



A PASSION FOR AGILITY

Even as complexity increases, manufacturers must become more adaptable in how, and how quickly, they respond to everything from shifting customer expectations to natural disasters that threaten supply chains. At a recent meeting of the Manufacturing Executive Leadership Council, leaders discussed the organizational, cultural, and leadership qualities that enable adaptability.

Edited by Jeff Moad

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Brousell:

hat does adaptability mean to you? Does it mean being able to change over production lines quickly, respond more rapidly to customer demands and service requests, customizing products for new markets, or something else?

Serpico: Our business is all about launching new items, so adaptability is talked about quite frequently. With respect to the ability to move quickly, to see a market trend and to jump on it, manufacturing and the supply chain have to be in line with the marketing and sales thinking. Our key mission is to be fast and good in order to supply what's needed to the customer. Our CEO asks us, "We have to get this to market by X. What can you do to trim the timeline, make it faster, or get it into the hands of the consumer faster?" Many of the conversations revolve about what we can do to adapt the timeline.

Gercak: For us, we have to have people who work in a more matrix organization and who are able to communicate across multiple functions, be open-minded and open to new things. That's on the structure side.

From the execution side, it's us getting better at anticipating, getting better at planning, getting better at meeting mature market demand as well as emerging market demand overall, and we've got varying degrees of maturity across the organization in those.



Roundtable Participants

Jim Davis

Vice Provost, Information Technology, and Chief Academic Technology Officer, UCLA

Robert Dean

Executive Director, Manufacturing Industry Vertical, Cisco Systems

John Gagel

Manager, Sustainability, Lexmark International

John Gercak

Vice President, Information Technology, Eaton Corp.

John Jacko

Vice President and Chief Marketing Officer, Kennametal

George Nickel

Director, Global Process Architecture, Johnson & Johnson

Richard Sade

Vice President, S&S Hinge

Vince Serpico

Senior Vice President, Operations North America, L'Oréal

Sanjay Singh

Partner, Head of Global Strategy, Manufacturing, HCL Technologies

Mark Symonds

President and CEO, Plex Systems

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Gagel: You have to plan for adaptability. Think about supply side volatility and disruption—your continuity plans. How are you planning for things that might happen? A great example is the tsunami we had last year in Japan and the floods in Thailand, and their impacts on the supply chain. I would say our approach has been very similar to others, but I do think that this is something that you have to have top of mind all the time; otherwise, you're going to get caught.



Sade: We took a mission two years ago where we went out to our customer base, took our top 50 customers, and did an old-fashioned survey of the market and our performance. The survey came back to us, and it was very clear that we had some distinct advantages in the marketplace versus our competition. One of them was the way we handled customer service and have adapted over the years from a technical-based organization to one that focuses on speed to the customers, of getting information from them through a design to the shop floor and into manufacturing. Then we looked at the adaptability of our suppliers because, in our industry, everything is about the materials that we use in our production and how quickly we can turn raw material into finished products, and get them out to the marketplace.

We've done a lot of work with trying to look internally at what we had to do with adapting our workforce and ERP system to formulate this new business plan. We have an older workforce here. Some of our operators on the floor have been with the company 25 years. Our customer service people have been here 30 and 40 years. So, getting them to change the culture and

look at the [markets] in terms of speed and service has really been the adaptability that we've focused on for the last two years.

Brousell: How is it going?

Sade: We're about 80% into it, and we've seen quite a good result within the marketplace and picking up some market share. We've seen it in the bottom line, in profitability, too, so the business plan definitely was a step in the right direction.

Brousell: One of our most recent polls showed that our community is moving very, very strongly to on-demand production models. The old build-to-stock model is now [maybe] a fifth of the readership base, and the rest of the base is rapidly embracing different models, whether it's engineer-to-order, assemble-to-order, or some variation thereof. Do you feel underlying business trends such as this are compelling the need for greater adaptability?

Jacko: We have an engineered solutions business as well as a standards business. I would say that as we look ahead, more of our customers are moving toward an engineered solution versus a standard. Now, that's something that we are constantly working on. How do we have one of our businesses maybe be a little bit more adaptable than the other side of our business?

Brousell: How do you factor in adaptability criteria when you're looking at suppliers, when you're deciding whom to go with, structuring agreements, etc.? Is there some formula you use for that?



Gagel: I think everybody that has dealt with suppliers knows that there are so many things that go into picking a supplier: ability to deliver, cost, and viability of that supplier. I think what we might be faced with in our industry is the supplier's



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VICE PRESIDENT,
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ability to adapt on the fly. Would [the supplier] be able to do more than one, two, three, or four models for us? It's definitely something you've got to consider, but it's just a piece of the larger pie when you look at your relationships with your suppliers.



Dean: In a lot of the work we're doing around operational risk management, we're seeing adaptive organizations starting to look at how they respond to changes in the marketplace, both positively and negatively. With wars, natural disasters of flooding in Thailand, all that stuff, as well as getting into new markets and launching new products, the complexity of your supply chains is starting to increase as well. Operational risk management is also something that we're seeing as really rising in terms of focus around an adaptive organization.

Brousell: Is simplification a core component of adaptability? Do we have to push simplification of processes, of ideas, the way we build things, the way we go to market, in order to be adaptive?



Gercak: I think it's twofold. We are seeing that the complexity is going to continue, certainly from a customer-facing perspective. I think from the perspective of the execution in meeting those customer requirements, we definitely have an approach of simplification and standardization through our Eaton business system, etc. So, it's not easy, but I think it is twofold. I think on the front end, the customer-facing side, it is certainly going to get more complex. We've got multiple types of orders and engineer-to-order, make-to-stock, assembly, etc., depending on the customer. But certainly our approach is to try to simplify and standardize from an execution standpoint.



