

S, G & A+

A roundtable discussion among senior operations management executives on the topic of process optimization applied to non-manufacturing expenses

During the current recession and soft recovery many businesses have experienced declining sales volumes. As a result, they have been looking beyond pursuing traditional operational efficiencies for other ways to reduce costs. Many have considered, or are already in the midst of, cutting or resizing S, G & A to reset their cost structures based on the “new normal” sales levels. S, G & A includes the sales costs that fuel the pipeline, and many fixed costs which are not product-specific but necessary to support the overall structure of the business (e.g., the C-suite, accounting, legal, marketing, technology, risk management, benefits, payroll, audit fees, research, engineering, etc.). Mindful of this trend and USCCG’s 40+ years experience in process optimization, Metrics sat down with some of the leadership of the firm to gain their perspective on evaluating this area of a business. Participants included USCCG co-presidents George Coffey and Jim Ostrosky, VP finance and administration, Tom Klebeck, senior regional managers David Shouldice and Jerry Moody, senior operations manager Joe Politoske, and Six Sigma Master Blackbelt Frank Esposito. Surprisingly, to a man, it was not all about cost reduction but a whole lot more, hence the title of this issue’s lead article, “S, G & A+.”

Metrics: Does the content of S, G & A vary by industry or is it consistent across all industries?

Politoske: The components are the same, but the cost mix can vary depending on the industry. For example, retail or consumer goods manufacturing could have much higher advertising and marketing expenses than component manufacturers. But all the other categories are basically similar if not identical.

Shouldice: Depending on which organization we’re talking about, as opposed to which industry, different CFOs may interpret S, G & A differently. Sometimes it’s even driven by the sophistication of their ERP system or their ability, or lack there of, to allocate costs.

Klebeck: There is some degree of discretion and flexibility on the part of the accountants as to how they record things and it not only varies by industry, but even within a given industry. This is one of the frustrating things about

benchmarking. If two companies within the same industry record things differently, it can skew your benchmarking either from an operating standpoint or an S, G & A standpoint.

Shouldice: Another thing on S, G & A differing by industry has to do with a company involved in R&D and where they put that cost. There can be a fair amount of difference on the front end, especially if they’re in large research, developing the next generation of product, versus simply managing change orders. That can make a big difference as well, depending on the company.

Metrics: After so many years, why is S, G & A suddenly on everyone’s mind? Why is it receiving so much attention now?

Klebeck: When we talk about the shared functionality of managing a business and the costs that go with governance and meeting regulatory requirements and those things, it’s thought to be a big fixed cost. When

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your volume declines dramatically, as it has in many businesses, that fixed cost stays the same and, so, as a percentage of revenue, or on a per unit basis, it goes up dramatically to the point that it begs for attention. There should be greater flexibility and variability in the cost structure and that should be the target.

Shouldice: With the market going global, there's so much pressure on lead times, cost, and supply chain performance, that companies are looking at every opportunity to become more competitive in order to win market share and maintain low cost. But they have to look beyond the manufacturing floor for performance improvement. The supply chains are becoming much more complex.

Politoske: Within the manufacturing node of many companies, there was low-hanging fruit in the form of direct labor productivity that's already been harvested. The next generation of improvements focused on the support areas of manufacturing such as maintenance management. All the while there have been a lot of investments by large companies in new technology such as ERP systems that were advertised as productivity improvement drivers but haven't delivered the promised benefits. So now the challenge is going back and taking a look at these complex back-office operations and determining why the value hasn't been achieved and how to better align the functional aspects of running the business with people and software to close that gap.

Coffey: A lot of companies have gone through ERP implementations, did a lot of process mapping, and convinced

themselves they were doing process optimization. But, at the end of the day, they found out they really didn't change anything in those back office areas. We found that to be the case at one of our newer clients, a manufacturer of automated environmental controls. Lots and lots of high-level process maps, but not a lot of change at the point of execution. The other thing to remember is that it is difficult; some of these costs are fixed and job combinations can be problematical.

“The motivation to go after S, G & A should go beyond just expense reduction...”

The motivation to go after S, G & A should go beyond just expense reduction - for example, still wanting to provide quality service despite the inability to add staffing. So good customer service, mistake-free order entry, reducing order-to-cash, working capital, all of those things have to be part of the motivation, in addition to expense reduction.

