

# Philips APM - Driving Strategy Into Results

from page 1

However, the enabling factor that has contributed most to providing clear business direction and consistent financial results has been the implementation of well-defined and effectively deployed strategic and operational business plans. Our approach has secured understanding and buy-in across the total organization, with a rigorous definition of Key Success Factors and associated Performance Indicators, which have been cascaded down throughout the company. The consistent attitude and well-understood team direction that has been created is the hallmark of APM and has provided a benchmark within Philips for business excellence.

This success has been evidenced not only internally with award recognition within the Philips Quality Award (PQA) system in 2001, but also this year in APM's submission to the German national quality award - the Ludwig Erhard Preis.

## ..and so what about the role of PSM?

The relationship between PSM and APM runs parallel to the story already told.

In 1992, PSM was first invited to guide the original management team through their first Strategic Planning and Deployment process, at a time when APM was still called 'Tape Module Business Unit' and was rethinking its future direction.

In this first Strategic Plan a very stretching target was set: to become a leading global supplier of automotive playback mechanisms (tape and CD) by 1997. By 1995 the business was selling 75% of its production outside Philips, and in 1997 the team reached their goal with the introduction of their first CD player to support the already strong brand in tape decks. Today, sales of digital products (CD and DVD modules) are about 90% of APM's total turnover.

And so started the very strong relationship, which has lived through many changes in APM and PSM. Talking to my colleagues in the current APM Management Team, I realise that many of them worked closely with PSM years before I knew anything about PSM (or indeed APM!).

Looking back I think the relationship with PSM has stood the test of time for three key reasons:

- their very results-driven and practical attitude to Strategy Development and Business Planning
- their insistence that Strategy is about what you do, and not only what you decide - PSM call it their 3-D strategy: Developing, Deciding and Doing
- their practical business experience and knowledge of the industry, combined with a very personal but challenging style, that comes through in their process and project management skills.

The value of our relationship has been evidenced not only in a number of major iterations of the APM strategic planning - four occasions in ten years - but also in areas of additional support where we have exploited PSM's other specific skills combined with their knowledge of us and our business;

- lead-time reduction in early developments of the CD modules
- team development and operational performance improvement in the early (and more recent) development of the US organisation
- account management and relationship development with key customers
- support in the definition and development of our next generation of products and services, as a supplier of infotainment system solutions to the automotive world.

From this experience, and on behalf of my team and those that preceded them, I feel that PSM can justifiably claim their strap line .... **Driving Strategy into Results**



Lionel de France

## Managing those Business Cycles?

In the last weekend of August, I found myself testing my client relationship-management skills to the limit! At the start of the summer I had accepted an invitation to join one of the DSM Fine Chemicals teams, participating in the annual 'DSM Classic' cycling event. Each year this excellently organised event follows a demanding 110 km route up and down the hills of south Limburg (yes serious hills in the Netherlands) and into the Ardennes region of Belgium. The participants (numbering well in excess of 1000) were very well looked after during the 4-5hr event, with plenty of sustenance en route and an excellent Bar-B-Q to enjoy at the end of the day - quickly replacing all of the calories we had burnt-off.



Unfortunately there was no time to take photos en route, but I managed to persuade Peter de Roo (our very attentive team leader) to find time for a smile before a well-deserved shower.

On a personal note thanks to all those in DSM that made it an excellent day to remember.

Stephen Perry

## A New Face at PSM Consulting



### John Hinnigan

John has joined PSM to support their growing business activities in the chemical and industrial services sectors. He has a long track record of general management in chemicals and related businesses in Unilever and ICI, including extensive experience of major change programmes, acquisitions and disposals. His current activities include strategic consultancy for private equity houses and mentoring early stage businesses.

### Could your photograph be here?



Do you have the skills and experience to...

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### Contents:

Philips APM 'Driving Strategy into Results'	page 1
The Cost of inadequate decision making - how much money has your Company chosen NOT to make recently?	page 2
Coaching your Black Belts	page 3
Managing those business cycles	page 4

PSM delivering bottom-line improvements

Autumn 2003

# Philips APM - Driving Strategy Into Results

## Lionel de France - Vice President and General Manager

### A long time ago in a small town in Germany ...

Philips APM - Automotive Playback Modules - started life as the internal manufacturing facility supplying audiotape cassette modules to the car radio and navigation business of Philips Car Systems International (PCSI) based in Wetzlar, Germany. PCSI has been subsequently sold, and is now part of Siemens VDO, but APM is still a very much a part of Philips.

