



Exceeding Expectations: Delivering Accelerated Performance Improvement

The normal course of business today brings with it constant demands for change. Flexibility and agility have become essential attributes for successful organisations. There remain, however, exceptional business events that create the need for rapid organisational and performance transformation, stretching organisations beyond “normal” and testing the most robust change processes to the limit. The events that create these conditions typically fall into three categories:

- Mergers and acquisitions
- Performance turnaround
- Senior executive change

Successfully managing these events requires organisations to quickly deliver value, unlocking potential benefits and resetting the course for future goals. Structure, support and visibility are

essential tools when planning and quickly implementing significant change; without them, the risk of failure increases dramatically. Critically, in these situations a key measure of success is an organisation’s ability to achieve substantial progress within a 100-day window.

Building Successful Programmes

Companies often fail to achieve the speed and scale of improvement required at these key moments for reasons that are usually avoidable and which stem from a limited number of root causes:

1. A lack of commitment and engagement from the most senior executives
2. A failure to break down the challenge into a series of manageable tasks
3. A lack of transparency around the real level of progress being made

4. A change process lacking the necessary robustness to deliver the scale of improvement required

L.E.K. has worked with a large number of organisations facing the challenge of delivering performance improvement in aggressive timeframes. In our experience, the key to delivering successful programmes lies in adopting a structured approach that is based on four key principles:

Senior Ownership of Programme Goals

The events that precipitate the need for a significant improvement in performance typically involve issues that are fundamental to an organisation’s future success. In these circumstances, the price of failure can be high and underlines the need for senior management’s complete and visible commitment to the programme goals.

Exceeding Expectations: Delivering Accelerated Performance Improvement was written by **Mike Trenouth**, a Partner in L.E.K.’s London office. Please contact L.E.K. at strategy@lek.com for additional information.

To achieve the right levels of buy-in, performance objectives must be built on a firm analytical foundation, enabling them to withstand intense scrutiny.

Every major change programme faces barriers and these are often encountered in the early stages – the first 30 days. During this period, it is critical to make significant progress, securing the right

execution resources, identifying quick wins and establishing the infrastructure that will support the programme throughout its duration. Senior executive engagement is essential to quickly resolve disputes over conflicting priorities and to overcome a cultural resistance to change.

CASE STUDY 1

A global private equity firm completed the purchase of a leading generics drug manufacturer with an investment thesis predominantly based on strong growth from the existing R&D pipeline, supported by continued R&D developments. The client needed to ensure that the manufacturing platform, purchasing processes and quality systems could support the projected growth. Having performed commercial due diligence for the transaction, L.E.K. was asked to coordinate the performance improvement plan, ensuring that a fast start was made and that firm foundations were laid for the delivery of ambitious targets.

"L.E.K. provides a different approach to performance improvement compared to the standard offering from the accounting firms. Coming from a consulting, rather than accounting, background gives a different flavour and the result is often more commercial and growth-orientated. This is especially noticeable when they have been involved in the commercial diligence on a deal before being engaged on the improvement plan."

-Principal, Global Private Equity Firm

CASE STUDY 2

L.E.K. provided commercial and operational due diligence for an acquisition by a global precision engineering company. The work highlighted strong market positions in growth sectors and significant operational synergies. Following the transaction, L.E.K. was engaged to ensure that the merger was successfully completed and that rapid and sustainable progress was made towards the realisation of the investment thesis.

"We selected L.E.K. to support both the due diligence and integration phases of a complex global acquisition. The process has been a great success and we are on track to achieve an EBITDA uplift of c. \$15m over the next four years. Particular strengths of the L.E.K. input were the robust project framework, their ability to engage effectively with large numbers of our people across the globe and – critically – the transfer of knowledge to our company. This programme has now become the benchmark in our firm for managing complex acquisitions."

-Director of Strategy Implementation, Global Precision Engineering Firm

A Culture of Setting and Achieving Ambitious Targets

Most organisations have a strong track record of planning, or at least of starting, initiatives and a poor record of realising the targeted results. This is often caused by a belief that management involvement can diminish as the programme progresses. In reality, their involvement needs to increase as the plan is implemented, when difficult decisions need to be made and their tenacity is tested.

