Building a Best-Practice Organization

Lending organizations today face complex challenges in building value for consumers in a commodity business. Yet the best companies are tackling organizational change that will leave them in the best-of-breed class.

By James D. Jones

This year lenders are grappling with a year-over-year forecasted decline in mortgage originations of roughly $260 billion, according to the Mortgage Bankers Association (MBA). As a result, they are rushing to identify ways to stabilize profits.

Refinance loans are estimated by MBA to total roughly $983 billion in 2005, $689 billion in 2006 and $559 billion in 2007. As such, they are in no way going to produce the volume lift the industry enjoyed during 2001–2003. To cope with this new environment, large lenders, including Washington Mutual Inc. (WaMu), Seattle, have embarked on plans to wring substantial costs out of the mortgage franchise while pursuing greater efficiency and productivity.

Tom Casey, WaMu's executive vice president and chief financial officer, announced during a fourth-quarter 2004 earnings conference call in January 2005 that WaMu had already reduced mortgage bank noninterest expenses by $469 million or 15 percent in 2004, as compared with 2003. Casey also indicated there exists substantial opportunity to continue to improve efficiencies in WaMu's mortgage bank. WaMu is certainly not alone in this respect, but it serves as a powerful example. Countless mortgage lenders are currently seeking ways to cut costs in light of the current production volume downturn.

Craig Chapman, then president of WaMu's commercial and mortgage banking units, presented the bank's mortgage strategies during WaMu's November 2004 Investor Day. Chapman's presentation included the awareness that the company was encountering changing market conditions, significant industry volume declines and shifts in product mix, including a higher demand for adjustable-rate mortgages (ARMs).

Chapman stated that WaMu's focus is on improving operational execution and building scaleable, repeatable processes in order to meet customer needs while simultaneously reducing costs. WaMu's customer research, as

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presented by Chapman, identified that primary mortgage customers' preferences include: (1) obtaining competitive rates and monthly amounts (i.e., fair deal); (2) an accurate closing process and ease of closing (i.e., execution); and (3) speed to resolve issues (i.e., service).

WaMu's announced focus for 2005 is to improve efficiency throughout its mortgage process. Many mortgage lenders have identified the same goal.

I believe that mortgage lenders are limited in their strategic alternatives to create and maintain a true competitive advantage. The mortgage industry is a mature industry and, as such, is characterized by several factors over which mortgage lenders have limited or no control: product pricing, product commoditization, the secondary market, regulation, retail and wholesale compensation structures, and customer preference.

Lenders understand that the market sets prices; individual lenders do not. Lenders that choose to compete for loans must price to the market. Consumers generally view the mortgage as a commodity and demonstrate low brand loyalty.

Given that there are factors over which lenders have little or no control, what strategies can companies pursue to generate long-term success?

An "economy of scale" strategy, fueled by multiple acquisitions; or a product, channel, geographical or customer "niche" strategy are two common strategies. I contend that all lenders, following scale or niche strategies, must also pursue a best-practice organization strategy, characterized by operational excellence and cost control, to achieve enduring success.

A best-practice organization is focused on elements that lenders can control and deliver—operational excellence, efficiency and cost management when originating, selling and servicing mortgages. A best-practice organization embraces a culture that continuously identifies, adopts, implements and improves best-practice business process execution for the major components of the mortgage banking value chain. That value chain includes origination, secondary marketing, servicing, mortgage servicing rights (MSR) management and risk management.

Best-practice organization overview

A best-practice organization is defined as one that promotes best-practice business processes throughout all major business activities to improve productivity, efficiency, effectiveness, cost control and customer satisfaction. Such an organization has a deeply engrained culture of best-practice execution, or operational excellence, as a core strategy.

Best-practice organizations continuously scan the external environment, inside and outside the industry, to identify new best practices to more efficiently and economically execute business processes. The core tenets of these organizations are operational excellence, cost reduction and customer satisfaction (see sidebar, "Best-Practice Organization Characteristics").

Michael E. Porter, a world-renowned strategist and Harvard University professor, in his 1996 *Harvard Business Review* article, "What Is Strategy?," defines the concept of the "productivity frontier," tying together the concepts of best practice and customer value. The productivity frontier, for any industry, according to Porter, is the frontier that represents the sum of all industry best practices.

