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# Performance excellence

The lean philosophy finds a new home  
in vehicle rental with Avis Budget Group

# Performance *excellence*

Martin Ashcroft finds lean returning home to automotive through process improvements in a vehicle rental business



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The business philosophy we now know as “lean” has its roots in automotive manufacturing with Toyota. Many other industries have since seen its value, and the language of lean can now be heard in the corridors of healthcare facilities and financial institutions — anywhere, in fact, where waste can be eliminated from processes. It makes for a perfect circle, then, that lean should now re-enter the automotive sector through a door opened by a car rental business.

With increasing fleet costs putting pressure on margins, and economic conditions offering little scope for price increases, the vehicle rental industry has been in a period of consolidation to take out costs. “When you put all the variables down on a piece of paper,” says Avis Budget Group (ABG) chairman and chief executive officer Ron Nelson, “what screams out strategically is that if you want to succeed in this business, you need to be the low-cost provider.”

Avis Budget Group is no stranger to doing more with less, Nelson adds, but senior management agreed that it was time to find a different way. In March 2007, they approached David Myers, vice president of financial planning and analysis, to take on a new full-time responsibility as global deployment leader for a new effort which became known as PEx (Performance Excellence).

PEx has been developed over the last couple of years in partnership with business consultancy Breakthrough Management Group International. Short of in-house staff with process improvement skills, ABG chose its partner carefully. “There were two things that tripped the wire for me,” says Myers. “BMG was more practical and less theoretical than some, and they were willing to stay with the project for a longer period of time and not walk away. They invested in making this work and that’s one reason it’s been so successful.”

The first thing to do, naturally, was a business evaluation to identify where there was most room for improvement. But this was not done in the boardroom. “We went to 15 different locations and tried to identify the best opportunities, pull as many as we could together and then prioritize them,” says Myers. “We came up with over 300 to begin with, and from those we chose some very good starting projects.”

One of the first principles of lean is standard work. Wherever a process has to be repeated, efficiencies can be found by performing it in the same way, time after time. Huge savings can be made on an assembly line through standard work, but for a business that performs the same processes in hundreds of different locations, standard work is Aladdin’s cave.

One of the early projects identified by Myers and his team



was vehicle check-in, the essential ingredients of which are recording the vehicle's return on a handheld device, checking for damage, checking the gas and the mileage, asking the customer if there were any issues with the vehicle, making sure they have not left any property in it, and giving them a receipt. "You would think that checking-in a car would be pretty uniform across all locations," says Myers, "but we found there are almost as many processes as there are locations." Some people were taking a dozen or more steps in the process, he recalls, which keeps the customer waiting, and others were doing only two or three, perhaps missing something that had to be followed up later. "So we ran what BMG calls a SCORE event," he says (kaizen, in lean language), "and came up with a relatively straightforward five-step standard process."

The check-in project was first run at the Avis location at Chicago O'Hare Airport. That project, with one brand at one location, saved \$250,000. "We have around 400 airport locations across the country between Avis and Budget," says Nelson, "so if you find a project at one airport you're likely to have the opportunity of replicating it — not at all 400, but certainly some." In the 180 airport locations where the recommended check-in process has since been replicated, savings are now over \$10 million. "The multiplier effect is pretty impressive," says Nelson.

"We're a multi-site company but basically we do the same thing at every site."

Once the process has been nailed down, replicating it at another site is easier, too, than starting a new project. "Our average cycle time for an original project is somewhere between six and eight weeks," says Myers. "It's usually about three to four weeks on a replication, so it allows us to do twice the amount of work, and we don't have to reinvent the wheel every single time."

Avis Budget did not go into PEx with the deliberate intention of doing a lean project or a six sigma project, or anything else with a label on it, which was another reason that BMG scored highly with them. "They weren't lean, they weren't six sigma, they were like we wanted to be, agnostic with the tools," says Myers, "but they had the whole panoply of tools so we could use whatever we needed." Having said that, the vast majority of the 1,000 or so projects identified so far have been "lean." As with most improvement implementations of this kind, there is a great deal of "low hanging fruit" to be gathered in the beginning.

To make the transfer from consultant to in-house expertise, ABG identified 70 performance excellence leaders and trained them in lean and change management tools—and they had to be the best people. "You can't do this part time," says Nelson. "We took 70 of our high-

performance people out of their jobs to do this full time.”

Six sigma will come in later, when the lean fruit has been gathered in. “We’re just starting to do some six sigma training,” says Myers. “We had so much opportunity with the lean tools, so we wanted to start there. After that, based on continuous improvement, we’ll go back and do better in some of those projects.”

CEO Ron Nelson has given his full backing to Myers and his team. “They involved the people who were actually doing the work on these processes,” he says. “That made it work because people were invested in it. Now they own it.” This top-down approach was a great benefit to the PEx team. After talking to people at conferences and seminars, Myers notes that many of his peers are trying to do this from the bottom up. “They know the benefits of lean and six sigma and they’re trying to convince their company of it,” he says, “whereas the senior leadership came to me, already bought in, and said they were behind me 100

percent. To be honest, I don’t know how you do it from the bottom up. You can’t change a company’s culture unless you do it from the top down.”

For his part, Nelson is thrilled with the progress made. “I’ve been at a number of companies where they have tried this kind of cost reduction process activity,” he says. “They rarely work. They’ll work for 30 or 60 days and then when the consultant leaves and the team leaves the location, people revert back to what was comfortable. But this is lasting, and everyone is charged up about it. It’s now almost a contest among the deployment leaders to come up with more ideas.”

Avis Budget Group promised Wall Street when it began PEx that it would take \$100–150 million out of its cost structure over the first three years. “We’re over \$40 million in our first year alone,” says Nelson. “We’ll end the year at about an \$80 million run rate, and we’ll be well over \$100 million by the end of the second year. I’ve become a real believer.” ■

The image shows a hand writing in a spiral notebook. In the top left corner, the BMGI logo is visible, consisting of four colored squares (yellow, red, green, blue) and the text "BMGI" above "BREAKTHROUGH MANAGEMENT GROUP INTERNATIONAL". The notebook page has the heading "Recession Plan Jan 2009" and the main heading "Find consultant to save our ass...". Below this, a list of consultants is written:

- 1. ~~McKinsey~~ too much \$\$\$
- 2. ~~Accenture~~ Off shores everything??
- 3. Breakthrough Mgmt. Group Int Execution!
- 4. ~~2 men in a truck~~ cheap
- 5. ~~IBM~~ too big

At the bottom right of the notebook page, the phone number "1-800-467-4462" and the email address "bmginquiry@bmg.com" are printed.

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