Symonds: The routine processes, there's always an effort underway to streamline, to Lean out not only the manufacturing processes but the customer-facing processes. But I think product complexity, complexity of the offerings is not going to abate. We're seeing micro-segmentation in a lot of different industries. The cycle times for products are shrinking. Product complexity, manufacturing complexity will increase, but I think the processes will continue to be Leaned out.

Brousell: How do you do strategic planning when you're trying to consider adaptability so strongly as part of your way of operating? Is it possible actually to do a five-year plan, or is there some way to make the planning much more responsive, much more flexible going forward? Is there such a thing as a long-term plan anymore?



Serpico: You have to have a long-term plan in general. The danger is getting too specific. I think you have to keep it in a general sense and keep it at a macro level. Otherwise it gets a little bit cumbersome and not very fruitful.

Part of our strategic discussion is always what our Plan B is. You always need a secondary plan to address the needs—



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—VINCE SERPICO
SENIOR VICE PRESIDENT, OPERATIONS
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capacity concerns, market concerns. So, yes, that's more and more part of our dialogue and a necessary one to handle the uncertainties of the future.

Gercak: From a project planning process, our horizons have gotten shorter. We do identify—and they get pretty specific—what we call key strategic issues, or KSIs, and develop some actions around them. Those actions have varying contingencies as well as the Plan A, B, and C on the execution over the next year. So, we do both, but I think in general it has gotten a little less specific, a little bit more macro. Certainly, the time horizon has changed.



Davis: When we get into this discussion of agility, we find ourselves looking pretty heavily at that layer of decision in the operations that has to do with tradeoffs and risk. The notion there is to ask, “How do we actually plan and move our organizations toward thinking about how to deal with those tradeoffs?” This gets back into the complexity question because we find ourselves saying, “Let's simplify around specific kinds of data, perhaps even simpler models.” But how do you move an organization toward a systems engineering way of thinking, especially around the tradeoffs? What information do you select? What standards do you use? How do you move your workforce? And how do you do all of these things all together?



Brousell: Rich Sade was saying that the adaptability formula is one part concept, one part planning, one part process, and at least two parts of culture. What cultural changes are required?

Singh: The point around culture was very important. We have used a three-pronged approach internally to create agility. One is that we have moved away from a command-and-control structure to an enabled structure where management is now collaborating to enable the innovation and the agility that is required for the customer.

The second is meant to ensure that the employees and workers within our organization are passionate about what they do. If they are, the outcomes are much better. So, we have tried something we call the employee passion index, and it's published to all management. It indicates how passionate their team workers are about their roles and responsibilities. If they are not passionate, [we ask] what can we do to make sure we can unlock the passion that results in outcomes that enhance the value chain within manufacturing?

Third, we have made the system completely automated, with very simple approvals, very simple workflows for everything.

Brousell: I'm particularly intrigued by this idea of trying to measure passion. How do you go about measuring passion?

Singh: We have a tool that is deployed on the Internet portal. It's customized to an employee's goals and ambitions that are captured when he joins the company or when his review is going on. It is also linked to [employees'] performance appraisals. We can tell what's very important for them and what it is that they would like to see from their managers. We measure that as part of this index.

Brousell: You brought up a very important point, Sanjay: this whole notion of collaborative organizational structures and the fact that you're moving away from command-and-control structures. That fits almost perfectly with a recent poll we

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published in the January issue of the *Manufacturing Executive Leadership Journal*; the poll shows that only about 18% of our readership is still holding on to command-and-control structures. Most in the next few years see collaborative organizational structures emerging. Do others see this?

Dean: Our company, a long time ago, went to a council orientation that is very open, very collaborative. It's about as far away from command-and-control as you can get. The global reorganization we had this past year was a recognition that we went way, way, way too far to the other side of open-ended collaboration in how we structure and how we run the business on a global basis.

Yes, I would agree that there's a movement away from command-and-control, but there are also pitfalls in going way too far to the open collaboration side as well, so there's got to be a happy medium.

Gercak: I agree with that. We see that particularly in the functional areas here. I think you can go too far down the road of having too many councils and not enough accountability and ownership. It's a balance.



Moad: What are the leadership qualities that are needed to promote adaptability, and how do you go about bringing people into your organizations who can improve adaptability?

Jacko: One of the takeaways that we have come to is that a lot of it is a leadership issue. We profile our people who go through leadership programs here at Kennametal, and we use the two As—adaptable and agile. We've got to start thinking more of how we bring people in who are a little more adaptable and who can allow us to get into new spaces maybe that we haven't been in before.

We haven't gone down four or five levels in the organization, but at the top couple

of layers we're having a lot of discussions around being adaptable. We announced an acquisition today. I would say to you that a lot of our people might have had trouble adapting to that in the past, and we're trying to make sure they're getting ready for our business as it grows and changes and as we come out of the recession.



Nickel: You were asking Sanjay about how to do the metrics on some of this. We are just implementing a pilot right now where we're looking for what we call promoters. [These are people who do things] in a way that [makes] people want to promote them, not just up the ladder, so to speak, but promote them as people for other people to engage with in our highly decentralized environments.

The goal there is to understand who is best at enabling collaboration, who is best at promulgating collaboration between disparate points of view, understanding how points of difference and diversity can actually strengthen what we do. We want to recognize that and somehow incent it, reward it.

Brousell: What does the ideal leader in an adaptable organization need to be able to do?

Gercak: Learn on the fly, David. **M**



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—JIM DAVIS

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