

an excerpt from

The Wall Street Diet

Making Your Business Lean and Healthy

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CHANGE YOUR LIFESTYLE— INTRODUCE THE WALL STREET DIET

A business diet? Is this just another plan to cut more jobs, reduce more facilities, or sell a portion of the business? Nothing could be further from the truth. Our goal is to provide practical steps to build a stronger, healthier company whose profit and loss statement will show five to eight points of new profit on the bottom line. The diet will transform the organization and extend to the most important business allies—suppliers, distributors, customers, and everyone in the supply chain.

If the objective for the individual is the best in good health, then the objective in the business world would be the best operating conditions across the end-to-end supply chain—in essence, a lean enterprise. If the individual wants to attain improved health, the business wants to sustain gains made through enhanced financial statements. Drawing on these similarities, we can see that individuals and businesses have some common goals, as described in the accompanying chart.

Why is it the Wall Street Diet? We've added a Wall Street-inspired framework to the health diet metaphor that will work in virtually any kind of business in any industry. We match the human diet ingredients with the necessary business characteristics from the view of the Wall Street investor. This framework has two themes: first, make lasting improvements to the cost structure of a business; second, use the benefits of those improvements to generate new revenues.

People, not unlike businesses, often make the mistake of moving from one improvement fad to another, in hopes of weight loss or enhancement of appearance. Overall, however, the average person's weight keeps climbing, and the related health problems increase. Drawn to the diet du jour, overweight people try various diets to bring their weights down, and

2 The Wall Street Diet

Individuals	Businesses
Low blood pressure and heart rate	Unobstructed supply chain flows, improved processing, and best cycle times
Healthy food intake	Collaborative suppliers and distributors
Nutritional diet	Collaborative business partners
Correct weight (Body Mass Index [BMI])	Lean manufacturing techniques—lowest total costs
Weight loss	Balanced supply and demand characteristics, without excess inventory
Proper ratio of high-density lipoprotein (HDL) to low-density lipoprotein (LDL)	New quality and lean tool kits
New recipes and menus	Quality improvement and standards
Annual physical examinations	Productivity profiling
Working with the doctor to recalibrate ideal results; undergoing tests and measurements	Strengthening the network through selective outsourcing
Building support systems	Total enterprise best practices
Workout regimen	Cultural change and increased profit
New lifestyle with healthy eating habits	Flexibility, agility, and responsiveness
High energy	Strong earnings
Strength	Healthier, more profitable enterprise, more attractive to Wall Street
Healthier, more attractive body	

often they succeed in temporary weight loss. As progress is made, however, sustaining the improvements becomes a real challenge, and quite often dieters try new regimens when they fall back into old habits and regain the lost weight. In a never-ending sequence, the body slims, fattens, and slims again. This scenario is also played, metaphorically, over and over by a large number of modern businesses.

There is a way to change your lifestyle, to get rid of the fat and tighten up your bottom line.

Consider a man or woman changing his or her lifestyle. Clogged arteries are life threatening. A business improves its processes throughout its supply chain to ensure nothing is clogging its circulation.

Achieving lower weight requires fewer calories. Creating a lean business enterprise means the business absorbs less in the form of working capital and resources.

A human dieter learns to cut back on high-calorie foods and eats a healthier diet. A business must use quality imperatives in a similar manner to ensure the firm and its business allies always operate at peak performance.

Exercise is also a necessary ingredient in keeping the weight from coming back, as the individual burns calories. A business follows a similar path by generating continual process improvements.

The individual has changed his or her lifestyle encouraged by partners who offer support. Similarly, the business makes better choices of its business allies and uses their help to enhance the linked processes.

The Wall Street Diet is about putting everything together in one improvement discipline and developing long-term sustainable advantages. In effect, it is about changing the culture that drives the business's operating processes. The objective becomes improving a firm's financial and competitive posture by measuring the effect of the changes from a Wall Street perspective—better earnings, growth, continuous improvement, and the greatest value for all stakeholders.

Like a truly effective weight loss program, the Wall Street Diet is a plan for achieving sustained benefits—not in the typical thirty-, sixty-, or ninety-day cycle that catches the attention of the short-term analyst. The diet is designed to appeal to professional Wall Street investors. They will want to see a long-term plan and regular measurements, exactly as a physician would evaluate a patient. Exactly what the Wall Street Diet prescribes.

Building peak and lasting performance in terms of cost, productivity, and quality is the greatest challenge facing organizations today. Odds are your firm has probably been through a number of change initiatives. Many employees and analysts just roll their eyes when you announce another. The results may have temporarily strengthened the firm or parts of it, but has there been substantial impact on the bottom line?

Fundamental improvements that endure require fundamental changes to the business. The will to improve is not enough. Tools and integrated approaches are necessary to achieve a lean and fit organization.

