A C K E R M A N
WAREHOUSING FORUM
The industry publication dedicated to helping warehouse managers and their bosses improve productivity and manage more profitably with tips, comments and articles written by practicing professionals.

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Execution

Editor's Note: Sources for this article included Execution Revolution *a 2008 book by Gary Harpst, and* Execution *by Larry Bossidy and Ram Charan, published in 2002. Also considered were the ideas suggested by our workshop partner, Art Van Bodegraven, and, even an English poet and playwright, William Shakespeare. KBA*

...Vision without execution is a hallucination...

Thomas A. Edison

Execution is a neglected topic. Emphasized in the traditional definitions of management are planning, measuring and controlling. Almost everything under the sun, except execution, is described in the official definition of supply chain management published by the Council of Supply Chain Management Professionals. Is this because the 21st-century senior executive expects to hire a professional executioner? Surely the job of the successful chief executive officer must include more than planning and communicating. Renowned football coach Lou Holtz said it best: "When everything is said and done, a lot more is said than done."

There may be good reason why the topic is neglected and at least managers are thinking about this. In a 2007 survey by The Conference Board, nearly 800 chief executives from 40 countries rated their greatest concerns. Mentioned most frequently was excellence of execution.

Definition and Scope

What do we mean by execution? How broadly is the concept applied in the typical company?

Execution is defined as the process of getting things done. It is one of the least addressed issues in the literature of management and leadership. It involves every aspect of warehouse management, from the behavior of line supervisors to the management style of the chief executive. As with most leadership issues, the example for execution is set by top management. When the chief executive fails to execute, the pattern is likely to be exhibited down the line.

Communication is a closely related and necessary talent, because failure to execute frequently results from failure to understand poorly expressed instructions.

In the words of the Irish playwright George Bernard Shaw, "The biggest problem with communication is the illusion that it has taken place."

Essential Behaviors

There is a difference between execution and micromanagement. Leaders who are successful at execution exhibit the following essential behaviors:

- They know themselves, and they are aware of their strengths and weaknesses.
- They know their people.
- They are realistic in setting goals that are both ambitious and attainable.
- They believe in expanding the capabilities of their direct reports.
- They recognize and reward good workers.
- They set the example for "follow-through."

Self-assessment is a critical first step for team building. If financial analysis is not one of your strong points, it is essential that you identify and retain a skilled financial analyst. If your writing skills are weak, add a writer to your team. Knowing your skills is important, but it is critical to also recognize your weaknesses in order to balance them with the strengths of others.

Because building a team is an inexact science, you also need to assess strengths and weaknesses of each of the people who report to you. The biggest management mistakes, and, unfortunately, the most common, involve the selection of your team. While such mistakes are inevitable, the ability to correct them is essential for effective leadership and execution.

Legendary football coach Vince Lombardi stressed the concept of "second effort," the ability of an athlete to accomplish that which appears to be impossible. In business, second effort is described as "stretch goals," or the ability to move beyond a comfort zone and reach for the seemingly unattainable. There is, however, a difference between establishing stretch goals and working toward unrealistic objectives. When people recognize that they are being asked to accomplish the impossible, they often quit trying. In the warehouse, for example, it is unlikely that a goal of increasing shipping volume while maintaining zero errors will be reached. The frustration for failure to reach that goal will drain energy from your team.

Follow-through is achieved through leadership by example. By setting an example as a person who gets things done, those reporting to you will recognize that learning from you will enhance their success.

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Creating The Framework For Execution

You should start the process of effective execution by identifying and challenging old, destructive beliefs, such as the following:

- We are in a commodity business.
- Profits always follow revenues.
- Our ability to grow is limited.
- Control is key.
- My peer is my competitor.
- We know more than our clients.

Commodities have one significant thing in common: Buyers believe that price is the only difference. Many managers in the logistics service industries overemphasize pricing, based on a belief that they are selling a commodity. The best companies in most industries are those that develop and deliver "special magic," a unique service or product that cannot be duplicated by the competition. Special magic is as much a mind-set as it is a reality. When you believe that your warehousing team can create magical results for your customers, it is possible for the magic to become reality. More important, the customer will believe in the magic. Even when we know that a magician is playing tricks, we admire the act.

Raising revenue never guarantees that profits will be enhanced. Bigger is not always better. Fortunately, the lean movement in both manufacturing and logistics will expose opportunities to raise profit by cutting fat, rather than by growing larger.

Several decades ago, nearly every company in the warehouse service business operated in a single metropolitan area. Conventional wisdom was that quality would be compromised by placing the branch warehouses at a distance from company headquarters. Today, national service providers are common, and international service firms operate on nearly every continent.

Every healthy business is also a growth business. The ambition and imagination of leadership are the only limiting factors in your company's ability to grow. Growth involves quality, as well as quantity. If your organization cannot be the largest in its field, is there any reason why it cannot be the best? Growth should involve stretch goals, and the sky should be the limit.

Control is vital, but overemphasizing it can be destructive. Results are what count, and creative people frequently break the rules to get results. Discipline may be important, but the promotion of creativity on your team is even more important.