From its relatively humble beginnings in 1989, when it had only one Customer (Philips), one factory, one salesman, and a small development group, APM has evolved into a leading global supplier of infotainment modules to the OEM and first-tier automotive market - that's quite a mouthful, so let me try to explain what that actually means and what we have achieved.

### The automotive industry

The automotive industry has long been recognised as a pioneering global business, but it has also led the manufacturing world in promoting and developing best practice business performance. Mass Production, Lean Manufacturing, Quality Tools (SPC, FMEA, QFD...), Process Re-Engineering - these approaches which have become common practice across many businesses have their origin in the car industry. The OEMs (the car makers) have always placed very tough demands on their main sub-assembly (first-tier) suppliers, not only in product quality, performance reliability and cost control, but also in supply chain management, technology leadership and the ability

to respond to the dynamic demands of end-user requirements.

The car-radio - subsequently succeeded by more sophisticated navigation, entertainment and information systems - has always been a key element in new model specification, because of its close personal interface with the driver and passengers. Thus the majority of current suppliers are either internal subsidiaries of the OEMs themselves, or important first-tier suppliers.

### Infotainment systems

The merging of entertainment with information systems, as seen in the home and office, has inevitably been paralleled in the automotive environment; combining technological functions and features of entertainment (radio, tape, CD and DVD for audio and video) with interactive information, whether navigation, engine management, telematics or mobile communication (voice, messaging, internet,..etc). Being able to integrate their technology and application skills in hardware and software applications has enabled APM to win and retain its leading position in the automotive market.

### Delivering consistent business results

Delivering consistent results is not only what customers demand of APM. Its parent company Philips has an equally strong expectation!

Having started with tape decks, APM has now achieved a leading market share in the global supply of all playback modules, as a key supplier of CD mechanisms and with a leading position in emerging DVD applications. With its headquarters

and technology and development centre still based in Wetzlar, APM has manufacturing facilities in Gyor (Hungary), and Sales and Applications Engineering resources throughout Europe and North America, and in the Far East.

Our sustained and consistent financial performance has gained much deserved credit from Philips, and in recognition of this contribution we are taking a prominent role in the activities of the Philips Automotive Board. This cross-Philips team has been established to provide truly integrated solutions for OEM and tier-one suppliers, by exploiting the full technology and product capability of the company and complementing the 'Connected Planet' vision, as developed by Philips Consumer Electronics.

Looking back it is easy to highlight successes, but maybe too easy to forget some of the problems that we have had to overcome. Growth and success have not all been plain sailing:

- people have changed their roles and inevitably many key players have come and gone
- organisation scope has changed - with manufacturing facilities being opened, relocated and rationalised to meet changing needs, and skill requirements shifting from mechanics to electronics and from hardware to software,....
- technology has pushed forward - not always easily but with a consistent thrust towards integration and systems
- the market has been very dynamic and at times uncertain - but always with new challenges from customer and changing threats from our competition.



continued on page 4

# The cost of inadequate decision-making

- how much money has your company chosen NOT to make recently?

**On February 1st 2003 Space Shuttle Columbia and its crew were lost during their return to Earth. The investigation by the Columbia Accident Investigation Board (CAIB) revealed that:**

**"Management decisions made during Columbia's final flight reflected missed opportunities, blocked or ineffective communication channels, flawed analysis and ineffective leadership. Perhaps the most striking is the fact that management displayed no interest in understanding a problem and its implications"**

Our experience shows that it is unlikely to be any better in your business; the one big difference is that it is unlikely to be life threatening.

Businesses are paying big money to attract the most talented and well-educated managers, and then paying even more to develop their decision-making skills and speed. Is this effective?

We observe that in certain business sectors e.g. financial services, decision-making seems to be more ponderous than in others. Why is this?

Businesses could increase profits significantly if they simply implemented more effective decision making processes coupled with the intent and ability to act quickly. Why is this fact ignored?

## The root causes of slow decision making

A survey across a number of business sectors shows strong correlation in the key causes (many of which are also reflected within the CAIB findings) some of the more common ones are:

- **Inadequate delegation.** The continuous escalation of decision making to higher authority creates decision-making bottlenecks. Senior people are being asked to pass judgement on too many relatively minor issues.
- **Too many participants.** The ability of individuals to make decisions is hampered by the need/requirement to involve others, sometimes in significant numbers. Both cost and speed are increasingly compromised as the number of participants grows.
- **Separation of decision-making and budget holding.** The attempt to reach a decision by an apparently empowered manager, but without budget authority to proceed. Frequently this can spiral into an iterative process as the two parties fall into a negotiation process, resulting in yet further delay.
- **Policy / personality change.** This is often associated with changes at the top, maybe even the

CEO. Where the change results in a move from an autocratic environment to one where decision making is pushed down the organisation, the organisation can often exhibit decision-making paralysis lasting several months.

