

The Wall Street Journal

October 23, 2001

Bookshelf : *No More Business as Usual, Please. Time to Try Something Different*

By PAUL CARROLL

With economic conditions turning downward so quickly, pushed along by the events of Sept. 11, a lot of business books have been rendered irrelevant, even silly. Anyone remember "Dow 36,000"? Michael Hammer's "The Agenda" (Crown Business, 269 pages, \$27.50), by contrast, has been given a new importance.

Mr. Hammer begins with a bleak premise. He says that companies have become so efficient that they have created frightful overcapacity -- the overcapacity in the global steel industry, for instance, is enormous, exceeding the capacity of the U.S. steel industry itself. And this at a time when consumer demand, in general, is dropping. Mr. Hammer warns that the problems will only get worse.

And of course, they already have. So it's fortunate that Mr. Hammer's blunt, smart book comes along now. He has pulled together a number of strands of strategic thought to provide a handbook for dealing with a decade that may be remembered as the "uh-ohs."

The most interesting idea in "The Agenda" is that re-engineering -- the concept that Mr. Hammer introduced to the world a decade ago -- must go beyond knocking down the internal walls that keep parts of a company from cooperating effectively. He argues that companies must knock down their external walls, too, so they can cooperate seamlessly with all the companies involved in making a product, from the raw-material stage to the point where a customer uses it. As a maker of paper diapers says in the book, memorably if not tastefully, cooperation must stretch "from stump to rump."

Hewlett-Packard Co., for one, has had considerable success crossing corporate boundaries as it manufactures its computer monitors. It established a standard for sharing information by every company, from H-P all the way to the companies that supply the resins for the casings. The sharing eliminates by 50% "the number of people needed to stitch together the supply chain," Mr. Hammer writes, partly because each company no longer has to generate its own versions of purchase and sales orders.

The system eliminates the waste that used to occur when an order changed and someone in the supply chain didn't get the word -- there was plenty of opportunity for mistakes, because, on average, an order of computer monitors changes four times before it is filled. H-P shares its forecasts with all its partners, letting them

reduce the inventory that they previously had to carry in case a large order suddenly materialized. Better forecasting has also reduced by 25% the time it takes to fill an order. H-P does all the buying of resin on behalf of its many manufacturers, giving it a volume discount of 2% to 5%.

"Perhaps best of all," Mr. Hammer writes, H-P estimates that monitor sales have increased 2% by virtue of this sharing process. "These are sales that H-P had previously lost because it could not get the right product at the right time. H-P no longer has to commit the mortal sin of turning customers away."

Mr. Hammer says Adaptec, a semiconductor company, made even more impressive gains by sharing information with a contract manufacturer as though the two were a single company. The time it takes to go from initial design to the production of the first batch of chips was cut by almost two months, to 55 days.

The other especially powerful theme in "The Agenda" concerns how to get businesses to pay more attention to how customers think and to what they really want, rather than viewing the world through the prism of traditional products and services. "Your customers have no interest in you or your company and only a little more in your products or services," Mr. Hammer warns.

Some of the advice about customers is basic. For example, Mr. Hammer tells readers to stop annoying their customers. He mocks one company for listing in the phone book 23 different 800-numbers that customers should use to contact it.

Some of the advice is more subtle. For instance, Mr. Hammer uses General Electric Co.'s GE Capital as a way of explaining how traditional measures of success don't work. He says GE Capital sweated the details and managed to cut to a few hours, from two days, the time it took to approve a loan to dealers who sell office equipment. Ordinarily that kind of percentage improvement would be cause for bonuses all around. But GE Capital looked at the problem from the customer's point of view and saw that dealers' real issue was that it took 47 days to get paid by the people who bought the equipment. GE helped dealers redesign their billing processes and cut that payment delay to less than 25 days.

Mr. Hammer acknowledges that the ideas in his book aren't brand new. Most, in fact, have been circulating for a year or two. But he ties them together neatly and extends them in interesting ways. He also offers crisp examples. Most important, he exhorts his readers to take action -- an obvious piece of advice that becomes urgent and even profound at a time like this, when the economy is paralyzed by uncertainty.

Mr. Carroll is editor in chief of Context magazine and a partner with DiamondCluster International Inc., a management consulting firm.