Esposito: There is so much pressure on companies to improve their bottom lines and add value to their shareholders. Many feel they've exhausted opportunities within the tangible area, or manufacturing process, and are now looking for opportunities in other areas such as the transactional business processes. But companies struggle to identify opportunities in these particular areas. And, when they have targeted them, their efforts have often failed to deliver results either for lack of ability

or of the necessary tools, techniques and methods. And, sometimes, their efforts are not targeted to a specific area like finance or accounting, etc., but across the entire company without fully understanding the potential impact on the business. So there's a reason companies stay away from these areas. But now they're realizing that S, G & A touches every part of the business and, because they're running out of other options, it's starting to get more focus.

Metrics: Within any given enterprise, who owns the responsibility for S, G & A expenses and/or expense reduction?

Moody: That's part of the complexity of controlling S, G & A and reducing S, G & A expense. The responsibility is spread across the entire organization.

Politoske: I think, ultimately, the responsibility for S, G & A lies in the office of the chief executive.

Klebeck: Let's just expand that. It's the entire C-suite. So if you have a CIO, a CAO, and CFO, it's the C-suite that controls these expenses ultimately percolating up to the CEO.

Metrics: So how significant a line item is S, G & A expense in most corporate budgets? Or, how big of a savings opportunity is it?

Klebeck: It varies by industry, of course, but if you were to just pick a number, it wouldn't surprise me if it was 20% of revenue in a lot of the businesses we see, which is very meaningful.

Ostrosky: There's difficulty in benchmarking what's included in S, G & A from company to company. If you look at a financial statement vs. indirect cost

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and indirect spend, there's a significant difference between pure S, G & A and non-manufacturing spend. In either case it's very significant, but it's more so when you include things like engineering, R&D, and procurement in addition to pure S, G & A which has traditionally been defined as IT, human resources, sales, marketing, indirect procurement, corporate services, legal and real estate.

Shouldice: One of our clients recently put it in a very interesting way. They said they were going to look at what they called their "swim lanes," as defined by Oracle, which cut horizontally across the organization instead of by vertical silos such as accounts payable, accounts receivable, procurement, etc. They wanted to look at it in terms of order-to-cash or procurement-to-pay, the finances, because they cut across all the different vertical organizational structures. That way the focus is on improving performance which is very important in defining the opportunity.

Coffey: Clients should think carefully about the overall cost of inefficient processes. Process innovation and process optimization will result in cost reduction in a lot of cases and that might be enough of a short-term motivation, but errors in order entry, for example, create all kinds of customer service problems, issues in manufacturing and so forth, and these things haven't been looked at from that standpoint.

Shouldice: If you do the math, you'll find that S, G & A represents a significant percent of total revenue in most organizations, although it does vary by industry. Even at the low end of the range, say 8-10%, in a \$500 million

company that's \$40 - \$50 million. Save 15-40% of that and you're looking at a significant amount of cash.

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But if you're looking at it in terms of business process improvement or performance improvement, inventories, days of sale, customer lead times, it can be much greater than that because you're going to be adding to the top line as opposed to just focusing on the bottom line. So, there's considerable opportunity depending on whether you want to look at it vertically or horizontally.

Klebeck: Just as a reference point PPG, Masco, and Oracle are all 20% plus S, G & A as a percent of revenue. Of course, Oracle's going to be a little bit higher because of the nature of its business. But it is a big number.

Metrics: With that order of magnitude, why are S, G & A cost reductions seemingly so hard to come by?

Moody: I think it's because we're looking at process improvement and it does cross the verticals. It's also laid on top of a variety of enterprises brought about by mergers and acquisitions. One business might be using one system, a second

one a different system, and the identified business processes and the activities that result from that are different.

Klebeck: I think it's always perceived to be closer to an art than a science and perhaps more mystery than measurable. We've been able to decode that mystery and put actual process behind creative processes and the engineering environment.

Esposito: A major component of S, G & A optimization is eliminating processes that don't add value and streamlining those that do. I would argue that science can be applied to it and in fact many companies *are* applying science to it. Our Lean techniques, Six Sigma techniques, and importantly, our Design for Six Sigma methodologies all apply to front-end business processes. In addition to reducing defects, thus, reducing the time it takes to complete overall tasks, engineering an existing process to make it more efficient results in additional shareholder value as does (improving) customer satisfaction. Processes that cannot be eliminated may be candidates for re-engineering and our techniques are very effective in developing a new process or service from scratch to make it efficient by incorporating various technologies.

