Time-Based Results

We first spoke of time-based competition five years ago. The concept was simple: companies that meet the needs of their customers faster than competitors grow faster and are more profitable than others in their industries. We argued that time could be the next decade's most powerful competitive weapon and management tool for U.S. companies.

We were right. Companies of all sorts and sizes became time-based competitors. By inspecting their processes and organizations through the lens of time these companies have found new ways to operate, satisfy their customers, compete, grow, and invigorate themselves. Consider the results of three very different companies.

Time and Innovation

Chrysler entered the 1990s with only two profitable product lines – minivans and jeeps – and several outdated lines of cars and trucks. It needed a new winner soon, and made the do-or-die decision to reinvent its new-car development process and cut the old time of four to six years to thirty-nine months.

In the company's traditional process, a new-car concept moved sequentially from styling to engineering, to parts procurement, to manufacturing, with each step carefully planned and scheduled. Under a time-based approach, each new-car platform now has a team of several hundred people working together on everything from the start. Everyone, including vendors, has access to the same information. All functions on the team are housed on one floor of the development building, breaking up the old departmental offices and enabling more face-to-face communication. Each new-car team has a vice president in charge – many with no previous experience managing development on this scale – to make sure old habits and turfissues do not get in the way.

Chrysler made its first move with the LH large-car platform team – nicknamed by the skeptical press The Last Hope. A year ago, the LH models – Intrepid, Vision, New Yorker, and Concorde – were introduced. The team took 25 percent of the time out, cut the dollar investment to 30 percent below that in any previous program, and brought out a car to rave reviews and more orders than any new Chrysler model since the minivan. Recently, Chrysler followed up with the classy looking subcompact Neon, developed in 31 months.

Time and Service

Because time-based competition started in manufacturing companies, large service organizations initially questioned whether its principles applied to them. Experience in industries ranging from insurance to package delivery to health care proves that these principles do. Take, for example, the case of Karolinska Hospital in Stockholm.

Sweden has provided superior health care for its entire population since World War II. But by the early 1990s, rising costs and a weakened economy were forcing the government to reassess and reduce health care expenditures. In the face of expected cost cuts, Karolinska, one of the country's leading teaching hospitals, wondered if quality care could survive.

Karolinska turned to time-based competition. At first, the doctors were skeptical. How could they save time without imperiling patient care? In fact, they found that poor coordination and scheduling problems were not only reducing efficiency and inflating costs, but also causing patients unnecessary delay, inconvenience, and anxiety.

By redesigning operating procedures and staffing patterns, Karolinska was able to cut the time required for preoperative testing from months to days. It was able to close 2 of 15 operating rooms and still increase the number of operations per day by 30 percent. Doctors could schedule operations in weeks rather than months. The result: better service for patients, with no loss of quality, and less overhead.

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Time and Integration

Time-based competition may be at its most powerful when suppliers and customers use it to redefine how they do business. That is what happened when textile manufacturer Milliken & Company joined with The Warren Featherbone Company, a children's apparel maker, and Mercantile Stores, a large retail chain, to compete through what they called Quick Response.

In the mid-1980s, it took 66 weeks for the apparel industry to go from yarn at the manufacturer to clothing on the rack. But since no one in the chain knew what would be selling in a month, much less a year, the cost of that lengthy supply cycle was devastating. The industry as a whole lost billions of dollars each year through markdowns on what customers didn't want and by not having enough of what they did want.

The three companies were gaming each other every time they did business. Each level – fabric, garment, retail – carried redundant buffer inventory to protect against shortages caused by others. When demand turned down, each scrambled to avoid holding inventory by slashing orders to its supplier. Long lead times and slow communications between layers made things worse. The result was heavy markdowns at retail that sent cost pressure back through the system.

With Quick Response, the companies got together and reengineered their forecasting, production, reordering, and logistics systems, and in doing so created a new shortcycle replenishment system. Mercantile shares its point-of-sale information with Warren Featherbone and Milliken. Orders down the chain are more frequent and smaller. Inventories carried at each level are lower, eliminating the need to shift them. Any surprises or problems anywhere are communicated along the chain quickly. The result: retail inventory turns went from three times to five times a year, and markdowns dropped to a third of the industry average.

Reaching this level of integration was hard, because it required each company to make itself more vulnerable to the rest of the chain. Here, time was a unique catalyst. It was the one metric all the partners could easily understand and use that did not pit one against the other. By setting radical time compression goals, everyone was forced to change old assumptions.

Time and Business Process Reengineering

Time-based competition begins with strategy and ends with process reengineering. Chrysler, Karolinska, and Milliken were all looking for higher revenues, not just lower costs. They focused their thinking first on getting to the customer faster, then reengineered the processes that could help them do this. They engaged the organization in a positive building effort, not a contraction.

For every dollar that can be removed by reengineering cost and time out, several more can be saved by rethinking how to use speed to serve customers better and competitively reposition the company. Now Chrysler has fresh, not old, product. Karolinska avoided cuts in service by increasing throughput. Milliken and its apparel partners raised price realization by eliminating markdowns.

Time-based competition is a reality, not just a concept. It is rapidly becoming the baseline, not the exception.

Thomas M. Hout, George Stalk, Jr.

Mr. Hout is a vice president in the Boston office of The Boston Consulting Group and head of the firm's Operational Effectiveness practice area. Mr. Stalk is a senior vice president and co-head of the firm's Toronto office. They are co-authors of the best-selling book, Competing Against Time.

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