

# Creating a Customer-Focus

## EXECUTIVE SUMMARY

How Honeywell Process Solutions was able to achieve unprecedented growth and regain leadership in the market. The foundation of this success was widespread and orchestrated cultural change that cultivated a dozen common behaviors that were rooted in five corporate initiatives.

# The Honeywell Ex



One of Honeywell Process Solutions' overarching goals is to demonstrate customer-focused behavior among all employees.

# Used Culture:

# Experience

BY JACK BOLICK



I believe that the opposite of a leader is a pessimist. Leadership and its inherent optimism are essential for moving an organization's culture in a direction that will ensure profitability through innovation. Leaders sustain profitable growth over time only by creating a customer-centric culture that reflects a set of core organizational values that address ongoing market, technology, and social changes.

At Honeywell, we have orchestrated cultural change on a global scale over the past five years. Positive results are being seen at all levels of the company. For Honeywell Process Solutions (HPS), the business I lead, the results are visible in our unprecedented growth — we've just completed our sixth straight quarter of growth and renewed leadership in the market.

## The need for change

HPS is a business unit of Honeywell's Automation and Control Solutions (ACS) group. Based in Phoenix, the company is the flagship for Honeywell's legacy in the industrial automation and controls market. Honeywell introduced distributed control system technology to the world in 1974 and has since built an installed base of more than 12,000 industrial automation systems worth more than \$17 billion, one of the largest in the automation industry. I became president of the HPS business unit in October 2002.

I arrived on the scene during a time of turmoil and change at HPS. In the five years prior to my arrival, five different presidents had led the company. The short tenure and directional shifts based on each leader's approach had weakened the company's competitive position. Other industrial automation suppliers were eroding Honeywell's installed base, technology innovation was at a standstill, and process discipline had weakened in the face of uncertainty.

My challenge was to redefine and change the HPS culture to meet the challenges ahead and engage everyone in moving forward. The cues for setting that direction came from the highest levels of Honeywell and ACS.

## One Honeywell

HPS wasn't the only group in Honeywell redefining itself at that time. All of Honeywell was. Honeywell International is a \$34 billion diversified technology and manufacturing leader, serving customers worldwide with aerospace products and services; control technologies for buildings, homes and industry; automotive products; turbochargers; and specialty materials. Honeywell CEO Dave Cote had taken on the sizable task of creating "one Honeywell." Culturally, it was a new direction, and he expected his leadership team to support the effort completely. Getting 118,000-plus employees moving in the same direction, adopting the same values and behaviors, and working like one cohesive team takes time and leadership.

Cote developed and introduced five initiatives — growth, productivity, cash, people, and enablers — designed to propel the company forward and unite the Honeywell work force around a specific set of priorities. He also established 12 well-defined "Honeywell behaviors" (page 10) that make up the performance scorecard for all employees. These behaviors include the ability to get results, champion change, and focus on doing a superb job for customers every day.

Encouraging these 12 behaviors across all of Honeywell helps create great synergy. We often see employees move from one Honeywell business to another, and I believe having common behaviors allows them to acclimate faster and be more efficient and productive over time.

Within this corporate framework for change, ACS CEO Roger Fradin identified a renewed focus on customers as a critical aspect. Specifically, Fradin asked that all ACS leaders spend at least

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50 percent of their time with customers or customer-facing employees. The Honeywell corporate initiatives, as well as this ACS-level directive, all became part of the HPS plan for cultural change. Honeywell's five initiatives and 12 behaviors illustrate a key lesson about cultural change: Be clear and consistent about where the company is going, how it's going to get there, and what is expected of all employees as part of that culture. Well-defined initiatives and expectations make sure that everyone is on the same page — and ultimately, your customers will benefit.

### Defining the HPS challenge

My first task was to “translate” the five corporate initiatives in a way that was meaningful for the 10,000 HPS employees located in more than 100 countries worldwide. My own history with Honeywell provided perspective on the company's cultural heritage that I could apply to this challenge. Before joining HPS, I was vice president and general manager of the company's electronic materials business. I was also trained as an engineer.