Politoske: One of the challenges we face is that organizational structures are vertical in nature. Individuals have responsibility for finance and accounting. One has planning and scheduling, another, customer service and fulfillment, etc. But order life cycle management is horizontal and runs through all of them. So, often, we'll find that a vice president or manager of a certain vertical silo doesn't really understand the

process of order life cycle management and continues to run their department in a way that's not in alignment with, or may even be counterproductive to, the order life cycle management process. One of the things we're looking to do at a current client is to structure the process flow so there's somebody responsible for the order life cycle and understanding where there may be redundancies or nonvalue-adding activities occurring. The business runs on order life cycle. It doesn't run on functional silos.

Moody: Speaking of functional silos, the tendency is to self-optimize your own little silo and when you do that you miss the larger opportunity.

Ostrosky: One other thought on why it's difficult: If you think of S, G & A and the departments we just talked about from a cost reduction perspective, they're not huge numbers of people and, typically, they're reporting to higher levels in the organization like director and VP level so it's very difficult whenever it comes time to do a process task analysis. At least that has been the case historically. It's personal, it's difficult. S, G & A has been a protected class. Now some of this is changing out of necessity in companies that need to reduce costs, but many have shied away from it because it is difficult.

Klebeck: We've shown that when we bring our disciplines to that analysis we ferret some of that out. At one automotive supplier every plant had a controller, a payroll person and perhaps even an accounts payable person. So simple centralization of all those functions, and removal of duplication of effort, not only got rid of cost but shortened the entire cycle time.

Metrics: How would a company even know if its S, G & A expenses were out of line?

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Esposito: Measuring internal strengths and weaknesses, and comparing them against best-in-class performance of peer companies can help executives identify and mitigate gaps that could hinder S, G & A performance while simultaneously incurring unnecessary costs. Benchmarking - both at the overall level and at the functional level - provides perspective. “Where are we strong and where are we weak? What gaps do we need to close and how quickly? What are our competitors spending? Are we looking in the right places for cost-cutting opportunities? Is there room to cut more?” Benchmarking also helps companies prioritize short- and long-term initiatives, as well as define next steps in a practical plan.

Politoske: All companies are going to want to benchmark themselves against somebody. But, because of the way any two businesses within the same industry may classify different components of S, G & A, they may not be relevant at the component level. In order to understand engineering costs or procurement

costs, or those of different discrete areas, you need a third party to come in and do a zero-based assessment to find out how well those operations function and where the opportunities lie within their unique businesses.

Klebeck: If two firms account for things differently, you're going to have some skewing, although, it's going to fall somewhere else. If I record something as an operating cost as opposed to S, G & A, my S, G & A is low, but then my operating cost should theoretically be high. Benchmarking is absolutely paramount. We've had great success with our clients by looking at all costs, seeing how those costs break out by area, and cross-analyzing them - not just by department but by the natural classification of expenses, all the monies being spent. If a company spends \$400 million in S, G & A, then you really want to know the entire breakdown of that \$400 million.

Metrics: Are there best-in-class standards for benchmarking and/or effectively managing S, G & A expenses? Is there a rule of thumb that should be followed?

Klebeck: I'd say no. You need to do benchmarking. You want to look at your competitors. You want to have lower S, G & A costs than they do. But the reality is you have to do a full analysis of your whole house and make sure you're minimizing them (S, G & A costs), and taking a zero-based approach to ensure that all of that is right. Don't follow the herd. If the herd is saying benchmarking is the key, what we're saying is benchmarking is but one approach. Understanding the fallacy of benchmarking is key to accepting the

fact that you have to have the discipline to do a full analysis of the costs and the functions that underly those costs to get to the root cause of overspending.

Politoske: And there are plenty of subtleties to be considered. One of our clients moved a lot of plant support functions to Manila and other low-cost areas in an effort to centralize them. They have a campus of 450 people in Manila that provides support to their North American and global operations. So, if you look at it on a head count basis, it may be the same, but if you look at it on a cost basis it may be dramatically different than a competitor that's located solely in North America.

Metrics: What would typically be considered "low hanging fruit" in an S, G & A - based engagement?

Moody: One element of low hanging fruit would involve establishing a baseline for a process and then looking at a perfect order going through the system to determine when and where mistakes might occur that could get that order off track. Those mistakes, those deviations from a perfect order stream, become low hanging fruit.

Esposito: Controllable expenses – company-wide non-production expenses such as advertising and temporary staffing - although not directly affiliated with S, G & A restructuring, present a significant opportunity for reducing costs and improving efficiencies. Controllable expense cost reductions are often relatively easy to implement. You need to understand the baselines across the entire organization, allow no "sacred cows," and objectively review expense items compared with external and

internal benchmarks. Next, review standing policies and procedures to identify cost reduction opportunities and identify specific owners for cost-reduction targets. Finally, push for immediate quick hits to kick-start savings and generate some momentum. Controllable expenses is an area worth looking into.

