



Carl Ratcliffe photo.

# PROJECT EVOLUTION

**E**very manager, business owner, or executive has had to deal with projects that fail to deliver. For many of us, our lives are full of actions and activities that are the consequences of poorly conceived, poorly executed, and poorly tested projects. New product launches are the most visible example of this problem.

The time spent leading up to the launch of a new product is often frantic or frenetic! Late changes come from a variety of sources. Suppliers struggling to ship the first production orders cause emergency overtime. There could be some feedback from field trials of the product that means a 'must do' modification is required through an Engineering Change Notice, Product Variation, etc. Training of people in the new parts is continuing. New equipment may still be having 'teething troubles'.

This is the realm of the 'all-nighter', the premium airfreight budget is blown, crisis management is the normal operating mode, and all annual leave has been cancelled for months.

Then the launch occurs. Happy days, living the dream no doubt!

Unfortunately that is rare, the premium airfreight, the band-aid solutions and crisis management can continue for some time.

Gradually the business settles down into the 'new normal'.

## JASON FURNESS

**"The best companies never transform to greatness in one fell swoop. There is no single defining action, no grand program, no one killer innovation, no solitary lucky break, no miracle moment. Sustainable transformations [to greatness] follow a predictable pattern of build-up and breakthrough. Like pushing on a giant heavy flywheel, it takes a lot of effort to get the thing moving at all, but with persistent pushing in a consistent direction over a long period of time, the flywheel builds momentum, eventually hitting a point of breakthrough." Jim Collins, Good to Great.**

And for many businesses that's where it stops until the next new product is launched, the next model update occurs, the new flavour is developed, the next season's colours are released, or worse, you have a warranty, recall, or complaint issue.

These businesses are missing out on some of the easiest money available.

In the lead up to a launch we are often evolving the process and design on the run. Methodologies that looked great on paper do not always work in the 'real' world. The focus on costs and then disciplined planning and project management goes out the window in the pursuit of the 'date that must never be missed'. Extra quality checks are added in, we 'nursemaid' suppliers, and we throw more people at the problem, constraint or bottleneck.

Even if you have a product launch with none of these problems, there is still money to be had by refining your existing products, designs, and supply chain interactions throughout the life of the product.

Your clients can enjoy the benefits of these improvements in products and service.

The sad situation is that once we are in production, many of the bandaids we put in place to meet the project timing become permanent. The supplier's poor performance is compensated for. Necessary tooling changes are not developed.

Everyone has moved onto the next project and in the aftermath of the launch, we have forgotten all of the compromises we made along the way. This kills margin and performance.

### A fighting chance

An example of evolution in practice was the Spitfire fighter aircraft. This aircraft had its first flight in 1936. It was continually improved and evolved (primarily to improve performance) until the last one was produced in 1948. During that period there were 24 major evolutions of the designs and numerous small continual changes made. Apparently not one part from the Mk1 version remained on the Mk24 version. Every part had been modified and improved.

The goals of project evolution are simple:

- Reduce the cost of supply of the product year on year.
- Improve the flow of product throughout the supply chain year on year.
- Deploy these improvements in a stable and controlled fashion throughout the product lifecycle.

The three key attributes of every project are Cost, Time, and Scope. A project can only be deemed successful if it meets or beats the targets in ALL three of the key attributes.

The scenario for most projects is that, sadly, they miss out on at least one of the three attributes - on many occasions, all three fail to deliver.

Sales departments must be able to reliably inform future clients ahead of time on the capability of new products, their availability date, and their performance. A salesperson who fails to deliver on their commitments loses credibility, trust, and the sale. Excuses don't cut it!

Operations have to deliver continuous improvements in cost and quality in addition to introducing the new products from engineering. In an environment where new products are not fully process capable before release, it becomes harder and harder to deliver on existing volume requirements. Achieving budget in the face of poor process is just about impossible and continuous improvement projects are parked until the 'rush is over'

Engineering is being asked to deliver more complex products while reducing development lead times, and with less design resources than before.

All departments are negatively impacted by poor project management. Financial performance is hurt, and the capacity of the organisation to build a competitive advantage in any area is curtailed.