As I approach the challenge of making corporate initiatives meaningful to HPS, I knew that growth had to top the list of desired results. Growth, of course, is critical in the current economic environment. I wanted to ensure my business was on a strong path forward for smart growth, so I initiated our own HPS growth initiatives with an eye to preserving the most important cultural aspects of HPS and its merger partner, Allied Signal. For example, Allied Signal brought financial and process discipline,

strategic planning, and Six Sigma tools. Honeywell brought a customer-centric innovative engineering culture that thrived on helping customers get the results they needed for their businesses. And GE influenced us with its organizational strength and Six Sigma culture. We needed to apply all these traits consistently to build a truly customer-focused culture.

From the beginning, we enjoyed results. By 2004, we saw 16 percent orders growth and 8 percent growth in sales.

Our overarching goal has been to demonstrate customer-focused behavior in everything we do. I often refer to this as the “Customer Big Y” — a phrase that has several meanings. For one, the Y represents the Y-axis on our profitability chart, where Y is a composite of all the initiatives that drive X — profitability and strategic intent. And, quite literally, it translates to *Why?* as in *Why should process companies buy from Honeywell?*

As an example, here's how we defined the Big Y for employees in 2007:

- **People:** We will embrace the HPS vision by committing to develop and reward employees for their contributions.
- **Growth:** We will take care of our installed base, in addition to expanding across regions and vertical markets; enabling knowledge-building through the development of differentiated sensors; and expanding services through domain knowledge.
- **Quality and productivity:** Commitment to productivity gains and our quality policy. (Right the first time in all aspects of our business.)

- **Cash:** Providing the resources to invest in future growth opportunities. Our 2007 global metrics are focused on taking advantage of the cyclical upturn occurring in most of the industrial manufacturing verticals we serve. To do this, we are aligning our global organization with our customer to promote our services-led philosophy. This is the first step in transitioning our outcomes by providing solutions while keeping one voice and face with customers.

The HPS vision, details of the Customer Big Y, and each year's metrics are visibly posted in all of our offices worldwide. I emphasize our strategy and progress against metrics at quarterly town hall meetings as well as in one-to-one conversations with employees throughout the company.

**Be clear and consistent about where the company is going, how it's going to get there, and what is expected of all employees as part of that culture.**

### Core cultural shifts: The big three

For the five initiatives to bear fruit within HPS, three core cultural changes have been necessary: We've had to build accountability to customers at the local level, push higher and further along the technology innovation curve, and re-instill a sense of process discipline across the company.

**Building accountability to customers.** Because the drive for customer accountability begins at the leadership level, I required HPS leaders at all levels to adopt the policy of spending 50 percent of their time with customers and customer-facing employees. This policy is still in place at HPS. To ensure customer accountability at the local level further, we have made significant changes to our profit and loss structure. HPS was previously organized around vertical manufacturing markets and managed at the global level. Now our structure is regional, which places decisions about pricing and customer support in the hands of those geographically closest to the customers — and the consequences of these decisions firmly in the hands of regional leaders and employees.

We have also increased the number of customer advisory boards to ensure the needs of all key vertical markets were being met. HPS now has five distinct

## 12 Honeywell behaviors

1. Growth and customer focus
2. Leadership impact
3. Get results
4. Makes people better
5. Champions change
6. Fosters teamwork and diversity
7. Global mindset
8. Intelligent risk taking
9. Self-aware/learner
10. Effective communicator
11. Integrative thinker
12. Technical or functional excellence

customer advisory boards and a committee of customers referred to as the User Input Subcommittee. Different Honeywell technology groups meet at least twice a year with their respective advisory boards to understand better our customers' evolving needs. We gain additional insights through the Honeywell Users Group Symposia, customer-driven conferences held at six sites around the globe each year.

Each advisory board is unique in its charter, but all are focused on helping us help them. The User Input Subcommittee is unique in that it controls a portion of our R&D budget. The subcommittee meets twice a year, plus interacts with us in a collaborative Internet environment with the intent of enhancing our legacy products, which they all use. Watching this team of customers come together to prioritize enhancement requests is a truly interesting experience and is critical in our ability to achieve our quality promise of getting it right the first time.