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Klebeck: When USCCG applies the disciplines that have been used effectively in short process environments to this mysterious area of S,G & A, we find all the same things we tend to find in a process, which is duplication of effort, hand-offs, waste, all those things. So it's a matter of going through the analytical process. That's one thing. The second thing comes with constantly scrutinizing contracts and expenses to do effective bidding and managing to the lowest cost. I go back to the automotive supplier that said they had to have a payroll person, but they didn't have to have that specific payroll person, they had to have a payroll process. So once we evaluated the process using our disciplines, we showed them that there were hand-offs, duplication of effort, and all those things you find in pure processes.

Shouldice: There's also opportunity in looking at core versus non-core processes – those that are not part of your strategic capability to deliver the product but that you still have on your payroll. We did this at one of our clients, an explosives manufacturer, and low hanging fruit suddenly became much more obvious because they decided what was non-core to their business. For example, they decided to get out of crane maintenance, and in some instances, out of maintenance entirely, also, out of certain back-office activities. We did some of that at a steel-maker as well and got them to focus on what they really needed to do to drive their business including jettisoning some things that weren't worth trying to fix. That's low hanging fruit.

Politoske: If you take back-office processes, anything that's a manual, transactional activity is the first thing you want to look at because the investment in ERP systems should have taken most of that out. However, you'll find that, even with newly implemented ERP systems, people continue to do their business processes the way they used to even when the system is actually doing it for them, but they ignore that fact. That's really the first thing. You've got to reduce or eliminate the manual, transactional activities and focus more on the value-adding activities.

Klebeck: As we've seen in numerous engagements, technology can be an area of gross overspend and mismanagement. The number of systems and systems projects that are underway on any given day is always eye-opening especially when you summarize them in a report back to management.

Shouldice: One of our automotive

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clients had 57 different software systems being supported by their IT group. Each one required training, education and knowledge because as people got promoted, they went away. It's amazing how many systems are out there being supported that the C-suite is completely unaware of.

Metrics: What kinds of results are we typically able to deliver in the area of S, G & A expense reduction?

Politoske: The initial outline we developed for our proposals is 15% improvement. Now that we're deep into it with the process modeling and value stream mapping and so on, the numbers are much closer to 40%.

Moody: There are other intangible benefits that aren't necessarily measured by dollars, things such as reduction in cycle times, reduction in errors. Those measures tend to improve dramatically once business processes are improved.

Klebeck: One of our clients was concerned over the length of time it took to close their books, enter and report financial results. We're big proponents of timely visibility to indicators whether they are performance indicators or profitability as a trailing indicator. Any time you can shorten that cycle while removing expense, the entire area's better for it.

Shouldice: I want to go back to the front end of the process. We are frequently engaged when the cycle time from when somebody says I have an idea to improve this product, until those changes are made, is too long. It had to go through sales, marketing,

design, and prototyping. In some cases, outside sourcing was involved. Being able to reduce the cycle time to bring new or redesigned technology through to manufacturing can be a huge competitive advantage, whether you're a price leader or not. It can be a huge advantage.

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Metrics: How does S, G & A expense reduction relate to spend management and/or strategic sourcing? Aren't they the same?

Moody: I wouldn't necessarily call them the same thing. Under S, G & A, or business process improvement, the same spend management rigor and methodology can be applied to identify the opportunities, but I wouldn't call them the same thing.

Klebeck: When you do a detailed analysis of the entire bucket of S, G & A costs, you end up with the different segregations of what we call the natural classification of expenses. There's a large portion of those that are outsourced services or purchases of product. Those costs need to be scrutinized for pure necessity and, if deemed necessary, need to be subjected to the same ongoing evaluation to ensure that you're

getting the lowest cost provider through a strategic sourcing exercise.

Metrics: Where does R&D fit into S, G & A expense reduction? Is it just a component or is it a category unto itself?

Klebeck: Let me answer from an accounting perspective. Different companies treat it in different ways and in certain industries you will segregate R&D that you're recording. In other industries, it's embedded within S, G & A.

Moody: You have to remember that R&D is the life blood of many businesses. Any time we can help improve that process and reduce the cycle time, the implication would be that we're helping them develop more new products faster and driving revenue at a more rapid pace.