Effective leaders tolerate, and even promote, competition among their direct reports, while understanding that uncontrolled conflict eventually will destroy teamwork. Doris Kearns Goodwin noted in her book, *A Team of Rivals* that Abe Lincoln recruited a cabinet of individuals who frequently were in disagreement with him and with one another. Because the rivalry was controlled, the results were effective. During the crisis of a civil war, the rivals came together when necessary.

Arrogance will impede execution. Good listeners are more valuable than good talkers, and the ability to understand and react to client needs will result in improved execution. Warehousing is full of routine, making it easy for the service provider to tune out the old customer who has a well-established procedure. As a result, when slippage occurs, the customer notices, but not the provider. The unhappy result is that because the provider was not listening, the old customer becomes an ex-customer.

Understanding the Execution System

If your effort to execute fails, these are the most common reasons:

- Necessary resources are not available.
- The situation has changed, and the change was not fully recognized.
- The requirements have not been defined or understood properly.
- The requirements are clear, but the estimated completion date is not correct.
- The outcome depended upon something that was not delivered on time.

A certain amount of failure is accepted by every decisive leader, but the best leaders learn from each failure and then perform better as a result. This certainly is true with execution.

An execution system should include the following elements: Mechanization of the method, time management, activity alignment, a regular review cycle, and measurement of the results.

The methodology should be recorded. If you have five warehouses in your system, and the shipping accuracy rate of one consistently is higher than that of the other four, it is critical to identify and describe or detail precisely how the shipping task is performed by the successful warehouse. Careful documentation of successful practices will help raise the quality of all performance.

Time management starts at the top. Unless time is managed, nothing else can be. Peter Drucker observed that "effective executives know where the time goes." If time management is not built into your organization, execution is unlikely to be improved. Business guru Stephen Covey said, "The key is not to prioritize what's on your schedule, but to schedule your priorities."

How is the time of each team member best used? Are some people doing things right, but not doing the right things? Effective execution is enhanced by drawing back periodically to review whether or not everybody on the team has the right priorities. Re-examining priorities should be part of every performance review.

In this article, we have outlined the essential behaviors, and then we described the framework for execution. To be successful at execution, we must understand the elements of a successful execution system, as well as the reasons for failure. To some extent, the term defies definition; yet, most of us recognize effective execution when we see it.

KEN'S COMMENTS

An Open Letter To The President Elect

Dear Senator Obama:

We recognize how important it is for your administration to make rapid progress. The five initiatives outlined here should be nonpartisan. All of them influence those of us who are engaged in the business of logistics and supply chain management.

1. **Protect the rights of all workers either to join a union, or to work in a union-free operation**. The percentage of American workers who are union members today is lower than it has been throughout the past century, and the majority of companies in this nation are union-free. The proposed "card check" legislation eliminates the secret ballot in union-organizing campaigns, violating the sacred American principle of free choice. It is clear why union leaders want this, but hard to understand how you could deny any workers the right to vote.

2. **Establish a 21st-century equivalent of the 1943 "Manhattan Project," to achieve energy independence for North America within four years**. A first step should be to place a tariff of $50 per barrel on all imported oil, with the NAFTA exemptions for Canada and Mexico. Dedicate the revenue from this tariff to funding of research and implementation of alternative fuels and engines. Place focus on commercial vehicles, since a reduction in the cost of common-carrier transportation benefits everyone. The program should include generous tax credits for buyers who replace inefficient vehicles.

3. **Fix the infrastructure**. Deteriorated bridges, highways, railways, waterways, ports, air traffic control systems, and airports urgently need to be repaired. Consider funding the effort with user taxes on both public and private carriers, as well as passengers.

4. **Initiate a project to develop a new Central American canal**. The century old Panama Canal is too small to accommodate modern ships. The Panamanian plans to upgrade the canal, given the current world economy, should not be taken seriously. Another canal could be built somewhere between Panama and southern Mexico, with the surrounding land leased to the USA for a minimum of 100 years. Creation of a new canal has commercial and strategic advantages for the United States. The funds to finance the construction might be raised through the sale of government bonds.

5. **Stop the discrimination against Mexican truckers**. Our Congress, under pressure from organized labor, has passed legislation to deny the ability of Mexican truckers to deliver in the United States, while Canadian truckers operate with no restrictions. This situation has damaged our relationship with Mexico, and the unfairness of this situation is an embarrassment.

Each of these five initiatives will result in improved competitive capabilities for American companies. They also will enhance the quality of life for our citizens.

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A New Approach To Computer Solutions

As the business of information technology has matured, we have experienced the progression from concentration on hardware to the development of software. Initially, most software was geared toward specific sections of the enterprise, such as warehouse management and transportation. Later, enterprise systems designed to replace the more specialized legacy systems were developed. Unfortunately, there were a number of serious logistics malfunctions in the early enterprise systems. Today, many supply chain managers are struggling with the transition from the older legacy systems to newer enterprise software systems.

