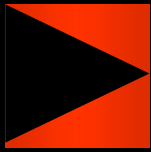


2nd generation changes

- Strategy & operations
- Agility & raw speed
- Enterprise IT & local/process IT
- Multi-organization & multi-function
- Rapid probes, experimenting and learning & anticipation and prevention
- Global development & global distribution

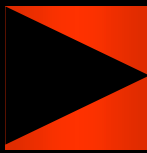
2nd Generation speed spans from operations through the executive suite

Factors crucial to 2nd generation speed



Aligning corporate values with speed priorities	39%
Improved sensing of emerging customer needs	37%
Developing customer partnerships	28%
Web links to customers	27%
Implementing system-wide IT (ERP)	21%
Improved customer requirements analysis	19%
Supplier partnerships	18%

Defining the 2nd generation of speed

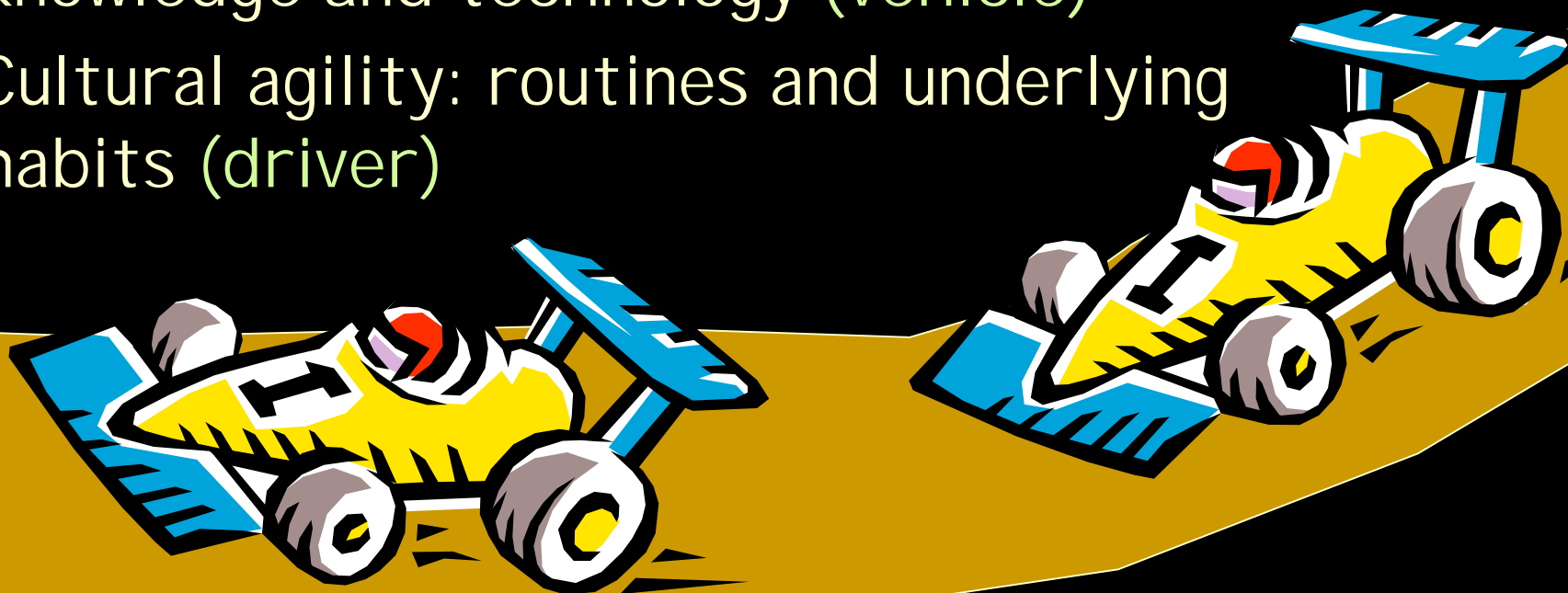


	1975-85	1985-95	1995-2005
Strategic domain of speed	Quality, World Class Manufacturing	Operational	Strategic
Process focus	Internal – production	Internal - business processes	Internal/external – strategy, partners, & innovation
Focal group	Blue collar	White collar	Execs/knowledge wkrs
Style	Careful driver	Dragster	Formula 1
Change focus	Do it right the first time - education	Re-engineering	+ informate & act
Geographical focus	Local	Local	Global/local
Role of IT	Minimal & local e.g. MRP	Minor at working level; e.g. ERP	Distributed e.g. web
Consultant role	Educate	Educate, BRP & IT	Strategic forums + educate, BRP & IT
Tools for speed	JIT, Quality tool kit: SPC, measurement, etc.	Customer value focus, alignment, teams, flattening, process re-design & co-location	Base case + IT, learning labs, experimentation



The 3 dimensions of agility

- Strategic agility: shifting goals and the strategies to achieve them (direction)
- Operating agility: structure, procedures knowledge and technology (vehicle)
- Cultural agility: routines and underlying habits (driver)





Why does agility matter?

- You've got to be agile because innovation regularly changes the playing field, rules of the game and competition
- You've got to be agile because you can't always guess right...the world is increasingly unpredictable
- Agile firms can re-define the rules of competition. Large, agile firms can dictate the rules of competition

Agility matters more when



- The competitive structure of your industry is changing
- Growth opportunities are larger and barriers lower than other industries
- Product lifecycles are short or shortening
- Disruption occurs



Examples of agile competitors

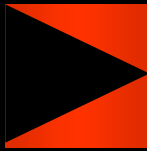
- Consulting companies
 - IBM
 - Dell
 - Baxter (Vaccine deal)