Esposito: At one company with a large focus on R&D, we used the Design for Six Sigma methodology to streamline their new product development process. The belief was that the front end created too much waste downstream. If we could help them integrate quality into the initial design, they could avoid many of the downstream problems that a lot of companies face today. So the idea was to create a robust new product development process by which to favorably impact costs along many parts of the business. We utilized the Design for Six Sigma methodology, introducing the applicable tools and best practices where needed. Again, we applied our new product development methodology to help them streamline what is really a complex methodology. It was just a matter of helping them put it together in a structured way with appropriate

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checks and balances along the way. Although the savings is difficult to quantify in the short-term, many executives realize the benefit in the long-term using traditional financial measures of net present value and internal rate of return.

Metrics: Some organizations treat S, G & A as a large fixed cost. Should they consider resetting their cost structures after experiencing volume declines in the current down economic cycle?

Politoske: Many companies have already done that. As the recession of 2008 took hold, they reduced their S, G & A by 15 to 20% or more. Their methodology was to reduce the people without making any changes to their processes. Then, they just redistributed those activities across the remaining people to achieve the transactional line reduction.

Moody: Which, in turn, creates another challenge. Now as they try to improve processes, they have fewer people to work on process improvement.

Shouldice: One of our client's senior executives stated it very well when he said improved S, G & A performance was going to be measured by the ability to link it to volumes. As volume changes, either increasing or decreasing, business structure and organization needs to be able to change with it. He went on to say that it is not about reducing heads. It's about improving performance through processes. That means if we can free up capacity we'll do that and then decide what to do with that capacity. If you believe in that philosophy, it's obvious you're not going to view S, G & A as a fixed cost.

Klebeck: I'd agree with you, but I think a lot of the companies don't and I'll cite Goodyear as an example. From 2008 to 2009 Goodyear's revenue declined by \$3.2 billion. They reduced their S, G & A costs by \$200 million. So there's not the variability or flexibility in those structures that should be in place and there's not an immediate, or I should say timely, reaction to declining volumes.

“As volume changes, either increasing or decreasing, business structure and organization needs to be able to change with it.”

Metrics: When is it most appropriate to reset your cost structure, before or after traditional improvement initiatives deliver targeted gains?

Klebeck: If, by traditional initiatives, you're referring to operational initiatives, I think it should be done in conjunction. I think S, G & A requires the same scrutiny that operations does.

Shouldice: They should be done in parallel.

Moody: I think they go hand-in-hand.

Metrics: If they go hand-in-hand and run parallel, do we not risk dilution of focus or effort?

Shouldice: That's the traditional thinking when you look at yourself as a series

of silos organized by functional domain. But, if you're going to look at your organization in the light of order life cycle management, then you have to do it in parallel, because you have to be able to see how the order flows across the organization, not just relative to manufacturing because that may not be the bottleneck. So you should be doing it in parallel. If it's a strain on the organization, then it's a matter of managing priorities by using the methodology of project planning to make sure it's not.

Mission Accomplished

Battle-tested APM supports military operations in Iraq and Afghanistan



Late last year USCCG Operations Manager Margaret Wilson was recalled to active duty where she served as part of the Forward Support Company of an assault helicopter battalion. It

consisted of three flight companies comprised of ten UH-60 Black Hawk helicopters each that provide equipment and personnel airlift capabilities for most of southern Iraq as part of Operation Iraqi Freedom. Her specific role in the platoon was that of technical inspector. Just back from her tour of duty, she shares her observations of asset performance management on the battlefield.

The stockholders have spoken; they want a 50% reduction. The CEO, CFO, department heads, everyone, agrees, you must do more with less. You are challenged to make sure service levels stay as high, if not higher, ensure that safety is not compromised, satisfy customers' ever-increasing demands even faster and more efficiently than ever before - all in the face of budget reductions. Did I forget to mention the sister company is expanding and expects your company to hand over the best equipment and brightest minds to ensure their success?

While this may sound like the worst case scenario, it is what my unit experienced when we deployed to Iraq last winter. We entered Operation Iraqi Freedom knowing that the support network in place when we got there would be gone before we left, yet expectations for

success would be even higher. Our mission was three-fold: 1) continue to improve the security of Iraq; 2) execute responsible drawdown which meant reducing inventories by 75% even while taking over the mission of our higher headquarters and operations of a brigade with a battalion's worth of equipment; and 3) move as much of our material and equipment as possible to support Operation Enduring Freedom in Afghanistan.



