



What Really Works

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Research Backdrop

- Conducted by : Nohria, Joyce and Roberson
- Published in: Harvard Business Review
- Research Parameters:
 - 160 Companies (\$100 Million - \$6 Billion)
 - 200 Management Practices
 - 50 Academics and Consultants
 - Five-Year Study
 - 60,000 Documents





Study Goals:

- Define the management practices that are imperative for **Sustained Superior Financial** performance.
- Identify “**Must Have**” Management practices that truly produce Superior Results

Findings

- What does matter, in sustained profitable growth, is having a **strong grasp of the business basics.**
- **Excellence** in the following:

- **Strategy**
- **Execution**
- **Culture**
- **Structure**





And...

- Supplemented by **Mastery** of **two** of the following:
 - **Talent**
 - **Innovation**
 - **Leadership**
 - **Mergers and Partnership**



Winning Formula 4+2



- Primary Management Practices (4)
 - Strategy
 - Execution
 - Culture
 - Structure
- Secondary Management Practices (2 of 4)
 - Talent
 - Innovation
 - Leadership
 - Synergy (M&P)



Primary Management Practices



Strategy



- *Must be sharply defined, clearly communicated and easily understood*
 - Built around a clear customer value
 - Based on the “outside” not gut feeling
 - Continually revised and fine-tuned
 - Clearly communicated to Employees, Customers ...
 - Keep focused on your Core Business



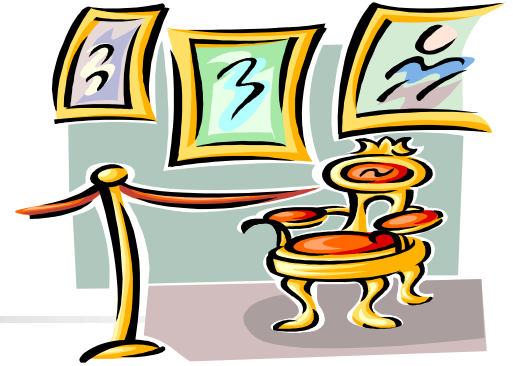
Execution

- *Develop and maintain flawless operational execution*
 - Never disappoint your customers
 - Deliver products and services that consistently meet customer's expectations
 - Put decision making process on the Frontline
 - Constantly strive to eliminate all forms of excess and waste
 - Improve productivity at a rate twice the industry average





Culture



- ***Holding high expectations about performance matters most***
 - Inspire all managers & employees to do their best
 - Empower employees and managers to make independent decisions (including performance improvements)
 - Reward achievement with pay based on performance, but continue raising the bar
 - Pay psychological rewards, in addition to financials
 - Create a challenging, satisfying work environment
 - Establish and abide by clear company values



Structure



- ***What really counts is whether structure reduces bureaucracy and simplifies work***
 - Simplify - Make your organization easy to work in and work with
 - Promote cooperation and the exchange of information across the whole organization
 - Put your best people close to the action
 - Establish systems for the seamless sharing of knowledge



Secondary Management Practices



Talent



- ***Winners hold on to talented employees and develop more***
 - Fill mid- and high-level jobs with outstanding internal talent whenever possible
 - Create and maintain top-of-the-line training and development programs
 - Design jobs that will intrigue and challenge your best performers
 - Keep senior management actively involved in the selection and development of people



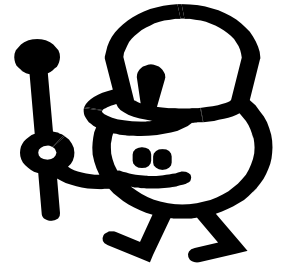
Innovation



- *Proactively produce new products and services*
 - Relentlessly pursue disruptive technologies to develop innovative new products and services
 - Don't hesitate to cannibalize existing products
 - Apply new technologies to enhance all operating processes



Leadership

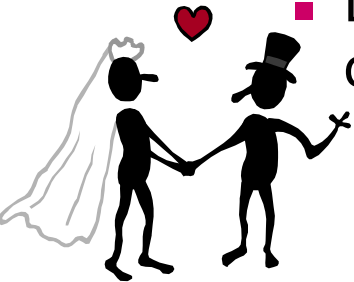


- *Great CEOs and Presidents can raise performance significantly*
 - Closely link the leadership team's pay to its performance
 - Encourage management to strengthen its connection with people at all levels
 - Inspire management to hone its capacity to spot opportunities and problems early



Mergers & Partnerships

- *Companies that can master mergers and acquisitions win*
 - Enter into new business that leverage existing customer relationships and complement core strengths
 - When partnering, move into new businesses that make the best use of both partner's talents
 - Develop a system for identifying, screening, and closing deals





As A Summary ...