 - High tech
 - BP
 - Ford luxury car group
- Commerce Bank
- Fifth Third Bank
- W.L. Gore
- Southwest Airlines
- Yours?



Agile competitor assumptions

- Changing fast is a skill essential for survival in complex, unpredictable and rapidly changing environments
- A stream of evolutionary changes are more effective and less risky than revolutionary overhauls
- Constant experimentation and adjustment make change just another work processes
- Agility requires leanness, hard braking and turning as well as accelerating
- Balance and strength are essential to maintain control while changing

What distinguishes the agile competitor?



- Anticipation – the agile competitor aims for where the customer, market and money are going next
- Traction – the agile competitor addresses market and near term demands while initiating brisk direction changes
- Strong brands and trust – the agile competitor banks goodwill to help customers and employees hold on during critical transitions
- Simple rules – the agile competitor relies on a few keystone policies to guide action
- Modular architecture – the agile competitor keeps teams small, fosters common language and methods to facilitate rapid reconfiguration inside and out
- Speed – the agile competitor treats information and execution delay as wasteful friction which increases risk and impedes insight, analysis and action.



The dark side of agility

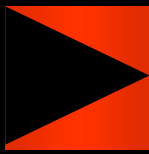
- Right but light – making the right call but lacking the mass: e.g. competence and financial strength to capitalize
- Thrashing – back and forth changes with little forward progress
- Bright, shiny objects – chasing too many and/or too small opportunities
- Needless complexity
- Too flexible ... and weak



Agility enablers

- Fast, accurate information & analysis
- Stiffness (goals, infrastructure and support)
- Confidence builders and early wins
- Relationships of trust vs. trade
- Experimentation skills and capacity
- Mixed work force tenure
- Organizational “yoga” – change

Strategy schools & agility



Your competitive environment, organization culture and strategy perspective determine where leaders seek speed

	Classic	Learning	Dynamic
Rate	Execution	Capabilities & innovation	Change
Vector	Achieve position	Strategic intent	Contextual
Change Driver	Competition	Learning	Decisions
Rhythm	Symphony	Rock & roll	Jazz



Conclusion

- Dragster speed critical but not sufficient
- Behavior change across firm including leadership
- Experimentation capabilities increasingly key
- Speed, in the right places, still has a big payoff