Porter argues that companies operating at the productivity frontier will deliver the highest non-price value to its customers. A company that does not execute with best practices incorporated throughout its company will spend the same amount of money as a best-practice company to deliver services, but will consistently deliver lower value to its customers.

Porter's productivity-frontier concept, when applied to the mortgage banking industry, can be understood using the following example. A best-practice lender (BPL), with best-practice process execution throughout its origination business unit, may originate loans through its retail channel at $1,000. The BPL may offer certain non-price customer value, including the following: 80 percent of approved retail customers receiving point-of-sale (POS) Conditional Commitment Letters; an average refinance loan application to closing cycle time of 19.2 days; and 98 percent accuracy rate for retail mortgage closings. These best-practice lender metrics demonstrate a high level of operational effectiveness, efficiency, customer satisfaction and cost control.

A peer non-best-practice lender (non-BPL) competing in the same market space will not achieve the same operational excellence. For its retail and Internet channels, the non-BPL may not offer POS automated underwriting system (AUS) decisioning and Conditional Commitment letters. The non-BPL may have an average application to closing cycle time for refinance mortgages of 40 to 50 days or more. The non-BPL may not offer "smart" Internet refinance applications for its existing customers that automatically pre-fill customer information (instead forcing existing customers to apply over the Internet as a "new" customer and type in all required information or apply through a loan originator).

There are three core competencies a mortgage banking company can use to produce a sustainable competitive advantage over time: superior people, advanced technologies and best-practice business processes. A best-practice organization combines these three to maximum effect.

Strategic alternatives to a best-practice execution strategy

There are several strategic alternatives that are typically considered to achieve a sustainable competitive advantage. One is repeated acquisitions in order to build economies of scale. Lenders soon learn, however, that a critical post-merger requirement for success is a strategic focus on operational excellence in order to reign in costs, achieve required financial goals and improve customer satisfaction.

WaMu, in its November 2004 Investor Day mortgage banking presentation by Chapman and during its fourth-quarter 2004 earnings conference call on Jan. 20, 2005, emphasized the importance of improving operational execution and reducing the mortgage bank cost structure in order to meet its financial objectives. Chapman illustrated a primary challenge that faces lenders following an aggressive acquisition spree: the need to consolidate business functions, physical sites and technology systems.

He reported WaMu's enterprisewide plans to consolidate to two loan origination systems (LOSes) by the third quarter of 2005 from an original number of 10 LOSes. Chapman reported an estimated total cost reduction of between $250 million and $300 million annually for seven major consolidation initiatives at the company. It is apparent to the outside observer that WaMu is migrating toward Porter's productivity frontier. It is doing so in part by consolidating loan origination and servicing systems, fulfillment and servicing sites and by exiting "out of bank footprint" retail mortgage lending markets.

Certainly, lenders must be adept at MSR management, risk management and loan production. There is, however, a strategic imperative to reduce a lender's cost structure while increasing customer value. Because the industry appears to be entering a long period of reduced loan volume, lenders will face increased pressure on pricing and margins. An appropriate strategic response to decreased volumes and pricing pressure is to transform the company into a best-practice organization that focuses on operational excellence, lower costs and enhanced customer value.

Creating a best-practice organization may seem like getting back to basics and, in fact, it is exactly that. Patrick Barwise, professor of management and marketing at London Business School, and Seán Meehan, professor of marketing and change management at IMD International, Lausanne, Switzerland, in their article in the winter 2004 issue of *strategy+business* magazine, "Making Differentiation Make a Difference," recount Shell Oil Company's efforts to improve its European retail unit in 1999.

Shell contemplated several strategies to improve its European gas sales performance but opted for a then-controversial one—an initiative to improve the basic elements of the customer experience based upon customer feedback. Shell learned through surveys that customers overwhelmingly want the gas-purchase experience to include reasonable costs, physical shelter from the elements at the pump, transaction speed, reliability and physical cleanliness.

Rather than embark on another strategic path to increase sales—for example, product differentiation—Shell poured money into improving the basics. Barwise and Meehan report that Shell, by 2001, reported a double-digit increase in European gasoline sales and markedly improved financial performance. Shell Oil Company, knowingly or not, adopted the model of best-practice execution to increase customer value. Shell reorganized people, technology and process to increase customer value—cleanliness, speed, price and comfort.

Translate the Shell experience to mortgage banking. The same customers who buy gas for their vehicles obtain home financing. What are the basic preferences of mortgage customers?

