

Business case



***Exceeded earnings before tax (EBT)
10% above same period in previous year***

***Pilot project
conducted in North America.***





This case study covers an execution pilot project in

Maersk Logistics North America Midwest region.

Date of study: October 2007 - July 2008

Nine-month pilot project 'worth every minute we invested'

Key Results

Exceeded earnings before tax (EBT) 10% above same period in previous year despite challenging economic environment, largely due to efficiency gains and maintenance of key business. Cut 11 hours of non-value work a week, or about ½ the cost of a full-time employee in Midwest's team of 16 people. Retained all key clients.



Background: Pilot project tests FranklinCovey on small scale

Maersk Logistics launched a new strategy in summer 2006. The top management of the company – a global supply chain development firm and division of the A.P. Møller-Maersk Group – wanted all 9,000 employees to take part in executing the strategy. “We didn’t just want people to know what the strategy was,” says Alan Kenning, Strategy Office, Maersk Logistics in Copenhagen, Denmark. “We needed a specific methodology for them to create actions and then follow through in implementing and executing them.” The company’s CEO Henrik Ramskov put it this way: “It was all about figuring out what to do to make sure we executed as if there was no tomorrow.”

The company teamed up with FranklinCovey, global consultants in effectiveness training and productivity tools. Maersk Logistics’ management from all 14 global regions completed FranklinCovey’s xQ™ (Execution Quotient™) Survey, which gauges how well an organization focuses on the key drivers that optimize execution and make a high performing team. The results showed some lack of understanding in how the company’s new strategy affected the individual managers or teams.

Maersk Logistics wanted to continue working with FranklinCovey to learn how to best implement its strategy. The company therefore in September 2007 enrolled two of its North American teams to test FranklinCovey’s 4 Disciplines of Execution — a management

method designed to help employees achieve their goals more effectively. Taking part were the teams from the Midwest region and North America Customs. All employees in these teams took the xQ Survey in the beginning and then at the end of a nine-month project period. Henrik Ramskov says that when the project began, he wanted to see improved results measured in dollars and value to our customers. “We needed to see the strategy come down to the level where the ‘rubber meets the road,’ and in the end we wanted to be able to see the connection between: we did this, the output was that,” he says.

The story of one unit

This is the story of one of the units, **Maersk Logistics Midwest region**, based in Chicago, Illinois, with 16 employees. Together with an office in California, Midwest manages the supply chains for customers’ cargo from overseas origins to destinations across the United States. The company does not actually touch its customers’ products. Instead, it manages the information of those products’ movement around the globe to their final destinations. An operations team handles the day-to-day handling of clients’ shipments, while client development managers work with customers’ upper management to develop longer-term strategies in optimizing supply chain solutions.

Midwest does not have a sales department under the same leadership as its director, Matt Ennis; another team handles that. Therefore, the sales team was not part of the 4 Disciplines process.

Midwest managers completed FranklinCovey’s



“We needed to see the strategy come down to the level where the ‘rubber meets the road’ ”



*Matt Ennis,
Director of the
Midwest region*



4 Disciplines training in October 2007, then they started a nine-month process with their own teams and together as a unit.

The process

We join the team in Chicago a half year after its FranklinCovey 4 Disciplines training sessions. Outside the fifth-floor windows of Maersk Logistics' North America Midwest offices, a March rain drizzles onto a woodsy suburb.

Seven colorful graphs hang on a bulletin board outside a conference room under a headline: WIG ("Wildly Important Goals") Scoreboard. The graphs chart progress by week. A flowchart shows two WIGs and their long term (lag) and day-to-day (lead) goals, or measures.

Four Midwest managers meet with FranklinCovey's Meg Thompson. Meg has been the company's 4 Disciplines coach, training them in the beginning and then talking to them once a week for a weekly "WIG" session. She shares a laugh with the team about the first several weeks of the process.