Understanding where your current approach sits is a good start point for helping you develop through our Project Evolution approach. There are seven distinct levels to Project Evolution and

## “The transformation to greatness described by Jim Collins requires steady dedication to the development of effective business systems.” Ron Carroll.

you can assess where your current performance is by reading Table 1.

### The seven levels of project evolution

#### Level One – Arrogant

‘We'll tell you the price when we are finished’. The White Belt level of the project is where a company's focus is all about themselves. The expectation here is that the customer (internal or external) has to adapt their plans to fit with the group that is running the project. At this level, not only is the timing undetermined, but also the budget and the level of functionality that will eventually be provided. For a customer of this supplier it is incredibly frustrating. Not only do you have no control over what is happening, you usually find that any communication from the supplier is unreliable. The supplier usually displays little concern for the downstream impact of their management style and avoids accountability for their actions. Suppliers, who have this level of capability struggle to make money, struggle to gain repeat business, and rarely have a harmonious and productive workplace. The exception to this is the supplier who truly has a unique set of IP, they can still gain repeat business, until their customers find another solution.

#### Level Two – Reactionary

‘We act on ideas to reduce cost when we have to’ At this level, projects to improve the business (reduce costs, improve performance) are conducted haphazardly and inconsistently. New products are introduced in response to competitor behaviours, cost reductions are targeted when inputs rise in price, product performance improvements occur in response to major quality issues with customers.

Level Two is a step up, however, because at this level the supplier is aware of and responsive to the need to change. Projects in this organisation are chaotic, over budget, often late, saddled with timelines that require perfect execution at every step, and very high stress!

These suppliers are also usually underperforming financially, and rather unpopular with their customers. Their customers may choose to micromanage them while desperately seeking to find alternatives.

#### Level Three – One-dimensional

“Cost is #1. Service and Quality are a given.” This approach is sadly too common. The assumption that service and quality are a given is a common statement from purchasing executives and others who are seeking to simplify decision making to a ‘cheapest of three quotes’ approach. In reality, service and quality performance are a function of good project and process control, not cost.

A Level Three organisation is obsessed with cost reduction, not value creation for its customer base. Of the three project management parameters, Cost, Schedule, and Scope, schedule and scope are sacrificed constantly. Quality of result for the client is secondary.

Financial performance at this level can be satisfactory, rarely is it outstanding. Clients continue to deal with you, not because you are outstanding, but because you are tolerable.

#### Level Four – Systematic

“We grow margin through our structured cost reduction program.” At Blue Belt level, we are starting to move from chaos and narrowly focused activities to look at the system.

At this level we structure our approach to all projects, cost reduction, new products, and skill enhancement activities. The organisation is starting to understand that it must focus its resources on the projects that generate the highest return on investment for the enterprise, not just the department. The organisation is focused on delivering the ROI by achieving cost, timing, and full scope delivery simultaneously, rather than in competition with each other.

Customers enjoy working with this type of supplier as they are giving customers a very underrated commodity, absolute reliability! As a customer managing a supply chain, you usually have many suppliers who are playing at the lower levels of Project Evolution, these suppliers consume your time, energy, and other resources. Suppliers who are absolutely reliable and always hit their targets are precious.

#### Level Five – Leveraged

“We systematically look to create more value by changing how we work with suppliers.” At Blue Belt level, we run projects for the benefit of the entire company. Moving up to Red Belt, we extend the concept to include our suppliers so that we can integrate their ideas and skills, and create even more value for the enterprise.

We actively involve our suppliers in our projects and while they are not true partners yet, we are conscious of how our behaviours can make life difficult for them and we will modify our actions to give them a higher chance of succeeding to deliver their contribution to our project.

Customers may not explicitly see the difference between Red and Blue Belt levels. What they will see is the results of true collaboration becoming apparent by increased reliability of your performance to timings, budgets, and quality. The financial performance of this organisation is improved as the wasted effort inherent in poor project and process management is disappearing.

Suppliers like working with customers who can conduct themselves in this way. The roadblocks to them implementing improved processes internally are reduced, because their customers have removed many of the issues that they created through their (the customers') own poor performance.

