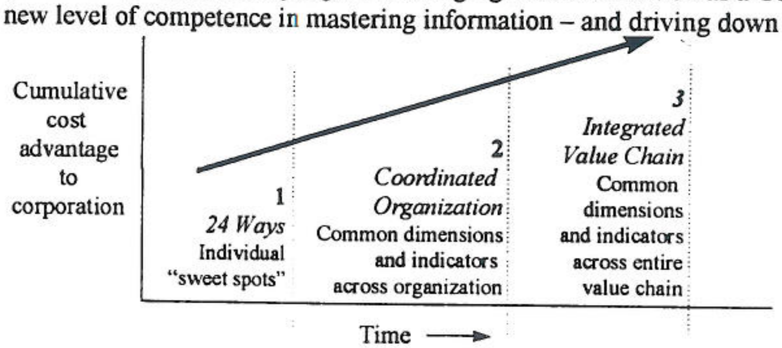
The 24 Ways Race

Peter Drucker states that companies who can drive their overall transaction cost down to 30% less than their competitors will ultimately become market leaders. By overall transaction cost, he means the total cost across the entire economic chain, from the earliest suppliers in the chain to whatever transportation is required, to the ultimate successful use and adoption by the customer.

We feel that's a useful definition of *strategic cost advantage*. Achieving that advantage will require the deployment of Multidimensional Managers at every point along the value chain. They are the people who will man the monitoring stations, who will direct their X-ray vision at *what drives the indicators*, and therefore what drives cost and profitability.

Companies who haven't manned those monitoring stations with Multidimensional Managers will have difficulty holding their own in the Peter Drucker's race. It's important to get the 24 Ways deployed because other leading corporations are now moving aggressively into further stages of the race.

As the 24 Ways and Multidimensional Managers begin to appear in functional departments, they inevitable great both the pressure and opportunity for those functional departments to function more closely together. They can start to share information. They can start to make *coordinated decisions*. This is particularly true if the 24 Ways have been constructed to share *common dimensions* and *common indicators*. Now a new level of optimization can occur. Multidimensional Managers in various department can dynamically adjust to changing market condition as a Coordination Organization. This is a new level of competence in mastering information – and driving down cost.



Cumulative cost advantage to corporation of "mastering information". Ultimately, cost advantage across the supply chain will determine success or failure.

A third stage moves beyond the boundaries of a single corporation and attempts to create common dimensions and indicators within the cluster of suppliers, manufacturers and customers that represent the entire value chain. This integration across the cluster creates further optimization and drives out more cost. Like cooperating genes which support each other's survival, the integrated cluster continues to evolve its cost advantage compared to non-cluster competitors.

At each point in the value chain and in each phase toward the integrated value chain, the same principles apply – simplify the work, reduce the number of steps, provide a common information base, drive out costs and have everyone managing profitability.

As we said at the beginning, there are no ultimate winners in the race. But if history is any measure, corporations get squeezed out of the race at an alarming rate. Survival is a matter of *strategic cost advantage* and *profitability*. Those are the themes of the *Multidimensional Manager*. Your company's position with respect to those themes – strategic cost advantage and profitability – are written down every quarter in your financial statements. It's also a statement your managers' total output. That's your current position in the race.

That position can change. Within 90 days.

24 Ways to Impact Your Business in 90 Days

General Management

Finance

1 Multidimensional Income Statement
2 Gross & Operating Profit
3 Multidimensional Balance Sheet
4 Key Financial Ratios
5 Cash Flow Analysis

Admin/ HR

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22 Core Competence Inventory
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Sales

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8 Sales Forecast & Plan
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Marketing

10 Strategic Marketing Analysis
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Purchasing

12 Inventory Turn-over
13 Supplier Performance

Production

14 Capacity Management
15 Standard Product Cost & Quality
16 Reason Analysis

Shipping

17 Carrier Scorecard

Customer Service

18 On-Time Delivery
19 Complaints, Returns & Claims
20 Cost of Relationship

Way 1 - Multidimensional Income Statement Review

Time	Financial Statements	Organization	Variance Ranges	Indicators
Years	*Income Statement*	Divisions	> 120%	Plan
--------	Revenue	------------	110-120%	Actual
Qtrs	COGS	Departments	100-110%	Variance
-------	Gross Profit		90-100%	% Variance
Months	SGA		< 90%	Rolling Forecast
	Operating Profit			
	Interest			
	Net Profit			

The first taste of "man days to minutes" time savings in finance. All the high-level Income Statement trends and deviations from plan are captured here.