A High Level of Cross-functional Teamwork

The delivery of complex performance improvement programmes requires an organisation to work outside its traditional functional, geographical or business unit structures, in teams that are genuinely cross functional and often international. Together with the engagement of senior management, this ensures that complex interdependency and sequencing issues are seen from all angles and that the optimum solutions are developed. Furthermore, the longer-term cultural benefits of establishing strong relationships across traditional business divides are profound.

(Appropriately) Managing the Detail

Major performance improvement programmes involve a large number of minor but highly significant steps that build towards the delivery of exceptional results. Careful control of these individual steps is essential, and requires a robust programme architecture that manages the delicate balance between empowering individuals and teams and providing a high level of transparency and challenge.

Delivering Accelerated Performance Improvement

To address the change requirements of exceptional events, L.E.K. has developed a capability that enables the rapid delivery of major programmes in a highly controlled environment.

L.E.K.'s approach to performance improvement is designed to be pragmatic, action-oriented and organic. It provides a programme framework that enables the achievement of planned objectives by focusing activities, providing full transparency and ensuring that senior managers are fully implicated in the change process.

Programme Infrastructure

At the centre of every major programme is a steering group and programme office. The steering group guides the overall programme, setting high-level programme principles and providing strategic guidance to the performance improvement process. The group is responsible for ensuring that the programme retains its focus on the strategic objectives.

The programme office provides the "engine room", having responsibility for coordination, communication, monitoring and problem resolution over the entire plan. Underpinning the work of the programme office is L.E.K.'s proprietary

performance tracker, which provides a detailed view of each project's progress. This tool provides a live and transparent view of progress across the many elements of the programme.

Discrete Workstreams

The delivery of multiple financial, cultural, and organisational goals in a limited timeframe can present some significant challenges. To make the task both manageable and deliverable, performance

improvement programmes are divided into a series of workstreams, each of which represents a discrete group of activities that can be overseen by a single senior manager. The workstreams themselves are subdivided into a series of individual projects – typically a workstream would have between one and five projects. Each project requires its own scope, resources, milestones, activities, risk register, and financial and operational metrics.

CASE STUDY 3

L.E.K. was engaged by a leading European waste management business seeking support to move from a high-level strategy to detailed implementation plans that were fully embraced, owned and implemented by the organisation. Using its accelerated performance improvement process, L.E.K. worked with senior managers to undertake the required analysis, develop detailed plans and create a culture of consistent and thorough implementation.

"L.E.K. really helped us develop and mobilise our change plan. We cut months off our implementation timescales by introducing new ways of working into the organisation. Paramount amongst these was cross-functional team working, which secured proper engagement to the outcomes in our plan. The quality of these outcomes was ensured through rigorous project management, the discipline of fact-based decision making and L.E.K.'s role of both challenging and supporting our team. These are behaviours we are now embedding as part of the way we do things and which are allowing us to achieve our twin goals of both growing and improving margins."

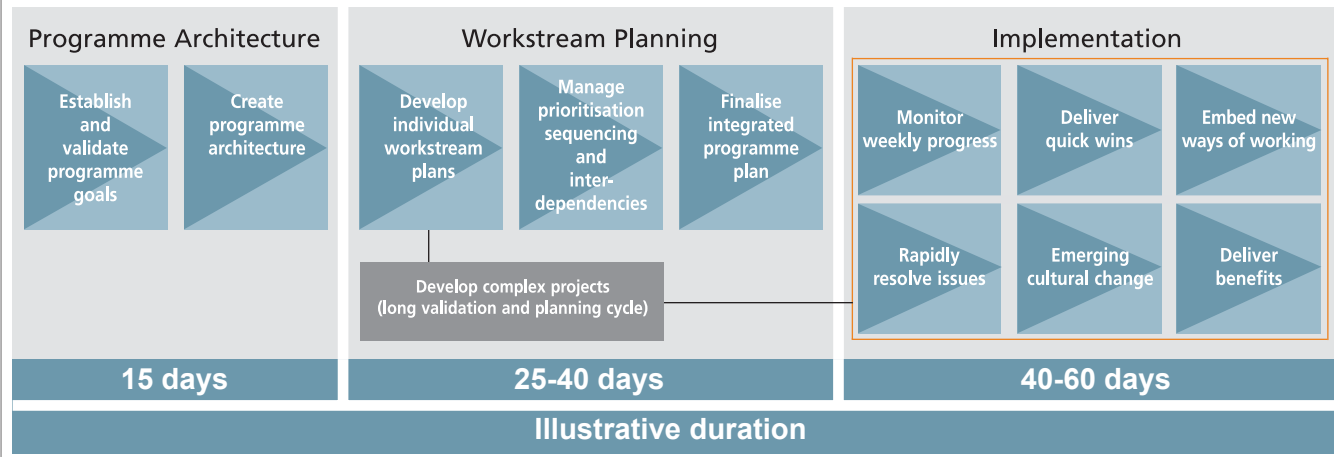
-Group CEO, European Waste Management Firm