- **Inadequate strategy deployment processes.** A well-deployed strategy provides a clear reference point for managers at all levels to frame and take decisions. Often strategies stay floating on the top of organisations leaving the middle managers with little or no framework with which to make decisions.

## The impact of slow decision making

The impact for NASA is massive and as yet not fully quantified.

The direct financial impact of slow decision-making for your business however is relatively easy to estimate. It is the missed benefits during the elapsed time between the earliest opportunity to make the decision and the time action is taken.

We are currently involved in a programme to consolidate the supporting functions across regions and business units (in HR, IT, Finance) into a small number of shared service units. The annual saving for this change has been estimated at \$78m. The delay in the decision to implement, due to many of the root causes above, has been 9 months. Our client and their shareholders are facing a lost opportunity of over \$50m. Worse still they are now wasting further time trying to retrospectively create spurious excuses to explain the delay to their Board.

We challenge you to do the exercise yourself. Go back over the last few significant decisions where actions have started. Determine the additional profit your business has chosen not to make!

## Addressing the root causes

Addressing these root causes is straightforward, however every business has its unique characteristics and personalities that prevent a "one size fits all" solution.

- **Inadequate delegation.** The creation of simple statements of responsibility and authority across and down the organisation will help significantly. Tools such as RASCI and CAIRO will help to complete this quickly and effectively. This is especially effective where businesses have undergone significant growth or organisation change without reflecting the changes in decision-making authority.
- **Too many participants.** If the statements of responsibility and authority are clear (above) then the

need for management by committee will reduce dramatically. In addition, creating a 'zero base' for decision making (the starting point for any new decision resides with an individual) will significantly increase decision-making speed.

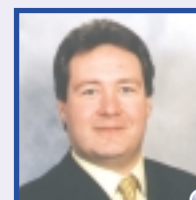
- **Separation of decision-making and budget holding.** Sample some historic decisions (new products, new investment etc). Identify where the person responsible for the decision did not hold budget authority and why this was the case. The reason for separation may no longer be valid. Where the reason to separate is still valid, identify the (most junior) role in the organisation, where it is appropriate to assume the dual role.

- **Policy / personality change.** A new, less autocratic manager should initially assume the same level of control and responsibility as his predecessor, whilst in parallel defining the new levels of responsibility and authority. Implementation of the subsequent changes MUST be accompanied with training and coaching to help managers to fulfil their new responsibilities. Delegation of decision-making should then be implemented progressively. Only in a crisis should a new manager consider reducing the ability of an organisation to think and act for itself.

- **Inadequate strategy deployment processes.** Fulfilment of business strategy has three elements; Developing, Deciding and Doing. Developing the strategy is intellectually stimulating. Deciding and Doing is where results are delivered and take the majority of time and resources. The success is strongly dependent on having a well-drilled method (process, tools and trained people) for cascading the strategy and 'forcing' decisions and action. Senior managers must be able to describe simply and consistently the strategy deployment process used in their business.

## And measure it.....

The speed and quality of decision-making are key to the success of an organisation and must be measured. The quality of decision-making is reflected in the measures that we find on many company dashboards or balanced scorecards, however the speed of decision-making is often ignored. Start by identifying a few (one or two) key decisions to be made, monitor the time between proposition, decision and first action, and then estimate the financial impact of this elapsed time.



**Simon Townshend**

# Coaching your Black Belts ~ Why it is essential

Most leading businesses recognise that a specific approach is needed to create and sustain a step change in performance, especially where fact-based analysis and professional change management skills are demanded. Many of these companies have adopted the Six Sigma approach and have chosen to train and appoint Black Belts to lead their key improvement activities.

As the title suggests, based on its martial arts origin, Black Belts are normally selected from a pool of 'high potentials' that exhibit strong leadership, good interpersonal skills and have an analytical and pragmatic approach to business issues. They are usually provided with several weeks of classroom training in the tools and techniques that they will use to support the improvement processes, before being assigned to their first project. Black Belts are normally assigned to projects that are of critical importance to the business and its bottom line results, and where a significant change or breakthrough in performance is required.