Way 2 - Gross & Operating Profit Analysis

Time	Income Statement	Organization	Variance Ranges	Indicators
Years	Revenue	Divisions	> 120%	Plan
--------	Cost of Goods Sold	------------	110-120%	Actual
Qtrs	Materials	Sales	100-110%	Variance
-------	Conversion	Marketing	90-100%	% Variance
Months	Shipping	Purchasing	< 90%	Rolling Forecast
	Gross Profit	Production		
	Selling	Shipping		
	General	Customer Service		
	Administration	HR/IT		
	Operating Profit			

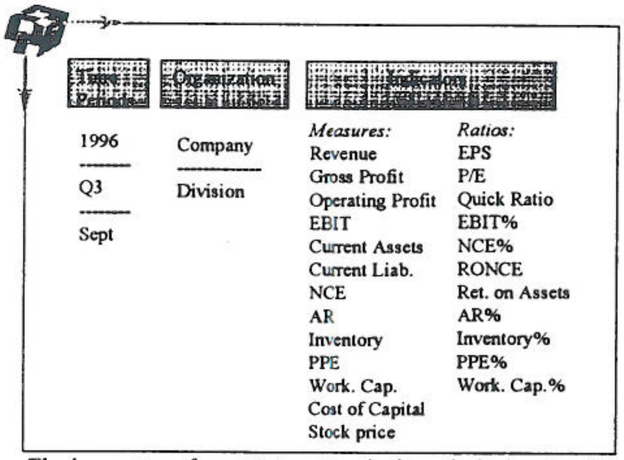
This is the sweet spot for in depth analysis of the expense lines driving Gross Profit and Operating Profit. Subsets are distributed directly to accountable managers to offload monthly reporting from finance..

Way 3 - Multidimensional Balance Sheet Review

Time Periods	Balance Sheet	Organization	Indicators
1996	Balance Sheet	Company	Opening Bal.
------	Assets	-------------	Closing Bal.
Q3	Current Assets	Division	Net Change
------	Cash		
Sept	Inventory		
	Account Receivable		
	Liabilities		
	Current Liabilities		
	Accounts Payable		

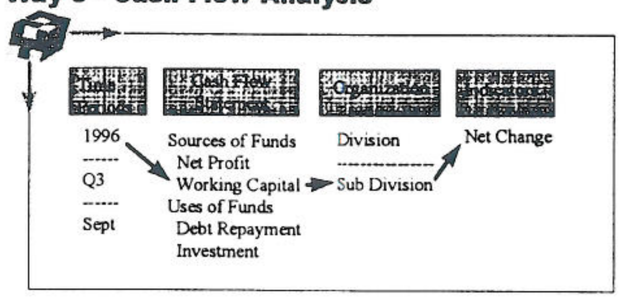
Balance Sheet line items are broken down by the contributing Operating Divisions here.

Way 4 - Key Financial Ratios



The key ratios of most interest to the board, the bank and the investment community are packaged here for the management team.

Way 5 - Cash Flow Analysis



Way 6 – Classic Sales Analysis

Time	Sales Org	Products	Customers	Indicators
Years	Countries	Prod Lines	Top 200	Revenue
Quarters	Regions	Brands	Other	Units
Months	Districts	Products		Avg Selling Price
YTD	Salesreps	SKUs		Discount
Prior YTD				% Discount
QTD				
Prior QTD				
Current Month				
Prior Month				
Rolling 12 Months				

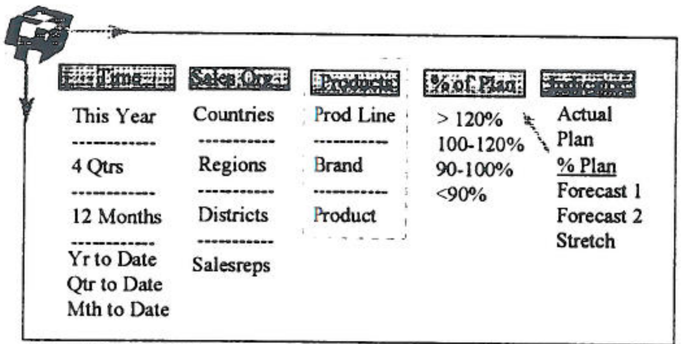
Classic Sales Analysis provides "X-ray"vision for what's driving the business. It dramatically improves sales force productivity and enables fact-based selling. Note the pre-packaged time options for easily tracking growth by year, quarter or month. Also note the indicators for Discount, the first step on the road to maximizing customer profitability.