"It felt like we weren't getting anywhere," says Mark Venard, Operations Manager. "There's a learning curve in the beginning," says Meg. "The first phase is always hard to watch, because a team must change its behaviors." She says Midwest followed a typical process of setting its goals way too high at first.

Mark says, "Initially it was difficult. Where do you start? It's the [Donald] Rumsfeld thing: You don't know what you don't know. And we didn't know."

Making a company goal personal

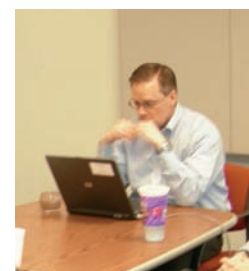
What the company did know was top management's main goals in the new strategy. Matt Ennis, Director of the Midwest region, says the team focused on just one goal to keep things simple. That became its key WIG: a four-year EBT target.

Because the company's sales force did not report to Matt, generating new business as a way to increase the EBT was out of the question. An earnings target was therefore tough for people on his team to relate to, Matt says. "Some wonder what a figure like that even means to them," he says. "How does it translate to what they're doing day in and day out? That's the hardest thing to do at the management level: how to take that one WIG and break it down into components, then break down further into deliverables for these guys on our teams."

Deborah Read, Client Development Manager, adds, "And if you're not in sales - like us - and you see a revenue goal, you tend to say, 'I can't do anything about it. That's not my goal.'" Mark Venard agrees. "You can't take that figure and divide by the number of people in the organization and say, okay, deliver this."

Matt continues, "So we looked at this to ask, 'What can we affect?' We found two pieces: maintaining our business - especially our key accounts - and increasing our productivity."

With his knack for analytics and detail, Mark became the developer of the WIG Scoreboard - finding a way to visualize the weekly goals



Mark Venard,
Operations Manager

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Meg Thomson,
consultant,
FranklinCovey

"The first phase is always hard to watch, because a team must change its behaviors."





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next to the actual accomplishments. After several attempts he landed on a simple Excel chart and bar graphs. As the team discovered, it was difficult enough just figuring out what to measure. “What was the best way, visually and aesthetically, to show progress?” he says. “Should we show only whole tasks, or fractions? If someone said, ‘I achieved half of this task,’ what’s a half? How much of the minutia made sense to include as an achievement?”

The WIG sessions

The teams held a weekly WIG session – as is usual in the FranklinCovey 4 Disciplines process. Every person had to account for the last week’s performance and make plans to move the score the next week. This recurring cycle was met with resistance at first in Mark’s operations team.

“Human nature says, ‘This is work. I don’t want more work. I want to go back to the old way,’” he says. “For my team, it was another meeting they had to go to. And they had to deliver what they did or did not do in front of their peers. That’s hard.” He adds, “We wanted to convey that either we fail or achieve as a department. So when you looked at it that way, your individual goal became subordinate to the depart-

ment. It transformed it from just me to: it’s the team.”

In addition to the team WIG meetings, the managers held a weekly WIG session by conference call with Meg. “I threw them a lifeline once a week,” says Meg. “At first our Friday calls were one of the hardest things to do, but they were the biggest turnkey in terms of behavior.” Matt agrees. “The weekly phone calls with Meg were good,” he says. “Just like the team meetings, you were held accountable every week. It was part of the discipline. It forced us to get our scoreboard updated and then sit down and talk through it. Then I had a chance to look at the numbers and ask questions with my team. It was the key to the whole process.”



WIG I: Client Retention

Lag (long term) measures:

- maintain 100% of the top 10 clients
- maintain 80% of the remaining 9 clients
- Lead measures (3 in all): Employees or managers call or visit clients x-number of times beyond the usual necessary communication.



For a logistics company like Maersk Logistics, losing a client's business significantly affects the bottom line. "Client retention is critical in our business," says Matt Ennis. "Since we didn't do our own sales at the time, we couldn't generate new business. But we could try to grow a client's business."

The Client Retention WIG was born, fitting in with Maersk Logistics' company strategy of engaging better with clients. "The WIG forced us to measure it," he says. "It gave us a way of formalizing some of the things we knew we should be doing, and now we had a way to document them."