Previously we learned about WaMu's customer preference research. In addition to WaMu's findings, other lenders have reported to me that convenience, approval speed, service reliability and simplicity are strong consumer preferences. A best-practice organization, in its operational execution, I believe, can produce an increase in these values as well as a lower cost structure.

Examples of best-practice processes

There are, to my knowledge, no mortgage banking organizations in the United States that currently embody all industry best practices within their companies. I believe this is due to several practical considerations. An enormous and unachievable financial commitment and resource allocation would be required to achieve such a high standard. Today's lenders, consumed with issues such as acquisitions, recent historically high origination volumes, current volume contraction, MSR management and servicing portfolio runoff, simply have not had the time to also accomplish an end-to-end transformation of business processes.

At the same time, technology innovation is evolving rapidly. Often new best-practice innovations are the result of new technology innovations. Today's innovative technologies—for example, the Internet and electronic document management systems—have enabled new best practices. Lenders, having made sizable investments in legacy systems, are not financially able to quickly "swap out" technology platforms and software systems to take advantage of a best practice not available five years ago.

BEST-PRACTICE ORGANIZATION CHARACTERISTICS

- Substantial executive commitment to operational excellence, efficiency and cost control
- Commitment to advanced, intelligent technology leveraged for efficiency, cost and productivity gains
- Investment in advanced bilateral integration between internal and external technologies enabling electronic supply-chain relationships
- Use of best-practice organization operational, financial and productivity metrics to measure performance
- Employment of fulfillment and service pathways that emphasize minimum required tasks, technology leveraging and automated workflow management
- Use of technologies as a substitute for paper-based activities, including such technologies as electronic document-management systems and eDisclosures
- Ongoing communications strategy to further the best-practice organization vision

Best-practice processes are often enabled by advances in technology. An example of a best-practice process that became mainstream is automated underwriting. Leading companies such as Countrywide Financial Corporation, Calabasas, California, along with the two government-sponsored enterprises (GSEs), Fannie Mae and Freddie Mac, introduced automated underwriting system (AUS) solutions in the mid-1990s. Fannie Mae offered its Desktop Underwriter® and Freddie Mac introduced Loan Prospector®. During the last 10 years, these AUSes have spawned a number of lender best-practice processes.

Lenders have deployed AUS technology in back offices with processors and underwriters, in call centers with sales representatives, in retail channels with loan originators and at Internet points of sale. Over time, what was considered a leading-edge best practice during the 1990s—AUS deployment in back-office underwriting and processing departments—has now become a mainstream best practice.

Today, the leading-edge best-practice AUS processes include retail channel POS automated decisions; Internet POS automated decisions; and automated workflow loan fulfillment pathways triggered by AUS decisions. Current AUS best practices also include AUS usage for portfolio loan-risk evaluation and decisioning.

Fannie Mae's *Mortgage Focus 2003,* the agency's annual benchmarking study, reported that lenders that applied AUS usage at the point of sale not only increased their productivity and improved their customer service, but also decreased costs. *Mortgage Focus* lender respondents using an integrated AUS at the retail point of sale reported an average origination cost of $1,524 and 66 closed loans per direct full-time equivalent (FTE). That compares favorably with retail lender respondents that employed manual underwriting with an average origination cost per loan of $2,549 and 51 closed loans per direct FTE.

Best-practice processes emerge over time as lenders and vendors continue to attack inefficiencies. Over the next decade, paperless eMortgages—currently a work in progress—will likely become an industry best practice.

HOW TO LAUNCH A BEST-PRACTICE ORGANIZATION INITIATIVE

- Executive definition of the best-practice organization objectives
- Executive communication of the best-practice organization initiative to key stakeholder groups
- Designation of best-practice design team(s) for all area(s) under improvement
- Diagram "as-is" environment, including current process work flows, technology usage, employee utilization, key metrics and design-team improvement ideas
- Industry best-practice research and evaluation
- Diagram best-practice model best-practice organization, including best-practice process workflows, technologies, employee utilization and best-practice organization metrics
- Best-practice implementation planning

Building a best-practice organization

Best-practice organizations are difficult to build and sustain. An organization first must make a long-term strategic commitment to process efficiency and cost reduction. Best-practice organizations require significant and serious ongoing executive-level commitment.