**Instilling process discipline.** The turmoil in leadership at HPS had diluted our organizational grounding in process discipline. To reverse the tide, we started with the basics — namely, adding, clarifying, and mandating procedures for source and supply and putting consistent measures in place to hold individuals accountable for their budgets. To improve our focus on customers further, I created a process policy at the beginning of my tenure that has endured: Right the first time, in all aspects of our business. This, of course, is a top priority for us, as our customers are the reason we exist. This right-the-first-time policy is also a solid business strategy because it means we don't spend time doing rework for ourselves and our customers. If we take a little extra time to get it right the first time, we will ultimately be a more efficient and effective business. We also renewed the company's long-time commitment to Six Sigma. Green belt certification at minimum is required for most managers, supervisors, and



**Experion Process Knowledge Systems unify people using process, business, and asset management tools to allow organizations to gather, view, analyze, and act on information.**

## Honeywell does Six Sigma

Honeywell explains its dedication to Six Sigma and what it means to reach this level of performance:

- If your water heater operated at Four Sigma, you would be without hot water more than 54 hours each year. At Six Sigma, you'd be without hot water for less than two minutes a year.
- With a Four Sigma packaging process, approximately six out of every 1,000 packages will be outside of specifications. At Six Sigma, only three packages in every million will miss specifications.
- If your electricity operated at Four Sigma performance, your lights would be out an hour a week. At Six Sigma, you would be without lights about two seconds a week.
- With a Four Sigma design process, six out of every 1,000 design elements relating to a new product are flawed before the product is fully commercialized, versus a Six Sigma process, where only about three of every 1 million design elements are flawed.
- If your telephone operated at Four Sigma, you would be without service for more than four hours a month. At Six Sigma, it would be about nine seconds a month.
- At Four Sigma, about six out of every 1,000 invoices will contain incorrect information. At Six Sigma, mistakes will occur only about three times in every 1 million invoices.
- If your car operated at Four Sigma performance, you would spend 37 minutes in the repair shop for every 100 hours you operate the vehicle. At Six Sigma, you would have only 1.2 seconds of repair for every 100 hours of operation.
- A Four Sigma process will typically result in one defective package of product for every three truckloads shipped. A Six Sigma process means one defective package for every 5,350 truckloads.

Source: [www.honeywell.com](http://www.honeywell.com)

executives. All employees are expected to understand Six Sigma fundamentals. This commitment to Six Sigma enables our success in three main ways: It provides a common language among employees of all levels and occupations, it complements efforts to remove fat from the organization, and it supports our efforts to get it right the first time by ensuring predictable and repeatable operational execution.

**Fostering technology innovation.** The erosion of our installed base was a major concern, and technology innovation was required to secure and expand that base. The quiet period during the proposed GE merger and the fact that our core distributed control system technology was behind on the technology curve had allowed our competitors to step in and migrate our customers to their technology. To secure and continue expanding our installed base, we needed to evolve our distributed control system

to a next-generation system in addition to broadening and expanding our offerings in the areas of service, software, advanced process control, and differentiated sensors.

To accomplish this, we also made strategic acquisitions that allowed us to gain technology and expertise related to corrosion monitoring; simulation, modeling, and advanced process control software; and specialized automation and control solutions for the oil and gas market. Following the principle that cash focuses effort, we also increased our R&D spending. Those dollars were earmarked specifically toward developing new products that would enable our customers to take advantage of new technologies and make better use of the knowledge and expertise inherent in their organizations. The ability to turn data into knowledge was identified as a critical need among our customers, as the baby boomer generations of plant employees begin retiring and taking their expertise with them. HPS has a history of employing extremely innovative people who develop new products, services, and solutions not just for the sake of creating something new but also to solve customer-specific problems identified by the customers themselves.

The result of this investment and effort led to a host of new HPS product offerings over the past five years, including the introduction of Honeywell's next-generation distributed control system — the Experion Process Knowledge System. More recently, HPS launched OneWireless, a multi-functional mesh network that supports

wireless-enabled applications within a single wireless network to improve safety, reliability and efficiency. Our success in technology innovation has also earned recognition from thought leaders in the industry, including analyst group Frost and Sullivan and publications such as *Control Engineering*, *Start-IT* and *Plant Engineering*.