At first, says Deborah Read, the lead measures seemed pointless. "We did this stuff anyway on my team – meeting with clients face to face and making sure we'd spoken to them by phone every week," Deborah says. "But once you stopped to think about it, were we really calling once a week? Were we really visiting them once every quarter? This made you focus on the right thing. It made you book that flight, it gave you a little more sense of urgency." "I never really measured how many times I was face to face with the client before," agrees Elizabeth Kennedy, director of a large retail account. "I can see a difference now. I got to know the whole team much better, who's who, all the key players there. It's a good feeling."

Extra contact brought results

For their part in the WIG, the operations team members had to start contacting their clients three times a week – not just when there was

a problem. Since such an action was almost unheard of among logistics operations departments, some clients were immediately suspicious. "It's kind of funny," Mark says. "We had clients who said, 'Why are you calling me? I'll call you when there's a problem, and don't call me otherwise!'"

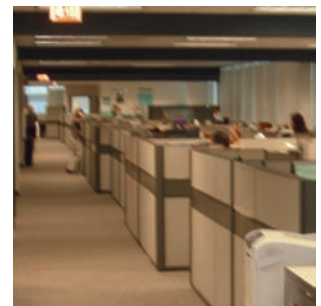
Patrick Byrne, Operations Manager, says the team adjusted the way it tackled this WIG. "You had to learn to work the question into other conversations. 'Have I taken care of all your problems today?' You had to have a segue in there. You couldn't just call the client and ask, 'Hi, how is everything going today?' They'd just say, 'What is wrong with you? Who put you up to this?'"

Soon, the team started to see results – and unexpected benefits. Senior Logistics Specialist Mark Bray helped a client to discover a source of unknown losses, for example. "I could see they weren't recording their shipments' volume or weight on their purchase orders," Mark says. "The numbers weren't matching up with what their vendors were booking for container volume and what their purchase orders said." So Mark began to put together monthly reports for the client, showing the numbers and discrepancies. "It helped them to improve their processes. These phone calls have resulted in a lot of outside effects we didn't foresee," he continues. "They have transformed from just a type of 'Hi, how's it going?' to being ultra-responsive to our clients' needs. We got one compliment that we were forward-thinking. This client likes what we're doing – our ability to take an issue and see what else we can do with it to get beyond a one-time fix."



Mark Bray
Senior Logistics Specialist

"It helped the customers to improve their processes. These phone calls have resulted in a lot of outside effects we didn't foresee."



Midwest offices



WIG II: Increase Productivity



*Elisabeth Kennedy
Director of a large
retail account*

*"We streamlined
the claim process
so the actual payout
on claims was reduced 80%.
That's a lot!"*



*Peggy Fitzgerald
Logistics Specialist*

*"At first we were all
skeptical. But at the end of
the day, it has definitely
been worth every minute
we've invested in it."*

Lag measure: Eliminate 10 hours of "non-value" work a week.

Lead measures (4 in all): outsourcing non-value "busywork" tasks to service centers.

For this WIG, Mark Venard explains, "We're contracted to deliver day in and day out, 24/7, no interruption. If we jam our people up with back-office tasks – rote, mechanical things – it doesn't give them time to expedite." The WIG set out to allow employees to handle more capacity, thereby increasing overall productivity while keeping costs down. The team already knew it needed to outsource its non-value busywork, but now it had a good reason to actually execute the job.

The weekly WIG sessions brought out the challenges of this goal quickly. "We had people who didn't even know where to start," Mark says. "We finally worked out that it was just a matter of getting someone to show them how to do it. So we'd say, 'Okay, Mark, I want you to help Gloria with this. I want her to sit at your desk so you can show her how to do it.' Then Gloria would say, 'Oh, god, such a relief!' "So the meetings turned into enablement, instead of, 'What's your problem? Get it done!'" he continues. Logistics Specialist Peggy Fitzgerald says, "I wasn't even thinking I could have outsourced one current report I was running. It was just part of my daily routine. Now it's gone!"