Oco Inc. is a solution provider that takes a unique approach. One application, used at Welch's, is described in the digest section of this newsletter. Rather than replacing existing systems, Oco provides a way to integrate them into a superior reporting system. Bill Copacino, chief executive of Oco, described it as a way to "slice and dice" data, to create a user-friendly source of information for senior management. One customer who claimed that the system is as easy to use as Google, realized benefits to recover the investment in Oco during the first 30 days after installation! I was impressed by a demonstration of the system, and suspect that it may be the "better mousetrap" for managers who struggle with the task of separating necessary information from piles of data.

WAREHOUSING TIPS

Testing Listening Skills

The most neglected management skill is the art of listening. Most of us are not very good at it. Here are some ways that you can test yourself:

- You were lost and asked for directions. Did you then find your way without difficulty?
- A thought pops into your mind. Do you interrupt the speaker to express that thought?
- You just met several new people at the same time. Do you remember their names?
- You are listening to a slow talker. Do you try to finish her sentences?
- Are you likely to "tune out" a speaker who says something you don't like?
- Have you ever talked yourself out of a sale?

Good negotiators always are good listeners. A vital part of medical practice is listening, which is the reason we want our doctors and dentists to be good listeners. Many (but not all) great leaders also are skilled at listening. How proficient are you at this neglected art?

WAREHOUSING DIGEST

The best of other warehousing literature is reviewed and summarized to help you save time keeping current.

"Way More Than Reports"

By Jean Murphy, *Global Logistics*, Sept. 2008, pg. 12.

This is an application summary, based on interviews with executives from Welch's and Oco Inc. Bill Coyne, the director of purchasing and logistics at the world's leading marketer of grape products, described its use of the software system. Oco, Inc. is a solutions provider located in Waltham MA. (www.oco-inc.com). Welch's replaced legacy systems with a new ERP system, and the challenge was to integrate information from both the old and new systems. Coyne explained that Oco provides "drill-down reports," that allow users to analyze easily, or cut the data in any way they want, making a single report from the equivalent of a dozen traditional reports. For example, one allows the analysis of transportation costs in many different ways, either by carrier, by state, by city, by customer, or by weight category. In effect, each report becomes a data warehouse. Having this information makes it easy to complete year-over-year comparisons or any desired comparisons across operations.

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Who's Who in Logistics and Supply Chain Management

Armstrong & Associates, 16th edition, ©2008, 833 pages. Details are available at www.3PLogistics.com

This edition is the largest and most comprehensive of Armstrong's reports. Described in the first section are 175 companies that operate in the Americas, and in the second 119 international providers are described. Many companies are listed in both sections. Some are not truly international, while others that should be in both sections are not.

One of the strongest sections of the Armstrong publication is "editor's comments," which includes the strengths and weaknesses of each provider. This research is in a class by itself. No other survey of the logistics service industry provides the level of detail that is contained in this work.

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Ready For Action?

By Perry Trunick, *Outsourced Logistics*, September 2008, pg. 27.

The request for proposal (RFP) is a critical step in the selection of logistics service providers. Incomplete information or poorly designed RFPs will complicate the process. Qualitative issues may be more important than price, and the selection process must be designed to compare quality features. One approach is to use a two-step process. Step one is the issuance of a request for information, or RFI. The RFI is used to narrow down the list of potential suppliers and eliminate those who should not be considered, regardless of price.

Time to Make Management A True Profession

By R. Khurana and N. Nohria, *Harvard Business Review*, October 2008, pg. 70.

Recommended in this article is a Hippocratic oath for managers. The authors suggested this series of self-made promises:

- I will seek a course that enhances the value my enterprise can create for society long term.
- I pledge that considerations of personal benefit will never be placed before the interests of the enterprise.
- My personal behavior will always set the example of integrity.
- I vow to represent my enterprise's performance accurately to all relevant parties.
- I will endeavor to protect the interests of those who may not have power, but whose well-being is contingent on my decisions.
- I will do my utmost to develop myself and the next generation of management.

The authors lament that, "managers today are among the least trusted members of society." They believe that adoption, publication, and enforcement of a code similar to that shown here is a necessary step in changing the public perception of management.

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How The Best Divest

By M. Mankins, D. Harding and R. Weddigen, *Harvard Business Review*, October 2008, pg. 92.

Much has been written about mergers and acquisitions, so it is refreshing to find attention given to the opposite – divestiture. Although the decision to sell is at the heart of most merger transactions, most corporations are geared up to buy, not sell assets. When they do sell, many do so at the wrong time or in the wrong manner. The best companies avoid holding on to businesses that are not core to their portfolio, no matter how much cash they may generate. They follow these four steps in the divestiture process:

① Establish a separate team that works on divestment full-time.
② Establish objective criteria for determining divestment candidates.
③ Work through all the details of the de-integration process before you divest.
④ Clearly articulate how the deal will benefit the buyer and how you will motivate employees to stay on until the deal is done.

The authors also consider "the how" and "the who." In the former, they explore the question of whether to sell for cash or stock, and whether to sell the whole business or just a piece of it. In the second area, they question whether you should search for the highest price, or for a buyer that is better from a strategic standpoint.