Way 7 - Customer & Product Profitability

Time	Sales Org	Products	Customers	Exception Dimension	Indicators
Years	Countries	Prod Lines	Top 200	Gross Profit %	Revenue
Quarters	Regions	Brands			Units
Months	Districts	Products			Cost
	Salesreps	SKUs			Gross Profit
					GrossProfit %

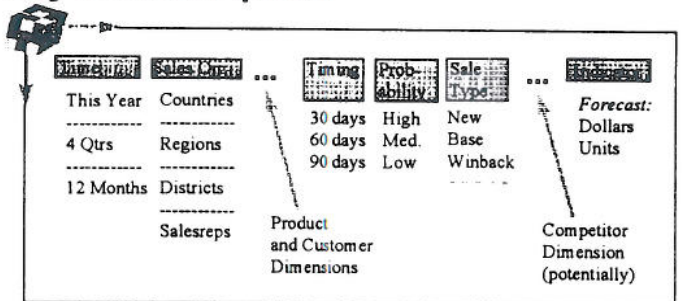
Customer & Product Profitability is one of the major punchlines in the 24 Ways. It transforms the sales force from a revenue-centric to a profit-centric organization. Without Way 7, a sales force lacks the enabling technology to manage product mix and its impact on profitability at the customer level.

Way 8 - Sales Plan & Forecast



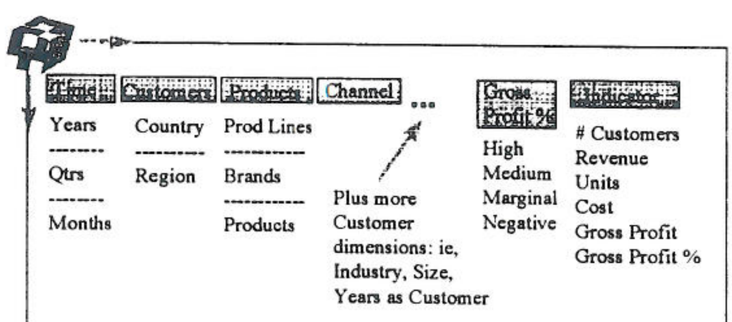
Sales Plan and Forecast simplifies the multidimensional conversation that preoccupies sales -- who's making their plan, who isn't, and where are we against plan overall.

Way 9 - Sales Pipeline



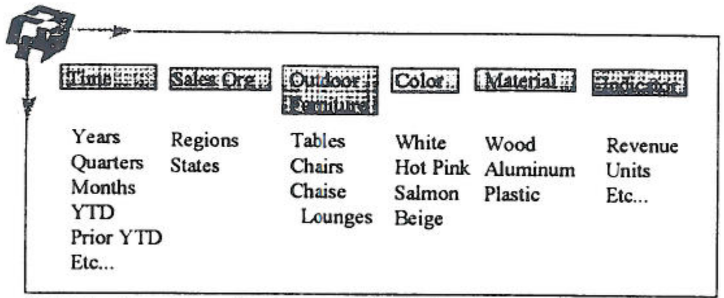
Sales Pipeline is based on salesforce input. The information may already be in popular contact databases such as Act and Goldmine. Way 9 enables in-depth conversations about pipeline, increases accuracy of corporate forecasts and quatifies win ratios against key competitors.

Way 10 - Strategic Marketing Analysis.