The outsourcing work resulted in unintended improvements for clients as well. Elisabeth Kennedy says her team found a process that not only cut a lot of time for Maersk Logistics, but also time and expense for a major client.

"We did quite a detailed overview of a claims process with our client, and streamlined them so the actual payout on these claims was reduced 80%," Elisabeth says. "That's a lot."

The results

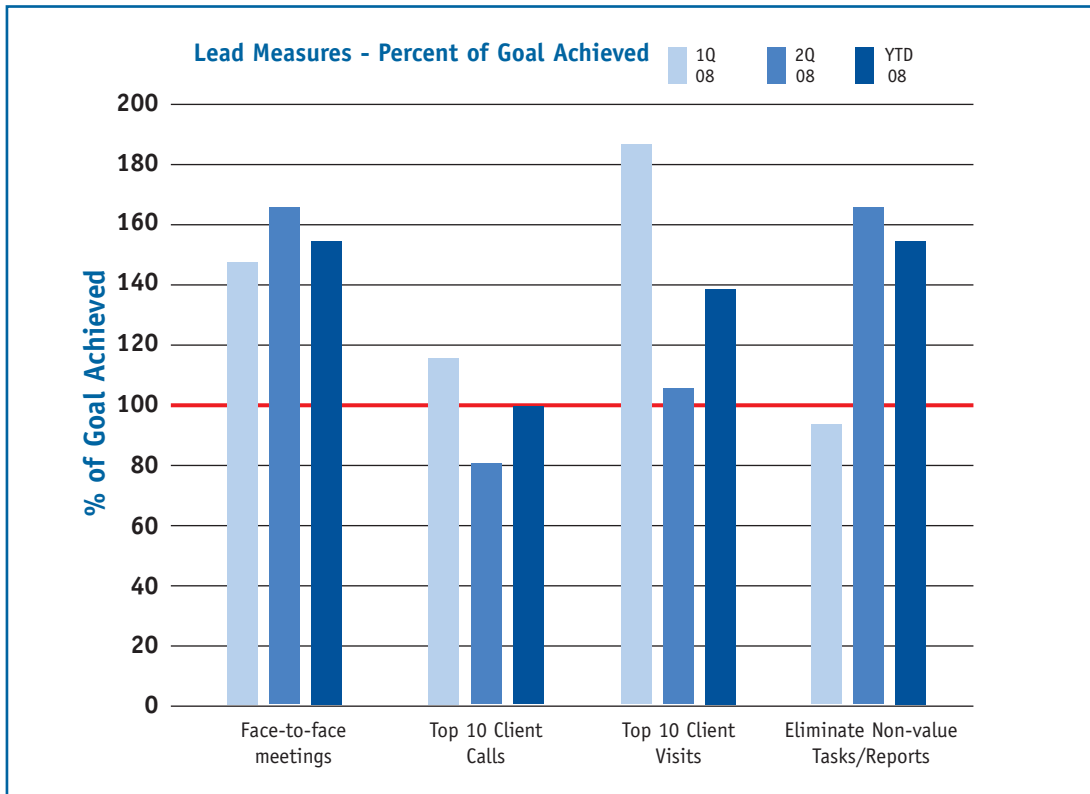
It took several weeks before the WIG scoreboard was in place. Weekly WIG meetings were also interrupted at first by winter holidays and unseasonable bad storms that closed highways and airports. Finally, after the new year, everything just took off. "Once we got over the hump of figuring out what our true leads and WIGs are, it became a routine scenario," Matt Ennis says. "The team has done a really good job. They put together some good lead measures and have kept up with them well.

By February 2008, the unit started to reach or pass each week's lead measure goals. "There was a sense of 'We can do this!'" remembers FranklinCovey's Meg Thompson. Peggy Fitzgerald says, "We started working on outsourcing the reports – and then it actually started happening. It was great watching the scoreboard move. Being able to say, 'We've reached 79% of our goal, and we still have three weeks to go. We can do this!' It was really a team builder. At first we were all skeptical. It was like, how am I going to find the time to do this? But at the end of the day, it has definitely been worth every minute we've invested in it."