WaMu has made an executive decision that exceptional operational efficiencies and cost reductions constitute critical mortgage bank strategies to achieve corporate success. As a result, the company has dedicated executive resources to achieve its efficiency and cost-reduction objectives.

WaMu's Casey reported substantial improvements in the company's mortgage banking performance during the fourth-quarter 2004 earnings conference call. Some of these improvements—a year-over-year noninterest expense reduction of $469 million, a 28 percent improvement in mortgage fulfillment productivity and a 15 percent improvement in origination cost per loan—occurred because of the commitment of WaMu executives.

I contend that most lenders—with the same level of executive commitment—can achieve similar results. Each best-practice initiative I have participated in over the years has been ignited by executive involvement. One or more executives arrived at the conclusion that their organization had to dramatically improve efficiency and cost-effectiveness in order to succeed.

Best-practice visions for these executives produced objectives dealing with cost reduction; cycle-time reduction; paper elimination; reduced risk; customer satisfaction improvement; error reduction and improved compliance. These executives decided that their company must identify, adopt and implement best-practice processes in order to achieve these objectives.

A second essential component to begin building a best-practice organization is the dedication of a cross-functional best-practice design project team. Such a team should be staffed with front-line representatives of each business process undergoing transformation.

Front-line best-practice design team members are the employees who have the clearest idea as to real details of the current process environment: what works well, what can be improved and ideas for improvement. A cross-functional team can also highlight the impact of changes on all parts of the organization to ensure that adopted changes truly produce a positive impact throughout all affected areas of the company.

A best-practice organization initiative must be undertaken with clear, quantifiable objectives that are defined and then communicated. Executive leadership is essential for this step. Lenders embarking on the path of best practices enter a period of high uncertainty and insecurity for some employees.

The clarification by management of specific best-practice objectives will assist the best-practice team and the organization to aim at the correct targets. Best-practice objectives typically include efficiency, effectiveness, productivity, cost, cycle time, service level and risk targets. An important task required to launch a best-practice organization initiative is the executive communication of the vision in such compelling terms that the best-practice design team and other employees are persuaded of the importance, legitimacy and priority of pursuing the goals.

An important requirement for the success of a best-practice culture is the ability of executives and leaders to address, answer and manage the spoken and unspoken opposition of resisters to change.

An insight I've gained over years of best-practice initiatives is that the quest is always viewed differently by various employees. The initiative simultaneously will be met with acceptance and support, resistance and challenge. The fundamental reason for this is the specter of dramatic change that may accompany the pursuit of a best-practice organization.

True operational excellence and stellar customer satisfaction are lofty goals. Most lenders will embark on transformational organizational business process and technology improvements in order to create a best-practice organization that is capable of achieving these results.

Employees tend to view the potential for dramatic change accompanying the quest for a best-practice organization in several predictable ways. Some are convinced that best-practice adoption is essential for the enduring success of the company. These employees, "best-practice champions," are eager to begin transforming the organization and are advocates of technology, process and organizational innovation. Often, the champions cannot understand why it took the company so long to pursue widespread best-practices improvement.

Other employees, "best-practice observers," are more neutral in their stance toward the prospect of turning the company into a best-practice organization. Observers are open to being convinced that best-practice adoption is the best strategy to ensure corporate success. Observers, at the beginning of the process, have not concluded whether the known status quo or an uncertain best-practice organization future is preferable.

"Best-practice resisters," the third major group of employees, are comfortable and secure with the status quo and unwilling to embark on the uncertain and change-intensive journey that is implicit in the transformation of the company into a best-practice organization. Resisters may offer numerous explanations for their resistance but, at the core, are likely to resist change because they interpret the change as threatening in some way.

Resisters may believe that a changed company could be a place where they may lose their current position or be required to accept an unfavorably restructured position. Resisters may believe they may not want to learn new tasks or may not have the proper skills to succeed in the new environment.

Resisters may also believe there is a low likelihood of success that the company will be able to transform itself into a best-practice organization. Or they might believe that the new standards of the transformed organization will be too difficult for the firm to achieve. Much of the resister's opposition, I have learned, comes from fear of uncertainty and potential loss, or because the resister believes the migration to a best-practice environment will not produce the envisioned financial success.

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Building a best-practice organization

One effective way to commence building a best-practice organization—once the objectives, communication, design, design team and timelines are decided—is to proceed to identify, research and document three areas for the units under transformation. These areas are:

- an "as-is" business process, technology, employee and key metrics diagram;
- relevant industry best-practices research; and
- a best-practice model business process, technology, employee and key metrics diagram.