4 The Wall Street Diet

In the end, the enterprise is characterized by what we call *full network connectivity*, linking all partners in a passion to dominate markets. The companies forming this new network share knowledge and establish the communications links to transfer vital information on supplies, inventories, goods in transit, warehouse stocks, and so forth. Using technology is essential. You will have a network with the lowest total cost. Leading firms have these objectives as targets. You should as well, and we will show you how. We want you to build a company that is as healthy in fifty years as it is in five.

In addition to the five to eight points of potential new profit to the bottom line, your firm will also see benefits to planning, order management and processing, order-to-cash cycle times, just-in-time deliveries, and inventory management. The healthier firm focuses on greater customer satisfaction, so achievements should also be made to on-time deliveries, fill rates, returns, and other measures important to the customer.

The firm discovers the emerging enterprise has more than new skills; it has knowledge that can be leveraged in the marketplace, especially to better satisfy customers. Firms that embrace the concepts inherent in the Wall Street Diet have used such ability to open a serious gap between them and less able competitors, with several companies beginning to dominate their industries.

KEY CONCEPTS

Like other diet programs, the Wall Street Diet introduces concepts that ask the dieter to support changing his or her lifestyle. While these concepts are developed in later chapters, we want you to get a better sense here of what the diet is all about.

One concept is *total enterprise optimization*, or TEO. This is the healthy and profitable result of integrating four ingredients for cost improvement: advanced supply chain management, lean manufacturing, quality, and selective outsourcing. These four are applied to both your firm and its closest allies.

Another concept is the idea of *value-managed enterprise*. The enterprise will be transformed by four ingredients to generate revenue increases: benefits derived from advanced supply chain management, customer intelligence, customer relationship management, and technology collaboration. These factors appeal to desired customers and will generate higher sales

and revenues. By infusing a balanced diet across its total processing system, this enterprise will dominate its industry in the present and for as long as the changed lifestyle adapts to changing market constraints.

In using the terms *optimized* and *optimization*, in essence we are referring to the point where further improvements in the process or system would cost more than their benefits. We are looking for the point that yields the greatest result without adding costs.

Another key concept is the new idea of a federated *keiretsu*—a loosely coupled network of businesses working toward common purposes. We propose a less formal structure than is traditionally part of this concept, as well as profound new ways to share information and the work to be done. The Wall Street Diet creates improved processes beyond the four walls of the firm with the help of trusted business partners.

Our message is basic: Put your company on a diet, with the help of key business allies, and keep the gains you make to establish an advantage over fatter, less healthy competitors. This strategy is the result of twenty-first-century business reality, not twentieth-century business mythology. In this arrangement, all parties will be lean and add value at each point of interaction across the value-managed enterprise.

INTEGRATING KEY CONCEPTS

A central theme in the Wall Street Diet is using the supply chain to build improvements across a wide view of the enterprise. Health and financial well-being for the firm will never be achieved without rigorous analysis to determine that it has the best operating techniques, quality, and costs at each link in its end-to-end supply chain system. Where deficiencies are noted, a diet-enhancing ingredient must be applied.

Another central theme in the Wall Street Diet is an emphasis on using lean techniques or getting rid of the fat anywhere in the business enterprise. We see a renewal in the appreciation of lean techniques as a way to eliminate all waste within a total business operating system. It is absolutely essential to apply the principles not in a vacuum but with other ingredients of our diet in a balanced manner—across extended enterprises in a coordinated effort to reduce all wastes. As firms move forward with what is becoming global attention to supply chain management, for example, there is a definite need to harmonize those efforts with lean techniques,

while following a quality prescription that ensures root causes of problems are eliminated, the improvements tracked, and the benefits sustained.

Selective outsourcing should be used carefully in this effort to move certain processes into the hands of your most capable and trusted external business allies. These network partners simply have better processes. There is no reason for your firm to operate with worse tools or processes. We will explain in detail and through the help of supporting case material exactly how industry leaders are carrying out such an effort.

We will also demonstrate that revenue growth must be approached with the same rigor as the pursuit of total least cost, also across the business network. By taking advantage of the improvements gained through its drive for TEO, a firm will have shorter cycle times, greater transparency in its supply network operations, better matching of demand with supply, and unprecedented reliability in its processing. You will see how the benefits gained through advanced supply chain management are used in conjunction with better customer intelligence and customer relationship management to differentiate the business network in the eyes of the most desired customers. You will use technology as a key enabler to execute this part of the Wall Street Diet, yielding new profits and revenues.

The Wall Street Diet can add five to eight points of new profit.

THE HARD REALITIES

We have worked with many firms and individuals to introduce the Wall Street Diet and its key elements, and we have noticed it is far easier to grasp parts of it than the whole. We have also found almost universal reactions.

First, CEOs and senior managers understand the individual disciplines. They have been through, or at least know about, quality management, lean manufacturing, and other business improvement approaches. These individual approaches are part of their management tool kit. The Wall Street Diet demonstrates how to *combine and leverage* these approaches for greatest impact.