WIGs reached or exceeded

From Matt Ennis's viewpoint, the FranklinCovey process helped his unit to achieve the





*Matt Ennis
Director*

“We expect that our past and ongoing efforts will result in revenues on par with if not above those seen in this region in the previous year.”

following results:

1. From end 2007 through the first two quarters of 2008, the unit’s productivity improvements saved 11 hours per week or about \$40,000 annually – roughly the cost of 1/2 a full-time employee.

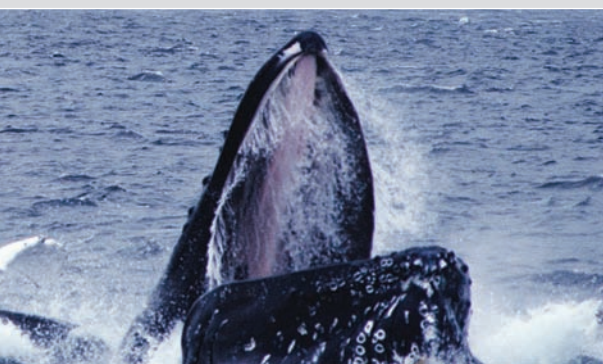
2. Exceeded EBT 10% above same period in previous year despite challenging economic environment. “The enhanced client contact and focus on productivity targets no doubt contributed to our ability to maintain key customers and deliver consistent revenue,” Matt says.

3. In 2008 the unit retained all of its key customers. “We believe that increasing customer intimacy has contributed to this,” he says.

4. “We expect that our past and ongoing efforts will result in revenues on par with if not above those seen in this region in the previous year,” he says.

Significant findings in xQ results

In addition to the positive financial results, Maersk Logistics Midwest showed significant improvement in some of its xQ scores. xQ, or Execution Quotient, is FranklinCovey’s measurement of organizational health as it relates to execution. The pilot project involved a control unit, Maersk Logistics’ Northeast, which did not work with the 4 Disciplines of Execution



Change in score (in points) from first xQ survey to final xQ survey,

Overall 75 - 77: +2

Individual Planning	+17
Individual Time Allocation	+ 5
Individual Commitment	+ 3
Individual Engagement	0
Individual Accountability	(-1)
Individual Goals	(-4)
Team Trust	+13
Team Focus	+10
Team Empowerment	+10
Team Communication	(-5)
Team Planning	(-7)
Team Accountability	(-7)



Meg Thomson

“It is great to see that applying the 4 Disciplines can help us to improve productivity and profitability.”

but instead did business as usual. Sixteen people at Midwest took the xQ in September 2007, part of 177 overall in the company, with an 82% response rate. A follow-up xQ survey was administered to 114 overall with a 91% response rate in July 2008; that included 14 people in Midwest. The overall starting value in Midwest’s first score was already high for xQ, says FranklinCovey’s Meg Thompson. “It is always harder to raise a score that is high to begin with,” she says. Midwest’s total end score went up just two points overall, but several areas of significant double-digit gains surfaced – as well as areas of regression.

Meg Thompson says that the most overt findings in the data from Midwest were the high scores in the area of “enabling,” the measure around an organization’s systems and processes to help employees get their work done. “It is typically one of the lowest scores on xQs,” she points out. Midwest, however, scored particularly well on Team Empowerment (+10 pts.), Organizational Performance Improvement (+10) and Organizational Support (+7).