The major elements of a best-practice organization launch are illustrated in the sidebar, "How to Launch a Best-Practice Organization Initiative." It's helpful to consider each area and understand its importance in the building of a best-practice organization.

'As-is' process diagramming

Nothing brings better or more uniform clarity of understanding by the organization of the processes under improvement than graphically diagramming the current business processes, technology utilization, key metric achievement and employee actions. If current processes are documented to sufficient detail, an "as-is" business process workflow diagram advances the need for best-practice adoption.

Often, the best-practice design team and management may only comprehend, for the first time, the degree of potential improvement by seeing things in these graphic terms. This is because an "as-is" diagram clearly portrays the most glaring examples of errors, costs, task duplications, gaps, inefficiencies, technology weaknesses and delays. During the documentation of the "as-is" environment, participants are able to identify and discuss what works well, what is inefficient and costly, and what would improve the processes in need of best practices.

Industry best-practice research

Often, organizations have a difficult time with this step, identifying the relevant mortgage industry and other industry best practices for the processes under review. This is not surprising. Managers, because of their demanding day-to-day responsibilities, are required to focus most of their attention on managing their workloads and staff. Little additional time is available to scan inside and outside the industry to identify and validate potential best practices.

Periodically, at mortgage conventions, vendor user meetings and seminars, managers may hear about best-practice ideas but

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often not in sufficient detail to determine whether an innovation is truly a best-practice advance for their organization or a costly experiment that will ultimately prove unsuccessful.

This stage—industry best-practice research—is critical to building a best-practice organization. To succeed at this task, companies must identify their stance toward innovation. Is the company aggressive, moderate or conservative toward innovation?

An aggressive stance will mean that the company may take the lead in the launch of a new industry best-practice innovation. For example, Countrywide Financial Corporation, Calabasas, California, assumed the role of aggressive innovator when it implemented its proprietary Countrywide Loan Underwriting Expert System (CLUES) internally in the early 1990s, prior to Fannie Mae and Freddie Mac introducing their AUS solutions to the marketplace. Companies that are moderate or conservative in their stance toward innovation will want to wait until an innovation has proven itself as a best practice in the marketplace, based on multiple successful lender case studies.

It is critical for mortgage lenders to spend adequate time (using internal or external resources) identifying the current and emerging best practices appropriate for the organization's business model and objectives. Companies should also consider whether best practices in other industries could be adapted to mortgage lending. Adequate attention should also be given to emerging innovations, such as eMortgages, to ensure that the organization's best-practice model workflow will be flexible enough to incorporate future innovations as they are successfully embraced by the industry.

MAINTAINING THE BEST-PRACTICE ORGANIZATION IMPLEMENTATION MOMENTUM

- Ongoing executive communication
- Implementation of the best-practice organization vision in several stages, based upon organizational, technology and financial considerations
- Strong project management
- Integration of best-practice organization implementation milestones and metric achievements into company incentive plans
- Implementation of best-practice metric measurement and reporting
- Periodic update of industry best practices and best-practice organization revisions, as appropriate

'Best-practice' model-process diagrams

Once an organization has clearly understood and documented its current "as-is" environment and identified and selected applicable best practices, the best-practice design team is ready to design its best-practice model workflows. The best-practice model workflows describe the organization's desired future—how it believes the business processes should be conducted in a best-practice organization.

Model workflow processes, advanced technology usage, ideal employee utilization and desired best-practice organization standards and metrics are incorporated in the best-practice model workflow diagram. The details should be specific enough to illustrate the business processes under improvement.

Some of the process improvements contained in the model workflow can be implemented over the short term, taking advantage of existing best practices. Other process improvements—dependent upon the company completing a major technology project or the maturation of an emerging best-practice innovation—can be achieved over the midterm or long term. The best-practice model process diagram represents a multiyear image of the best-practice improvements to the organization.

Each implemented improvement will move the company closer to Porter's productivity frontier. Over time, the organization will be able to deliver more value to its customers more efficiently and at a lower cost.

The reality of a multiyear migration to become a best-practice organization leads us to the next point: How does a lender consistently continue to implement best-practice improvements to its business processes? After all, the implementation of the best-practice model workflow is essential if a lender is going to achieve its objectives of reducing costs, increasing efficiency and improving customer value.