As Black Belts mature through experience gained from the projects they execute, they may well reach the status of 'Master' Black Belt, and be called on to act as a mentor to more junior Black Belts. Before Master Black Belts are available the mentoring must come from outside the organisation, in order to provide the competence and experience required to 'kick-start' the process. This is an area of specific expertise within PSM, which has enabled us to support new Black Belts in a range of blue chip businesses, covering a very diverse portfolio of projects. Our experience in the preparation, launch and execution of improvement programmes has helped to reduce the 'time to results' and add significant value to our clients. Examples of our areas of support are as follows

## Preparation of a project

'Fledgling Black Belts' are often unaware of the pitfalls that can hinder a project even before it starts;

- poor communication of the business priorities
- lack of management commitment
- no defined project sponsor/owner
- a vague scope and objectives for the project (poor project charter)
- poor commitment of resources (based on poor priority setting)
- unclear reporting structures

These issues need to be resolved quickly to avoid wasted effort and frustration in project execution. An experienced mentor can guide a Black Belt through the process of making sure the ground rules are clear before the project starts, and thereby help to equip them for their next assignment and future roles.

## Project Launch

An effective project launch is crucial to ensure the right message is delivered to the project team and to the wider organisation, in order to maximise the sense of urgency and commitment to the project goals.

Despite their capability and skill set, junior Black Belts often do not feel able to challenge management in their execution of this critical role in the launch of the change process. An external mentor, however, can provide the objectivity to ensure that the project sponsor really understands and fulfils his/her role.

## Project Execution

Black Belts can spend hours being taught the tools and techniques they may require, but the real value of an experienced Black Belt is knowing which tool to pull out of the bag when, and why.

This is a critical issue for new Black Belts as their credibility is often based on a perceived ability to use clever tools to simplify complex problems. If they lose confidence at an early stage their credibility can be unfairly questioned. By offering support through the early stages of a project execution, the mentor can provide essential guidance, reassurance and support. The call for support to a Black belt generally decreases when their experience of project execution builds beyond 2 or 3 significant projects.

## Communicating findings within a project

One of the more surprising competences that many Black Belts have to develop is the art of knowing how to communicate a complex situation in a simple and methodical way.

Many competent project leaders find it difficult to present their team findings in a way that is easy to understand and which stimulates enthusiasm for further action to achieve the required results.

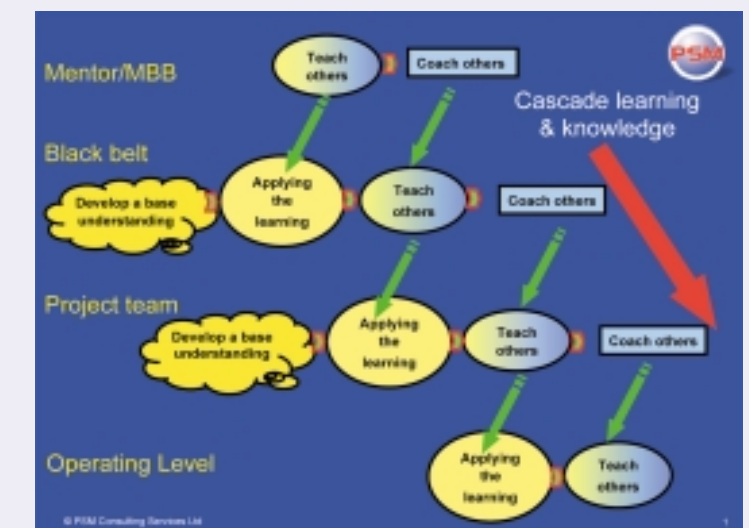


Figure 1

As shown simply in Figure 1, there should be an ongoing cascade of learning and knowledge, stimulated by the Black Belt and then transferred to the rest of the organisation.

The mentor role is essential in challenging the logic behind the thinking and findings of the team, and consequently what they communicate to the organisation. This experience not only helps the Black Belt grow in maturity but also helps the team to develop their skills for further deployment on other projects.

## ... and finally

Creating change depends on addressing the emotional issues, as well as providing the right logic. This can be stressful for Black Belts, who often find they need a personal confidante to support them - someone to whom they can turn to share the dilemmas they will face.

With the right support Black Belts can avoid many pitfalls and build the confidence and practical experience required to stand on their own, and to add real value to the organisation by initiating and maintaining the cycle of learning and knowledge transfer.



**Ian Curling**