Midwest also raised its scores significantly in the area of “synergy,” an overall heading that encompasses communication, collaboration and trust. “These skills are fundamentally required for execution to be in the top 10%,” says Meg. Team trust rose +13 points. “Trust is one of the most difficult areas to improve within any xQ and this kind of an increase is very significant,” says Meg. She adds the high score can be attributed partly to Matt Ennis’ entrance as Midwest’s Director when the project began. “His management style was very different from his predecessor, opening up channels of communication and using an open door approach

for his team,” she says. “There was also a new President for Maersk Logistics – Jeremy Haycock – who, like Matt, had a very open style and strong emphasis on candid communication. This was simultaneous with the xQ project, where effort and attention was placed on very specific goals for the team.”

Furthermore, the scores for Team Focus (+10), Individual Planning (+17) and Individual Time Allocation (+5) tell the story of a team that is clearly focused on its goals, and most specifically on their individual contributions, Meg says. “It is perhaps the very directed emphasis on Individual Accountability that affected the scoring on Team Planning (-7), Team Communication (-5) and Team Measures (-10),” she adds. This conclusion was supported in the survey’s Open Response section, where participants both praised and critiqued the topics of communication and team building, respectively.

Meg says, “It is not unusual in any circumstance to suffer on one front when the other is emphasized,” she says. “The team was so focused on the scoreboard, they stopped paying attention to the team relationship. It’s like learning a new golf swing – it will temporarily screw up your game but improve it once you adjust.” She adds that after the xQ scores revealed this imbalance, Midwest’s managers scheduled events to re-emphasize the team and find its balance again.

Continuing the 4 disciplines

Matt Ennis and his team at Midwest agree that the FranklinCovey process is something they will go on with, whether or not Maersk



Logistics' top management decides to expand the work with the rest of the company. When Meg Thompson heard this, she knew the 4 Disciplines were working for them. "I have never worked with a client that said, 'We want you to come back' if they didn't really feel like it had value," she says. "Typically, if something's not working, a company will ditch it as soon as somebody stops looking. To have Matt's team say they didn't care what the company does but they're sticking with it - to me, that's it, right there."

"The results are encouraging," says Maersk Logistics' CEO Henrik Ramskov. "It is great to see that applying the 4 Disciplines can help us to improve productivity and profitability. I am especially pleased to see that the process - by helping us to focus on what is truly important - brought us closer to customers and in doing so allowed us to create more value for them."



Stop mistakes before they happen

"It's not rocket science," says Bob Capaldo about Franklin Covey's 4 Disciplines of Execution. Bob is President of Maersk Customs Services Inc., a division of A.P. Møller-Maersk. Maersk Customs Services also participated in

the pilot project with Maersk Logistics/Damco. Bob oversaw the project.

"The reason you do this is to eliminate some of the issues you might have before they arise," Bob says. "To me, that was the key to this." He liked the 4 Disciplines approach because it kept the goals and progress visible at all times. "In addition to the pure visibility of having the weekly meetings, you had the charts [the WIG Scoreboard], which were visible to the entire team," he says. "That kept things in front of people and kept them aware of it." The extra time needed for the project was worth it, in his view. "If you don't take the time to do it that way, you'll have to take the time to correct a mistake," he says. "And that's more critical than taking the time to measure things beforehand. A mistake in the Maersk Logistics or Maersk Customs Services world carries two big circumstances. For one, it causes more work. The other is the possible loss of a client. Taking the time to do this forces us to sit down in advance and assess things and try to avoid that mistake."