Success entailed brilliant and not so brilliant, yet aggressive, implementation of the tenets of supply chain management and reliability-centered maintenance management. For this article I want to focus on one avenue of success: Improving the effective capacity of capital equipment while reducing inventory by 75% and labor effort by 20%.

The tenets of asset performance management and the lessons I've learned over twenty years in the private sector served us well and helped ensure a very smooth transition. Managing the sort of reduction in forces and equipment we experi-

enced for 3-4 months would have been hard, but possible with just brute force. However, our replacement unit would likely be left trying to recover from a "scorched earth" management philosophy. We left Iraq proud of how well we left the situation for them.

Our 75% reduction in spares inventory followed a three-step process: 1) identify what equipment we had and what it was being used for; 2) determine the last time the spare was required and likelihood of future use; and, 3) where was the part available (how far away) compared to the replacement time. We also had to improve our internal processes for procuring parts. We found that our normal cycle time from when a breakdown occurred to when our internal parts team completed the parts ordering process averaged between two and five days. We also analyzed receipt time i.e., when the part arrived at our Forward Operating Base until it was in a mechanic's hands to start replacement, almost two additional days.

Analyzing our inventory, improving our procurement process, working with local supply support, and improving the reliability of our capital assets, allowed us to achieve a 95% reduction in spares inventory. However, our overall spend on spares (not including savings achieved by reducing carrying cost) was reduced only 25%. Obviously eliminating spares does not change what parts will fail and need to be

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replaced. It is important to note, had we not also reviewed and improved our equipment reliability, we would not have been able to responsibly reduce inventory, achieve the reduction in inventory long-term, or maintain operational readiness. The two efforts had to be implemented simultaneously.

An additional improvement we made was in the maintenance clerical position. We entered the process thinking our maintenance clerical soldiers would have to work extra hours and shoulder more of the burden than ever before. The actual outcome was that, after an initial effort to develop and experiment with process improvements, we were able to redirect two-thirds of the personnel to other missions. Once we removed much of the lag time and intermediary approval processes, they were able to increase service levels beyond our expectations. Average time for the total procurement cycle for a non-inventoried critical spare went from three days to four hours!

Improving our reliability was a more complex process yet, for survival, the most important. Some background: For the most part our equipment was stand alone. Meaning its “production” did not rely on a piece of upstream or downstream equipment. For example, if a fuel tanker breaks down, the helicopter currently flying a mission is not affected. If a generator that is powering the maintenance shop fails, the truck hauling troops is not impacted. However, I am sure you can understand the interconnectivity of each piece of equipment to the overall system. Another challenge

we faced was the requirement to relinquish all redundant and non-essential equipment to the Army Supply System for reassignment. Mission requirements dictated that this equipment be “mission ready.” In other words, we could not send broken equipment. And finally, our labor force was effectively being reduced. Soldiers, who are mechanics, are soldiers first and with the drawdown of forces, we needed more soldiers. In this environment, improved reliability was not an option; it was the only path to success.

Fortunately, The Army Maintenance Management System has many of the attributes of a good asset performance system so revisiting the disciplines such as operator-level maintenance, adherence to service schedules, pre- and post-repair inspection processes, after action reviews, and teamwork gave us initial success that provided us time to implement some of the more complex processes.

One change which significantly improved performance, yet is traditionally difficult to gain initial buy-in, is the concept of only using the amount or size of equipment needed. For example, it is not uncommon for a leader to think, “If I have two fuel tankers, I’ll use both all the time, even if the total usage is less than 50% each. Having both on-line at the same time decreases the probability of failure, right?” Wrong! It does not. In fact, operating equipment at such a low capacity may in fact wear out parts prematurely or even cause failure sooner. It also increases the requirement for service time and parts. Fuel tankers and

generators were two types of equipment that caused our maintenance team a lot of headaches until we reorganized and right-sized the process.

Auspiciously, I did not have to go into an in-depth discussion of RCM II. Instead, the Army helped me by taking away much of our redundancy. Instead, I was able to confidently explain to leadership that, despite the reduction in equipment, with a few changes in how we operated, the mission could still continue.

Over the course of our deployment we never failed to accomplish our mission. But as you can tell from the above, a portion of our success was a result of RCM II brilliance, not just elbow grease and sweat. However, the maintenance team was seldom complimented or congratulated. That was because our operations group was setting records for *their* successful missions. We were glad to be the “wind beneath their wings.”

In the process we did not invent a single new idea. We just aggressively and consistently implemented processes that have been successful for a lot of organizations over time. With the right project management, your organization may be positioned to achieve similar results under far less trying conditions.



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