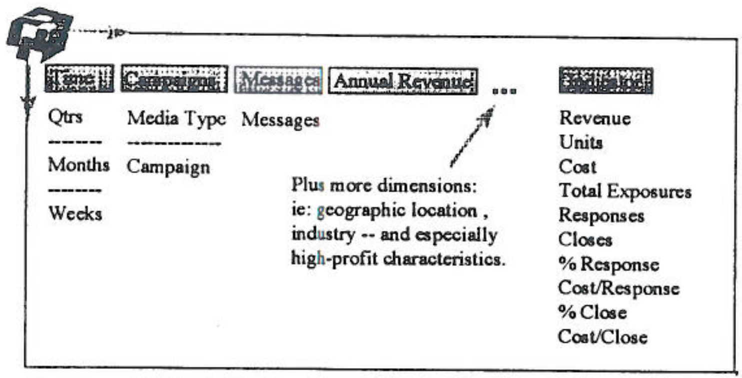
In this sweet spot, multdimensional managers in marketing track high-profit and low-profit groups of customers. The charateristics of high-profit customers should drive investment in future customer acquisition.

Way 10 Variation



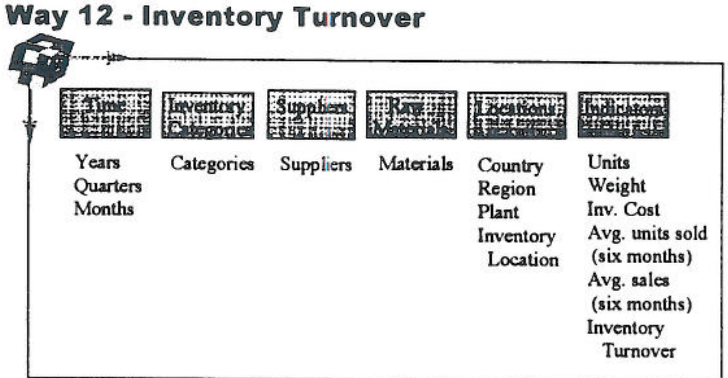
This sweet spot is a classic example of elevating product attributes to the level of dimensions. For Tropitone Inc., an outdoor furniture manufacturer, it reveals which colors and materials are driving the business – saving money in production, inventory and shipping.

Way 11 - Tactical Marketing Analysis



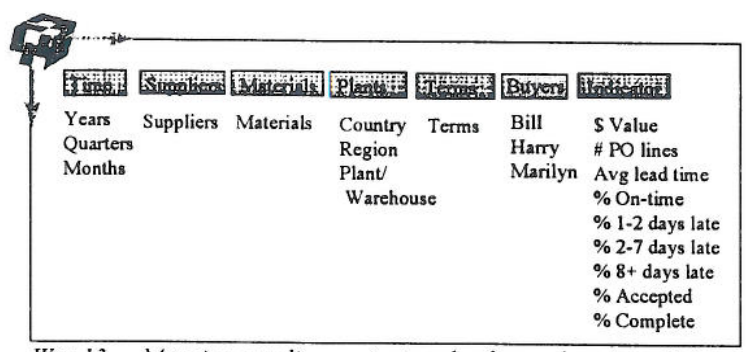
This sweet spot is an instant decision support system for evaluating the return on individual campaigns, types of media, mailing lists and messages. The inflow of acquired customers can be compared against the profile of existing high-profit customers.

Way 12 - Inventory Turnover



Way 12: Inventory Turnover -- Where inventory is held and how fast it's moving.

Way 13 - Supplier Performance.



Way 13 -- Mapping suppliers against each other and against all the performance indicators critical to integrated supply management.

Way 14 - Capacity Management

Time	Products	Work Stages	Production Runs	% Utilization	Indicators
Years Quarters Months	Prod. Line Brand Product SKU	Stages	Plants Assembly Lines Runs	Utilization Ranges	Planned Units Produced Units Backlog Units Backlog $ Shipped Units Shipped $ Capacity Utilization % Utilization

Way 14: Capacity Management –high speed analysis of capacity utilization and yield. The exception dimension -- % Utilization – immediately isolates all instances of high or low utilization.

