Doing Business in Challenging Times

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Management Report
A Report About Management, Business and Organizational Development
Volume II Number V

- What is Most Important to Your Customers?
- Work Flow Analysis
- Documentation
- Preferred Suppliers and Strategic Alliances
- Continuous Learning, Benchmarking and Change
- Team Building
- Training
- Planning, Goal-Setting and Measuring

Re-Engineering, TQM, JIT Manufacturing, ISO9000 -- programs all designed to enhance the competitiveness of American businesses both here and abroad! However, among entrepreneurial and closely-held corporations, few try to undertake the changes these programs introduce, and, if they do, they do so timidly, as if they are going to be burned.

The most common reaction owners have to even the most diffident mention of these processes is, "We are too small to try them -- they are only for the big boys!! And, besides, they cost too much to introduce." Another frequent reaction is the refusal to consider outside assistance in setting up one of these programs -- "What will he/she know about my business?" And, besides, "My employees can't handle this new stuff. Half of them can't even speak English!" "How can I be sure that there will be a return on investments of time, money and energy?" "Besides, we are doing just great the way we are! We have squeezed out all the fat and are as lean as we can be!"

Most of the time these responses reflect a lack of awareness about what any of these programs do in fact offer. This article is intended to summarize a few of the basics common to all these programs, basics that a business owner can very easily carry out if in fact he or she wants to grow and compete in the future. And that is really the name of the game -- growing and competing in a dramatically changing market place where Third World countries produce high quality at low prices, technology outpaces the ability to utilize its benefits and the understanding of its implications, and the nature of competition reinvents itself every day.

WHAT IS MOST IMPORTANT TO YOUR CUSTOMERS?

Value-added, if it means anything, is what and how your customers view you, your products and your services. Though this sounds simple-minded, it is really surprising to witness companies focusing on what they think their customer wants without asking the customers themselves, manufacturing product without true consideration for what the customer deems as attractive, arranging store hours without thinking what the customer might find convenient, etc.

A basic but common underpinning of the new trends is to have a plan that reflects what your current customers want from you and from your competitors, what your past or lost customers didn't find with you but have with your competitors, and what would attract potential customers who use your competitors but have never used you. This step could serve as one ingredient for a strategic plan. What this information does is to structure where in your company you should look to make changes. You might conclude that your customers want more rapid delivery of product, fewer errors in shipment, better quality product, a more varied product choice, reduced cost of product, etc.

In deciding what to tackle first, it is important not to discard any information your customers provide. Some may appear at the moment unattainable, or too costly to achieve. Many business owners at this juncture might throw in the towel and continue business as usual. However, if these new programs have anything to contribute, it is the finding that any business can take this type of information and realize a return only if they are willing to discontinue business as usual and consider alternative ways.

WORK FLOW ANALYSIS

Another element in the new wave of business ideas is the willingness to sit down and flow chart the work flow most related to the goals you have chosen to pursue.

The problem here is the nature of the entrepreneur/business owner. They are doers, not planners; they are and can be the big-picture person, not the detail-minder. What can I say other than, "Do it just this once."

Take for example the customer who wants immediate delivery of product. Right now, turn around time from order to deliver is 3 days; your customer wants product as and when he runs out of it, i.e. immediately or sooner. Your order taking system involves the following steps: the customer calls in just as his inventory of parts runs out; the order taker writes down the order; she then types it into the computer; the purchasing department accesses the order; he then calls in the order to your supplier; the supplier receives the order and whatever they do with it takes time; and so it goes.

But consider the following scenario. You arranged a preferred supplier relationship in which you would order all parts from this one supplier provided you could agree on price, quality and delivery; in which you would bypass their order entry department and directly enter their shipping department electronically, i.e. via computer links; and in which drop shipping could be arranged. Furthermore, you arranged with your customer a preferred supplier relationship in which you as his supplier was informed of all of his sales and delivery dates that involved your product; in which you agreed to monitor his levels of inventory and provide parts as needed and forecasted within agreed upon limits without his having to contact you.

This is not a pipe dream but a reality for many companies, large and small. You have essentially eliminated your order processing department and substituted an efficient process to satisfy your customer. Conducting a work flow analysis on other work processes and tasks could be equally revealing.