From design to reality

Best-practice implementation planning is an essential step in taking the great ideas identified by the design team and organizing, staffing and prioritizing the required tasks to build a best-practice organization. The amount of work required to implement best practices for a company undergoing this transformation at first may seem overwhelming.

To place the amount of required work in perspective, let me share with you some insights gathered over a number of years facilitating best-practice initiatives. Typical best-practice loan-origination process initiatives for small to midsized lenders will require from 75 to 150 specific projects, and will span two to four years to fully transform the unit to a best-practice environment. Commonly, one-third to one-half of the loan origination projects will involve technology, sometimes involving the

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replacement of LOSes, system-integration projects or the selection and installation of advanced technologies.

A typical small to midsized servicing organization best-practice initiative can include 75 to 125 required projects, where again one-third to one-half of the projects will be technology-related. The total implementation period can also span two to four years.

A megalender, such as WaMu, will have hundreds or thousands of identified projects to transform its organization to a best-practice level of operational efficiency, effectiveness and cost control. WaMu illustrates the megalender's project management challenges. Consider the multitude of projects, coordination, decisions and staff required to consolidate to two loan origination systems from 10, to one servicing system from two, and to four servicing centers from nine—all current WaMu consolidation initiatives identified by Chapman.

During implementation planning, the most critical tasks are: to identify the projects required to migrate the organization to a best-practice environment from the "as-is" environment; prioritize the projects by time period; and identify the project managers, staffing resources, preliminary budgets and project timelines.

One planning tip to begin prioritizing projects is to divide the projects first into categories by time period: near-term (i.e., current quarter), medium-term (i.e., current year) and long-term (i.e., future years). Many projects will naturally cluster around major milestones—for example, the implementation of a new LOS or servicing system. Other tasks will be obvious "no-brainer" tasks that can be placed in the near-term category. These are the kind that lead the planners to ask themselves, "Why don't we just do that today?" Other tasks naturally are considered long-term, awaiting the maturation of an evolving technology or a substantial capital investment.

Staying the course

Very few corporate initiatives are as important as building a best-practice organization that is characterized by operational excellence, process efficiency and cost control. The sidebar, "Maintaining the Best-Practice Organization Implementation Momentum," lists several methods that can maintain the momentum.

Several ways lenders can ensure that the migration to the best-practice organization proceeds on course include resource management, adequate funding, incentives, formal project management, executive communication and the employment of key metrics. Sufficient staff resources need to be allocated to the implementation of the best-practice model workflows. Some of the best people to be assigned to the implementation are the same managers who served on the design team. These employees have the best understanding of the importance of each task, represent each of the affected areas, can serve as effective change communicators and advocates to the organization, and have bought into the vision. The best-practice model workflow is their "consensus" vision of the company operating at peak performance through best-practices adoption.

Ongoing funding will be required for the best-practice initiatives. Generally, technology upgrades and new technologies will represent some of the large capital expenditures. Funding needs to be calculated, allocated within the annual budget and approved by management. Major expenditures identified as part of a best-practice initiative should be justified using return-on-investment (ROI) and payback analysis.

Many lenders already have corporate or incentive programs, often awarded annually. Lenders looking to achieve best-practice success should include best-practice organization project milestone and operational metric achievement in group and individual incentive calculations. This will help ensure the organization achieves its objectives.

For example, a lender may decide that two best-practice operational metrics will be (1) an average application to closing cycle for refinance mortgages of 10 days and (2) an average cost of $800 to originate a mortgage. Incentive payouts, in part, can be calculated based upon achievement of these metrics. In addition, an individual may be a project manager for a number of implementation tasks related to the best-practice initiative. Annually, the successful completion of that year's projects would contribute to the individual's incentive plan payout.

Formal project management is an important component required to manage the simultaneous completion of the best-practice projects and ensure that these projects are properly integrated into the many other activities that occur within an organization. Often, a company has its own formal project-management culture and practice. The best-practice implementation project planning must be integrated into the company's established methodology, including required approval, update and resource-allocation procedures.

During the migration to a best-practice organization, executives can continue to focus employees' attention on the importance of achieving best-practice performance—operational excellence, superior efficiency and cost control. They can highlight the importance of achieving these goals for the enduring success of the company as well as being the best way to provide long-term career opportunities for its employees. **MB**

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