### Bringing it all together

It's important for all HPS employees to understand what they must accomplish for us to achieve our financial goals each year. We explain the separate but related paths that all of our divisions (and employees) must follow:

**We know what our customers need and we've positioned our company to deliver.**

- Marketing turns customer needs into market strategy.
- Technology turns strategic ideas into enabled solutions.
- Sales turns contacts into orders for the solution.
- Operations turns orders into customers who are using the solution.

All of these paths lead HPS to its accomplishing its strategic goals — and it all begins with customer needs.

What are those needs? I think the demands of the today's industrial automation market can be best articulated with the current HPS brand positioning statement: Our customers want solutions that help them achieve desired outcomes in the areas of safety, reliability, and efficiency. And as the speed of production continues to increase across the globe, manufacturers need greater and faster access to the data within their plants. The winning strategy does not lie solely in information-gathering field devices or distributed control systems but rather a complete solution geared around gathering, analyzing, and delivering vital information to critical personnel throughout the plant. We know what our customers need and we've positioned our company to deliver.

### Leading change by example

The company is on track for future growth and profitability, made possible



**The company can achieve its financial goals each year only if employees understand their part in the process.**

by the creation of a customer-focused culture. Looking back over this transition, I've seen several aspects of my own leadership philosophy tested and proven, and this has reaffirmed my belief that the best way to lead is by example.

**Put customers first.** You must always put customers first in your organization's thought processes. Customers can be defined as those who purchase what you sell as well as internal customers within the organization. The key is to stay constantly engaged with your customers and learn from their feedback.

**Play it straight.** I strive to be upfront and honest with my employees and our customers. It means that sometimes people have to hear something that they didn't want or expect

## Just-in-time airplane hardware

Honeywell has signed an agreement with The Boeing Co. that will help airlines drive down maintenance costs by providing expendable parts.

Honeywell and Boeing will support airline customers worldwide by maintaining an airline's inventory of spare parts — providing items as needed. By reducing the airline's own inventory, Honeywell and Boeing will help airlines reduce their cost of doing business. The two companies teamed as part of Boeing's Integrated Materials Management program.

"Honeywell has the industry knowledge to assist airlines in simplifying the maintenance, logistics, and spare equipment availability to reduce costs," said Jeff Smith, vice president for Honeywell Consumable Solutions. "Providing hardware on a just-in-time basis is a vital element of our total inventory solutions capability."

The current agreement covers more than 5,000 part numbers to be implemented in 2007, with additional part numbers and customers to be added in 2008.



**Honeywell XYR 5000 Wireless Transmitters enable automated monitoring of variables in areas where traditional hard-wired transmitters are too costly, difficult, or time-consuming to implement.**

to hear, but I believe it's important to be honest. It builds trust and integrity — both foundations to building good relationships. I keep an open-door policy and encourage all employees to ask me questions directly, which I answer as quickly as I can. In a company that experienced unrest earlier in the decade, being honest and founding relationships on trust and integrity is critical. Of the critical behaviors for success, honesty is at the top.

**Hold everyone accountable, including yourself.** If you are consistent and persistent in walking the path you have set for your company, your people will believe in the vision and follow you. Furthermore, your behavior and actions must never be an exception to the rules you establish for all employees. A few years ago when I initiated new cost-cutting measures related to travel, I flew coach class and adjusted my meal expenditures according to the new per diems right along with everyone else who works for HPS.

**Deliver your message consistently**

**and, whenever possible, in person.**

Employee town hall meetings, annual customer events, even lunchtime at the company cafeteria — all are opportunities to talk to employees and customers about your company's initiatives and listen to their ideas and concerns. Take advantage of these opportunities as often as possible — and creating opportunities is necessary.

Overall, I provide balance between corporate and HPS initiatives to build a single team driving toward our customers being first. While we still have room for improvement, our results so far clearly indicate we're making progress, and we're well-positioned to take advantage of the cyclical upturn in the industrial marketplace. The key is living your core values while executing a consistent strategy aligned with your customers. I am confident that by embracing this approach and creating a customer-focused culture, business leaders can achieve benefits that will improve their business performance and corporate position. ❖