DOCUMENTATION

To ensure that defective or discarded parts are not improperly shipped, that measuring instruments are calibrated on a regular basis, that outdated blueprints are no longer being used, and that innumerable other concerns are similarly broached, each step of the workflow is documented in written form. Each person then knows what part of the process he "owns" and for what he is responsible. This is essentially a page from the ISO 9000 standard of quality, and, for that matter, from any other standard of quality. Each of these standards vary in emphasis and focus, but all agree on the need for documentation.

As an organizational imperative, it forces employees to be aware of what they are doing and whether they are following standards; as an organizational strategy, documentation allows you to compete in different markets. The government, for example, requires it; for overseas firms, particularly in Europe, that are expecting delivery of product, it is basic.

PREFERRED SUPPLIERS AND STRATEGIC ALLIANCES

Businesses see not only their competitors as adversaries, but they also too often lump their suppliers, vendors and customers in the same barrel. As the earlier example suggests, your vendors might be able to help you enhance considerably the value-added in your products and services. In fact, I have often suggested that vendors and suppliers be included in the strategic planning process of my clients. What they have to offer in the way of new knowledge and information can make or break the success of your new product. Preferred supplier relationships are win/win relationships. What you might lose in price can be made up, often in spades, by what you gain in service and support.

The same considerations apply to your customers. The less you see them as part of the "enemy" whom you have to convince to buy from you, the more you can see them as partners whose advice and counsel you could be seeking from the beginning of any new product introduction or sale.

CONTINUOUS LEARNING, BENCHMARKING AND CHANGE

The new motif is, "If it isn't broke, break it!!" That the nature of competition is so rapidly changing has become a cliché, though too true. Staying even, much less getting ahead, requires a continual reviewing of how one makes, delivers and services. This in turn depends on an openness to new ways of doing and looking, and, on an aggressiveness in seeing how others do the same thing. Benchmarking is the term used as businesses observe how various work processes (e.g., accounting, billing, order taking, selling, marketing, etc.) are conducted by others not only in your industry but in other unrelated businesses.

TEAM BUILDING

Let's assume that you build custom homes. A serious problem is that a great many errors are made when a home is first being built with the resulting redoing cutting into margins. You determine from a workflow analysis that all the specs are not on the blue prints when the framers are told to begin. It turns out that the Project Manager, the Designer and the crew foremen don't meet beforehand to plan but rather each proceeds with their assignment on the basis of whatever information they have immediately available.

By having the three meet as a team with the customer as negotiations proceed and once again just before construction begins, the firm is able to increase their margins while increasing quality. This kind of solution is an example of a "team approach to quality".

The way most business owners see work getting done is through the efforts of individuals each doing their job as well as possible. However, this is only part of the picture since each individual depends on others within a firm. Another way of saying this is that each employee is a "supplier" (of parts, product, information, service) to another employee (a "customer") often in another department. This network of individuals doing a job is a more accurate picture of what occurs in business.

What many companies have done is to utilize this model of work and created cross-functional teams who are given the responsibility to produce, correct, amend and change work processes. A team could consist of a member of marketing, operations, administration, sales and design, all working together on getting out a new product. Other businesses (both manufacturers and services firms) have divided their entire companies into such cross-functional teams

A significant contribution to the effectiveness of your teams is knowing what your employees think about your firm. What I call an organization audit consists of surveying (confidentially and anonymously) the attitudes and opinions of employees. This survey can direct efforts into changing what employees find counterproductive and inefficient, if not downright discouraging.

TRAINING

Each of the above elements of new business practices depends on extensive training of employees not only in the technical aspects of their work but in some of the "softer" areas, like decision-making and problem solving, team work, financial bottom line considerations, statistical process control, supervision, etc. A very basic assumption underlying modern business trends is investment in employee training is a competitive advantage. It not only promotes learning of new procedures, but it also enhances the identification of employees with your firm and encourages initiative and responsibility.

PLANNING, GOAL-SETTING AND MEASURING

Everything we have discussed thus far needs to fit into a plan, an overall strategy that the guides the company and its business into the future. The long term strategy and the accompanying changes has to be based on customer needs and perceptions. In plotting change, a firm has to first analyze how it does its work, how processes interconnect. Given this analysis, a business is then able to consider how it can change what it does in order to add value to their products and services

The work has to be documented and, as change progresses, has to be continually updated. Learning new, more efficient and productive ways of delivering a product or service keeps strategic plans current and relevant. The entire plan depends on employees: how well trained they are, how they work together as a team, whether their identification is to the firm or only to their job and salary, the degree of their willingness to take initiative and responsibility.

And, again, all of this depends on a plan of action guided by an overall strategy of where the company is going.

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