Way 15 - Standard Product Cost & Quality Benchmarks

Time	Products	Work Stages	Production Runs	Indicators
Months Weeks Days	Product Line Brand Product SKU	Stages	Plants Assembly Lines Runs	Planned Units Production Units Reject Units Rework Units Change Orders Up-time Downtime Stand. Product Cost Material Cost Equipment Cost Labor Cost Production Cost Scrap Cost Rework Hours Rework Cost

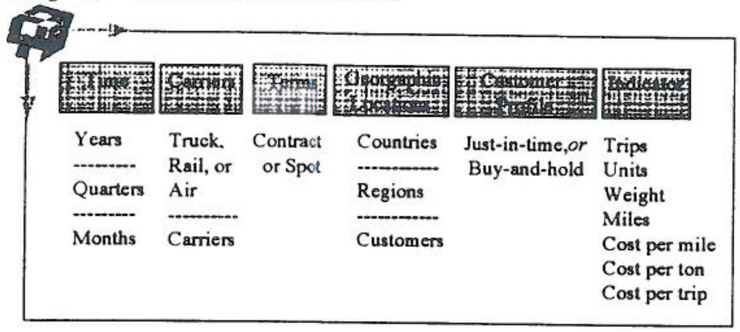
Way 15: Standard Product Cost Benchmarks – Variances between actual product cost and standard product cost are strategically important because they can distort the whole profit picture of the business. Way 15 leads Multidimensional Managers to the source of the variance.

Way 16 - Reason Analysis

Time	Products	Work Stages	Production Runs	Reasons	Indicators
Years Quarters Months	Prod. Line Brand Product SKU	Stages	Plants Assembly Lines Runs	Reasons	Downtime

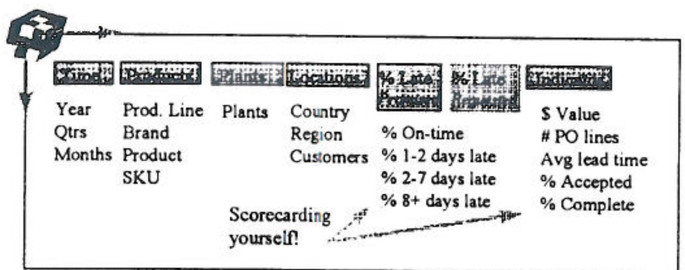
Way 16: Reason Analysis – Quick analysis of hundreds or thousands of problem reports to find the real source of breakdowns.

Way 17 - Carrier Scorecard



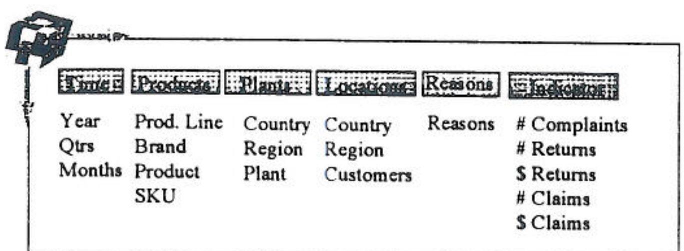
Way 17: Carrier Scorecard – Shipping managers can benchmark the performance of their carriers against each other and at every customer location. The important benchmark is cost per mile.

Way 18 - Late Shipment



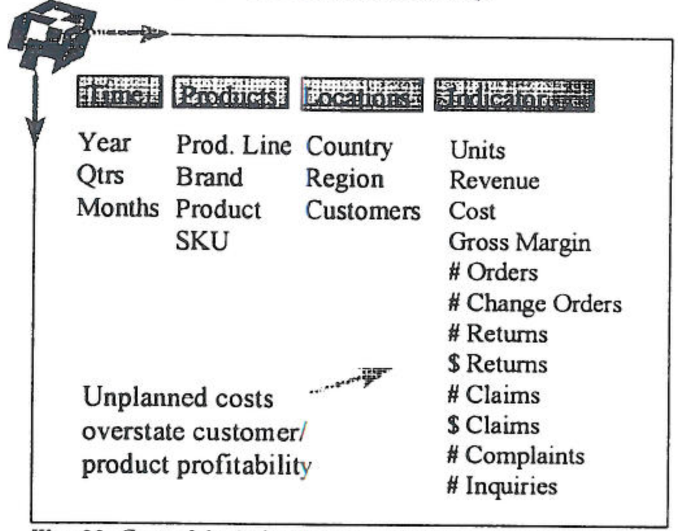
Way 18: Late Shipment – For most manufacturing companies, this is the #1 scorecard of customer dissatisfaction. It should be in the hands of senior as well as sales, marketing, customer service and production managers.