Second, younger managers are not as familiar with these intangible approaches, but they almost innately understand the technology aspects.

The diet can succeed only when these two perspectives are merged, when partnering occurs across generations within an enterprise. It's not just about the techniques; it's not just about technology.

At the end of each chapter are checklists to help you determine the next steps in pursuing the Wall Street Diet. You will find suggestions for senior management, who have broad perspectives and special concerns, and also for functional/business unit managers and diet champions, whose focus tends more toward implementation.

The diet will challenge many of the tried-and-true assumptions about the structure of organizations and relations with suppliers and customers. We know something about your firm—the profits are there and need to be released. Just as the successful dieter maintains an image of a healthier individual, you will uncover a more profitable and healthy firm.

The Wall Street Diet is not easy. Sustained effort across the firm and beyond will be required. We recognize the cultural issues and the concerns that will be raised.

Successful dieters understand that changing lifestyles is the key. And, changing a lifestyle is not easy. The results, however, more than justify abandoning the unhealthy, minimally profitable current state.

The Wall Street Diet will help readers understand how assimilating the "business diet," attractive to Wall Street and designed for long-term improvement, can add value for any firm of any size in any business. Your firm will achieve the greatest return on effort. You will include your business network constituents, including investors, suppliers, business customers, and consumer groups. You will have a methodology for calibrating and tracking sustainable success. With many case examples and action stories, we bring a new and higher dimension to business success by explaining how to select trusted business allies, with whom critical business knowledge is shared for mutual benefit.

The objective is the creation of a truly linked and optimized business network or value-managed enterprise, where the member companies are working together with a contemporary business model that delivers greater value than any competing network.

CONTEMPORARY BUSINESS MODELS

Leading firms have done more than bring a new dimension to supply chain, lean, and quality management. They have begun to implement a

series of principles and techniques to hold the gains while they continue finding further improvements. These firms are not standing still. They are applying the contemporary model to gain distinctive advantages and market leads. The key is to target what will become the best future practices and apply the Wall Street Diet to achieve and hold such a position.

The Wall Street Diet model creates a sustainable competitive advantage. Competitors may imitate a part of your success, but the long-term value resides in the complete system. Some years ago, companies launched projects to emulate certain world-class manufacturers, particularly Toyota. This automaker had extended the concept of lean beyond its manufacturing system to encompass its entire supply chain. The result was a closely coupled keiretsu, or value network, that is profitable at every link. Toyota is a great example of a successful business dieter and what we have termed the value-managed enterprise. Why does Toyota allow nearly anyone to tour its plants and look at its processes? Because the Toyota lifestyle is the real advantage, not just the Toyota production system.

Many of the would-be Toyota imitators were able to point to their temporary reductions in factory inventory, neater work areas, more streamlined processing, and fewer mistakes, but they failed in the long run to hold the gains. In particular, we saw the auto industry touting just-in-time inventory. We think they really meant “just-not-here” inventory. Unfortunately for these companies, within a short time, warehouses bulged with unnecessary inventories, rework and returns came back, and blame was laid at the feet of suppliers and workers for poor quality.

Industry leaders such as Toyota, Wal-Mart, IBM, Dell, Nike, Tesco, Procter & Gamble, and Intel forsake business fads. They capitalize on the benefits achieved through their long-term drive beyond the four walls of their enterprise, focusing on bottom- and top-line performance—a contemporary business model. The model applies a combined effort to focus on the top line (sales and revenues) as well as the bottom line (costs and efficiencies) to nearly double or triple earnings. This new system has application to all industries, including the service sector.

SUMMARY

Achieving and holding a position of leadership in an industry by virtue of having the healthiest business lifestyle requires a clear plan—a viable and well-understood vision of how a changed state of business performance

will inspire alignment and commitment to stretch objectives. The Wall Street Diet is that plan. This diet requires implementing the lean productivity and quality aspects needed to lead an industry and combining them with features of selective outsourcing and advanced supply chain management principles across a trusting business network. The objective is to achieve the greatest return on investments in capital assets, human resources, collective skills, and enterprise knowledge. It means integrating the messages from the Wall Street Diet into a process for finding total enterprise optimization, and using the benefits to build new revenues, so the end result is a dramatic improvement to enterprise profits, no matter the current state of earnings.



CHECKLIST FOR SENIOR MANAGEMENT

- Use the Wall Street Diet as a device to communicate clearly both your plans and the enterprise's needs to all constituents.
- Make certain all parts of your organization are subjected to the analysis that goes with the diet. Improvement opportunities can occur in the most unlikely places.

CHECKLIST FOR FUNCTIONAL MANAGERS AND DIET CHAMPIONS

- Understand how the diet metaphor affects you and your team. Use it to communicate clearly your desire for optimized conditions.
- Understand the actions you have to take to make your company successful.

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