CASE STUDY 4

Recently acquired by an international private equity firm, a UK-headquartered engineering company wanted to make rapid and sustainable improvements in performance. The improvement programme focussed on realising major revenue opportunities, simplifying key processes, reducing costs and eliminating working capital.

"With new private equity owners in place there was a need for an ambitious and immediate performance improvement plan. L.E.K. had supported the new owners through the due diligence process and were therefore well positioned to help the management team with the development and implementation of the improvement plan. L.E.K. helped us define the project architecture, worked closely with the project leaders to develop the individual plans and ensured that the implementation process got off to a fast start. Working together, a culture of achieving ambitious targets was rapidly installed and excellent results soon flowed. Two years on and well before the original plan, the business has been sold, providing a great return (greater than 50% IRR) for all parties."

-Group CEO, Global Engineering Firm

Figure 1**L.E.K.'s Accelerated Performance Improvement Process**

Accelerated performance improvement typically involves five workstream categories: strategic, revenue enhancement, operational performance improvement, working capital reduction, and enablement. The latter encompasses the organisational and infrastructure projects that are necessary to deliver the growth and improvement objectives.

Programme Process

L.E.K.'s performance improvement process is comprised of three phases and eleven

principal activities that together enable the achievement of programme goals. Figure 1 illustrates their interaction and duration.

Achieving Organisational Benefits

L.E.K. provides the means to deliver, and often exceed, improvement objectives within the critical 100-day time frame. In addition to individual project goals, there are a number of wide-ranging benefits for organisations:

A Tangible Change in Working Culture

The programme architecture and change process combine to create a culture of cross-functional teams that set and achieve ambitious targets. This change is both profound and sustainable.

A Transformation in Performance

The development of clear organisational goals, supported by a programme architecture, enables the transformation of performance across a number of areas, including revenue growth, efficiency improvement and capital expenditure control.

A Firm Foundation for Long-Term Change

The execution of a major performance improvement plan leaves an organisation with the organisational framework, the senior team knowledge and the culture of setting and achieving ambitious targets that is necessary for delivering performance and organisational change over an extended period.

CASE STUDY 5

A consortium of private equity funds acquired a complex international financial services firm that operated in a large number of markets, many of which faced significant legislative and competitive change. L.E.K. was retained to develop a plan that created maximum value for shareholders and identified opportunities to eliminate organisational complexity. L.E.K. worked with management to identify 14 workstreams and 45 individual projects that were integrated into a single approach.

"L.E.K. were professional in their approach and were always willing to engage with our management – even when it required several iterations – in order to develop a joint strategy which would have the buy-in of management and the required pay-off profile for our shareholders."

-Head of Group Strategy and Development, International Financial Services Firm

L.E.K. Consulting is a global management consulting firm that uses deep industry expertise and analytical rigor to help clients solve their most critical business problems. Founded more than 25 years ago, L.E.K. employs more than 900 professionals in 20 offices across Europe, the Americas and Asia-Pacific. L.E.K. advises and supports global companies that are leaders in their industries – including the largest private and public sector organizations, private equity firms and emerging entrepreneurial businesses. L.E.K. helps business leaders consistently make better decisions, deliver improved business performance and create greater shareholder returns. For more information, go to www.lek.com.

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