**Level Six – Cooperative**

“Our supply chain works with us to take cost out for all of us and improve flow.” At Brown Belt level we are really starting to build a competitive advantage. Lead times for projects are dramatically shorter, the budgets are always hit, and meeting or exceeding the project scope is the norm. While this sounds like nirvana when you are at the lower levels, it is very achievable. This can be done without spending years of development on the system, and especially without the need for complex additional software!

This necessitates that we must have our suppliers win by their involvement. This is the level at which the buzzword of ‘collaboration’ takes on its true meaning. If we truly want to gain suppliers’ collaboration, we have to treat them

**“It is always easier to talk about change than to make it.” Alvin Toffler.**

well. If we attempt to work with them at Brown Belt level, yet our purchasing behaviours are at Green Belt level, then collaboration quickly disappears and is replaced by resentment.

Customers (especially internal sales departments) love it when they can reliably talk to their customers about new product launch dates and know that the product will be available, it will work, and it will be profitable!

Many suppliers have been forced into expensive interim financing arrangements, or even into administration, due to their customers delaying their own programs and deferring orders. Suppliers love it when a customer can be relied upon to hit their launch dates and volumes. Once again, the system works reliably and even more waste can be eliminated.

Financial performance of all parties continues to improve. The reliability of the organisation at delivering new products and improved performance becomes a marketable advantage that the company can use to gain future business and stand out from its competitors.

**Level Seven – Snowball**

“We provide market-leading service at a significantly smaller cost base to our competitors. This boosts sales.”

At Black Belt level we have taken the organisations skills to define, plan, execute, and

improve the skills at project management to such a level that it is a competitive advantage in the marketplace. Customers give the supplier more work because it is just easier!

Clients who have achieved a sufficient advantage in this area spend less time competing for work and can hold a higher margin on pricing.

Projects are always hitting the three key parameters of Cost, Schedule, and Scope. Delivering on these performance parameters actually takes fewer resources than

before, so that the organisation can actually process more projects with the same level of resources. The organisation’s return on investment continues to improve.

Once you have determined where you believe your organisation’s current performance sits, it is then possible to discuss the key actions to be taken to lift your performance towards the Black Belt level.

A project that hits scope and budget but blows out time is severely at risk of being late to market. The product may become a ‘me too’ product that is at best second to market. Repeatedly delayed projects will just about guarantee that a competitor who can deliver on Time, Budget, and Scope, will develop a competitive ‘gap’ in performance that condemns the company to compete with obsolete products, services and processes on a commodity pricing approach. This is a recipe for financial ruin.

A project that delivers on Time, and Scope but blows the budget can become known as a white elephant. The investment may never be recovered and the ongoing operational costs may doom the project to poor financial returns. Again the road to ruin waits!

Achieving Budget and Timing but failing to achieve the scope means that you have a cost-effective and timely product that doesn’t work! Once again, financial failure beckons.

**Conclusion**

Project Evolution is focused upon the project management activities in an organisation. It does not matter if the project is a new product, a cost reduction activity, or introducing a new training system to the enterprise. They are all projects.

You may have noticed that we have not once referred to the role of software. Likewise, we have not referred to the role of the ballpoint pen. Both are just tools. The software, like the pen, will do what it is told to do. What to do, when, and how, are key decisions that software cannot answer. It is the role of management to determine the system and parameters for the software, or the ballpoint pen, to then use.

At Manufacturship, we often talk to clients about ‘go analogue, before digital’. Creating the system with a pen and paper (analogue) is how we achieve the breakthroughs rapidly in understanding and execution. The software can then be used, if needed, to improve the base efficiency. Often it is not required.

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	behaviour	title
level 7	We provide market leading service at a significantly smaller cost base to our competitors. This boosts sales.	snowball
level 6	Our supply chain works with us to take cost out for all of us and improve flow.	cooperative
level 5	We systematically look to create more value by changing how we work with suppliers.	leveraged
level 4	We grow margin through our structured cost reduction program.	systematic
level 3	Cost is the #1 priority. Service and quality are a given.	one-dimensional
level 2	We act on ideas to reduce cost when we have to. [Crisis management]	reactionary
level 1	We'll tell you the price when we are finished.	arrogant