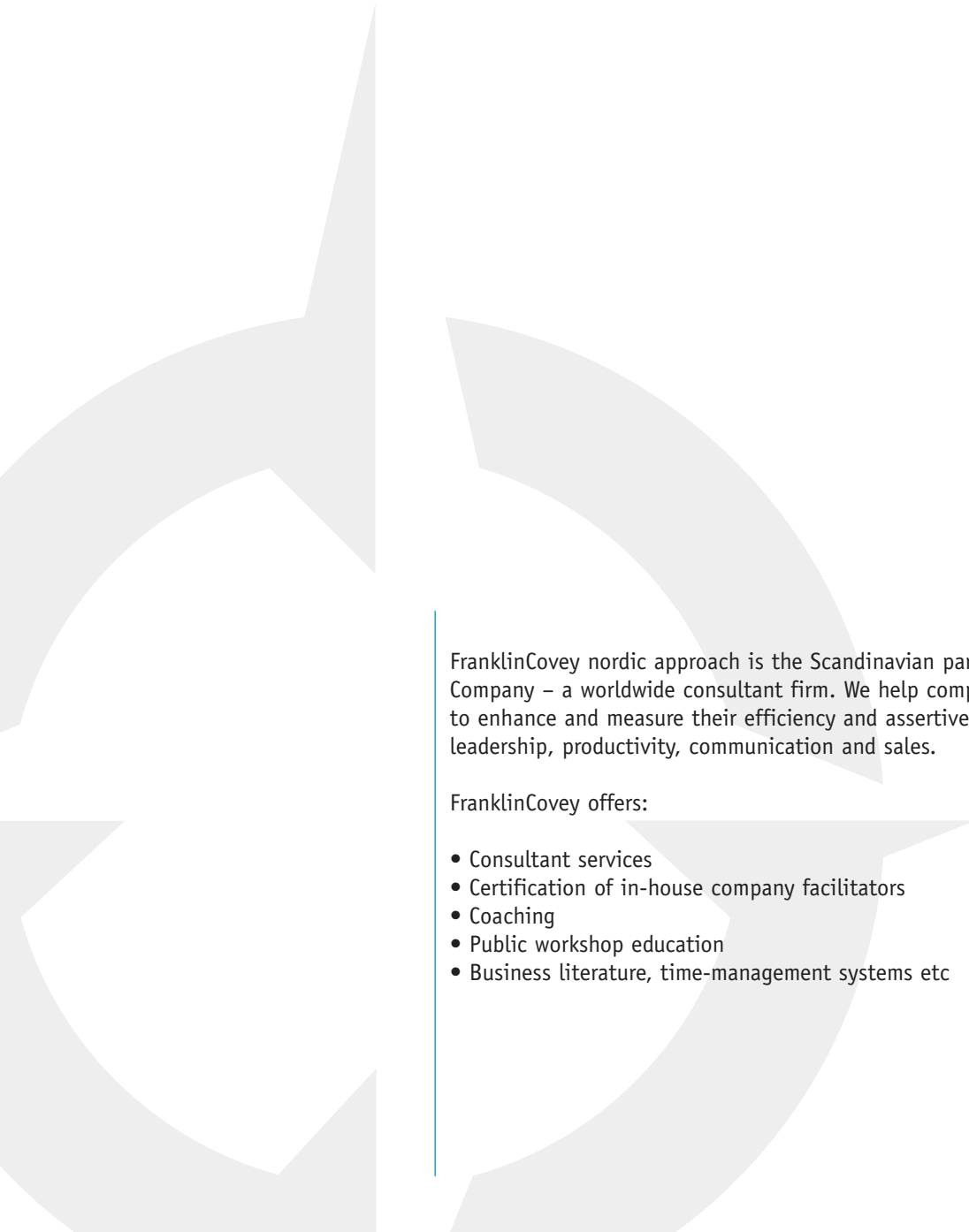
Bob says he's satisfied with the way he saw the FranklinCovey process work at the units. "I'm satisfied with what FranklinCovey did and how they approached it. I'm satisfied with how flexible they were in working with our schedules - I know it meant a lot to our teams," he says. "And I'm satisfied with the good guidance we received." His advice to others who embark on the 4 Disciplines of Execution is to embrace the process. "Make sure that you work with the weekly meetings and phone calls as you go through this application," Bob says. "Pay keen attention to the leading indicators. It's the only way you'll learn how to execute our strategy." ■



Bob Capaldo, President of Maersk Customs Services Inc., a division of A.P. Møller-Maersk.

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FranklinCovey nordic approach is the Scandinavian part of FranklinCovey Company – a worldwide consultant firm. We help companies and employees to enhance and measure their efficiency and assertiveness in areas such as leadership, productivity, communication and sales.

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