Excel In The Following:

- **Strategy:** Device and maintain clearly stated, focused strategy
- **Execution:** Develop and maintain flawless operational execution
- **Culture:** Develop and maintain a performance based culture
- **Structure:** Build and Maintain a fast, flexible, flat organization



And Embrace Two Of The Following:

- **Talent:** Hold on to talented employees and find more
- **Innovation:** Make industry-transforming innovations
- **Leadership:** Find leaders who are committed to the business and its people
- **Mergers and Partnership:** Seek growth through mergers and partnerships



*All This Is Nice But,
Where Do We Start?*





Start By Following These Steps:

- Step 1: Get your Thoughts organized
- Step 2: Get your Team organized
- Step 3: Get your Company organized
- Step 4: Train your Employees
- Step 5: Execute with Focus and Open minded Goals



Step 1: Get Your Thoughts Organized

- Review and understand your Company's present Financial position
- Establish a Performance Baseline (Metrics)
- Define 4-5 Corporate Goals for next year



Review The Financials

- Review the last three years' P&L
 - Look at every line item
 - Material Expense
 - Sales Expense
 - G&A.....
 - Understand the variances
 - New “installed systems” growth
 - Why Material cost went from 39% to 41%?
 - Sales Salaries jumped from 3% to 5%!!!!



Establish Performance Metrics

- As a minimum you should have a full grasp of the following Metrics:
 - Revenue/FTE
 - Revenue/Installer
 - Revenue/Service Tech
 - Sales Expense as a % of Revenue
 - Material Expense as a % of Revenue
 - G&A Expense as a % of Revenue



Define Company Goals

- Goal 1: **Revenue:** RMR, Installation
- Goal 2: **Profit:** 10% EBITA
- Goal 3: **Cash Flow:** (Interest Expense)
- Goal 4: New Accounts
- Goal 5: Vertical Market



Step 2: Get Your Team Organized

- Your Management Team and your Employees are the ones who will deliver your business plan, not you
- Get them involved, empowered and responsive
- How?
 - By starting with an Organization Chart
 - And a MIP Program



Organization Charts: Why They Are Critical To Your Organization?

- Communicate, Understand and Empower
 - Communicate:
 - Foster communication between employees
 - Turn individuals into TEAMS
 - Get everyone pointed in the same direction
 - Understand:
 - Complex structures & relationships *Fast*
 - Visual information is easier to absorb and navigate
 - Empower:
 - Is a good starting point to explain your vision and how it's being attained
 - Communicate your organization leadership
 - Defines responsibilities, dependencies and relationships



Organization Charts Will Help You

- Organize, Visualize and Strategize
 - Organize:
 - Defines responsibilities, titles and lines of authorities
 - Let everyone know how to work together as a team
 - Visualize:
 - Helps you understand your business better
 - Spots trends fast
 - Manages change easier
 - Strategize:
 - Your strategic objectives drive the Organization Chart. Org Charts drives headcount, salary and other major financial components



MIP: Managing Individual Performance

- Continuous success of any organization depends on the ability to:
 - Reach a high level of employee satisfaction
 - Achieve outstanding customer value
 - Maintain profits and control costs while growing
- MIP Objectives:
 - To improve manager's effectiveness
 - To consistently apply learned skills in everyday activities
 - To improve business results through motivated and empowered employees
- Motivated and satisfied Employees will provide value to customers and guarantee profitable growth



MIP Benefits

- “MIP” provides Managers with required skills to achieve the greatest potential from their Employees:
 - Setting well defined goals and performance expectations
 - Providing on-going performance feedback and taking corrective action when needed
 - Conducting fair and timely appraisals
 - Recognizing positive accomplishments and guidance for on-going development



Step 3: Get Your Company Organized

- Adopt a Standard Operations Manual
- Invest in a good Accounting System and/or an ERP



Adopt A Standard Operations Manual

- What is an Operations Manual?
 - A Road Map for the company to follow
 - A Playbook for employees to play (perform)
 - A Scorecard to keep the score and measure progress
- How to implement an Operations Manual?
 - Understand where you are now
 - Identify your “Weak Areas”
 - Pick the Program Team
 - Implement in stages of the “Project Flow Cycle”



Invest In A Good Accounting System Or An ERP

- What is a “Good” Accounting System:
 - Job Costing Module
 - Service and Support Module
- ERP:
 - Enterprise Resources Planning
 - Takes your operations manual to next level: Paperless
 - Billing, Inventories, Sales Automation, Estimating, Project Management, Servicing ...
 - All functions in one application (Accounting, Sales, Operations, Service,...)



Step 4: Train Your Employees

- Training your employees is the most effective way to increase your competitive edge and profit
- How much should you spend on training?
 - New Hires: 4- 6 weeks/year
 - On Going: 2 weeks/year
 - Budget 2%-3% of payroll cost for employees training
- Project Management training offers the quickest ROI



Step 5: Execute

- Develop a Long and Short Term Plans
- Long Term: 12 Months
 - Goal: To meet your Business Plan Objectives
 - Improve the estimating process, Project Management practices
- Short Term: 3 Months
 - Goal: Take immediate steps to fix a profit draining or a critical problem
 - Slippage on installed projects >\$50K
 - Specific problem with a customer