Way 19 - Complaints, Returns and Claims



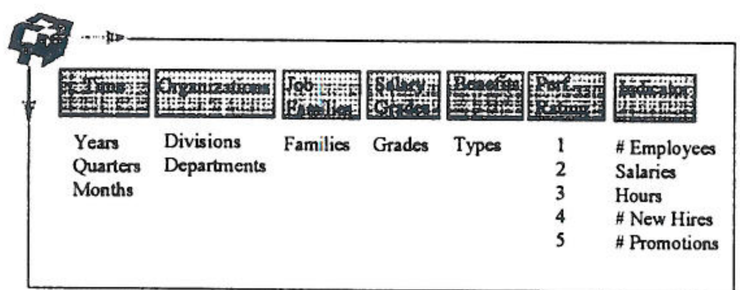
Way 19: Complaints, Returns and Claims – The #2 scorecard of customer dissatisfaction. It highlights breakdowns in quality or other business processes and captures the reasons stated by the customer.

Way 20 - Cost of the Relationship



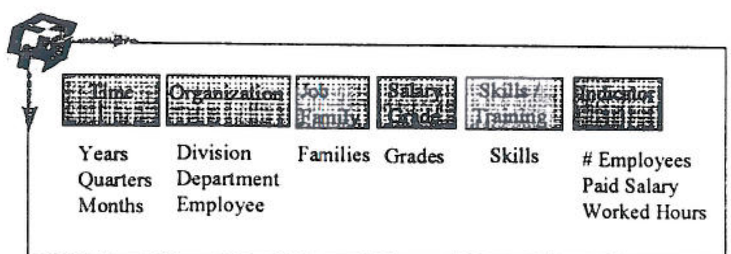
Way 20: Cost of the Relationship – Tracking customer-driven activities quantifies the unplanned costs of the relationship, which act to overstate customer/product profitability.

Way 21 - Human Resource Administration



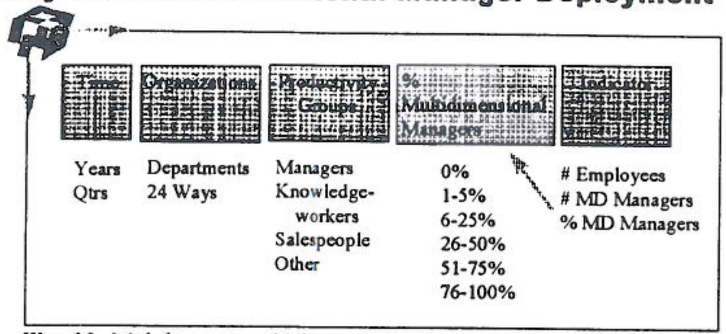
Way 21 delivers a quick productivity gain in HR's bread and butter functions -- headcount growth & decline, salary & benefits administration. Many companies now share subsets of Way 21 directly with operational managers.

Way 22 - Core Competence Inventory



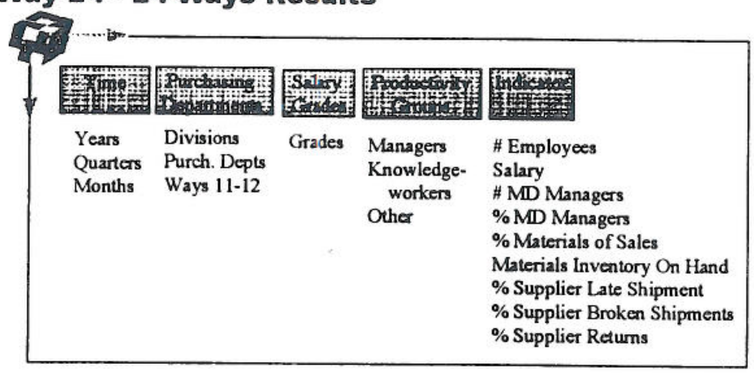
Way 22 captures the skills inventory in the company – and the evolution of skills mix over time. It's also the basis of succession planning.

Way 23 - Multidimensional Manager Deployment



Way 23: Multdimensional Manager Deployment – Tracking the new Critical Performance Indicator "% Multidimensional Managers".

Way 24 - 24 Ways Results



Way 24: 24 Ways Results -- Measuring the impact of the 24 Ways on performance. HR's role changes as it can begin to predict outcome based on the presence of strategic skills.