



STRATEGIC PLANNING &
IMPLEMENTATION ASSOCIATES, INC.

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195 Merrimack Meadows Lane – Tewksbury, MA 01876 USA
(978) 640-0803 FAX (800) 676-0329
www.spiainc.com

SYSTEMS THAT PEOPLE IN MY COMPANY CAN FOLLOW? WHY WOULD I WANT ANYTHING LIKE THAT? IT SOUNDS TOO COMPLICATED

An Article by A. Craig Stimmel, CMC MBA
Strategic Planning & Implementation Associates Inc.

Can you imagine anything worse in business today than to have internal operating/sales-marketing or financial management systems in place that everyone knows and understands, and can use? Yes, the kind of systems that helps make the company more efficient and better able to compete (smile)? What a thought.

Probably, almost immediately, you'd start to think that whoever said that was either crazy or worse.

Businesses ARE efficient – aren't they? Well, (big smile) sometimes they are! And other times they are anything "but". OK – I admit it, sometimes they shoot themselves in the foot.

There's no question that there are a numerous companies that exhibit one or more of the following symptoms of inefficiency. See if you recognize any of these in companies you know:

- The Ops manager is still using mostly manual systems that reflect the way the company ran back when it was founded? Examples: warehouse ops, supply chain, order fulfillment, manufacturing, CRM (if under ops), etc.
- Finance – collections, AP, P&L/Balance Sheet – reports generated by request if at all, management by exception (great exception) with little control & even less monitoring/management.
- HR – recruiting/background checks/hiring - without job descriptions or even a formal process to follow. Training that is haphazard – lacking in form/structure or even with defined goals based on a "skill or knowledge requirement" appropriate to the specific position.
- Business Development – Sales executives whose knowledge of their marketplace, their company's competitive advantages, unique selling proposition, the account base and where the opportunities really are less than satisfactory and typically result in non acceptable sales performance.

You get the idea.

To illustrate how negatively an impact this lack of structure and efficient processes are to a company – a distributor client of mine had been in business for 60 years and had 5 distribution centers in operation in Boston Metro. The executive team, all family members, were the third generation in charge. The average tenure within the company exceeded 20 years – some had been there for more than 50 years. They had 70 employees. Here's what I found after a serious look-see:

- Systems were the same ones that existed in the 1960's ('BC' before computers) although at the time I looked, computers were in place but underutilized and the software in place very old and not very efficient.

- The sales organization had, believe it or not, over 10,000 accounts on the books – assigned approx. 500 each to the salesforce of 20 reps. Fewer than 150 of any rep’s accounts had “ever” seen a rep during the preceding year – and even those who did, saw them infrequently. The criteria of either a visit or a phone call being more whether the rep enjoyed visiting with the account or not. The balance of the accounts was “on the books” because there was business being done. The customer had to initiate it and never heard from his/her rep. No follow-up ever took place no matter whether the company was large or small. And, you guessed it, overall sales were flat with strong competition biting at its heels.
- Overhead creep was severely impacting the company’s profitability – Net pretax was down to < 1%. The cost of escalating salaries, OSHA adherence, vehicle insurance, medical & other benefits (this company paid 100% of a family plan – very benevolent), fuel/energy, etc. were going through the roof.
- The executive team did it the way the previous generation did it – and were frightened change. Even worse, this same management team was frightened that if they didn’t change, the company might not survive.

Know any companies like this one?

The prognosis for this particular distributor was pretty grim considering the circumstances.

We were lucky in this case. The company did not go out of business. The executive team decided to fix it. Certainly it was a close call at the time when we first got involved. We were successful in turned it around. Today, more than four years later, it’s growing, is substantially more profitable and can effectively compete. It wasn’t any overnight process.

So why do companies allow this kind of thing to happen? Why would a company shoot itself in the foot by letting things slide till they reached this point. There are many reasons. Mostly they centered on the fact that no one wanted to rock-the-boat for fear they might make someone in the company unhappy. So they did nothing or next to nothing. That only works so long as we know.

So is there a root cause for what happened? Yes – it ties into the strength and power of the entrepreneur and his/her drive, energy and focus on success for whatever business they are launching.

Entrepreneurs are very dynamic people. They have to be – they’re driven by their belief in their skills to build a business and make it successful. Unfortunately, at the same time these people are driven, not many of them have a balanced business background and competencies in each of the following areas: 1) Sales/Marketing; 2) Operations; 3) Finance. Usually (hopefully) they’re savvy and comfortable in their personal area of expertise (one or even two of the above) but lack experience in the others.

Imagine the following scenario: you can have a person who is terrific in sales but only “OK” in ops and “marginal” in finance. Since it takes a balance between each of these, the company often starts off with 2-strikes against it. Why? Because a company without strong advocates in each area is “vulnerable”. Imagine a company where the entrepreneur:

- Has only limited finance experience or the expertise to establish/manage and monitor financial controls necessary to keep the company healthy from a financial perspective.
- Has limited knowledge of sales/marketing but has never had any personal experience in marketing, business development or in creating sales delivering systems that get results.

The processes (and systems) that are used are usually the same ones that the entrepreneur was using prior to starting the business that he/she brought with them from wherever they were working or that they learned from a book or seminar on the subject. Their practical experience is limited except in the usually single area of competence – the other elements are a “learn by doing” process.

So what should this entrepreneur have done? Should he/she use technology? No question, technology can help. Technology is only as good as the people who are using it together with manual systems/procedures that allow it to succeed. It's part of a process – not the process overall. People have to interact and information has to flow "in" and "out" to make technology the valuable tool it can be under the right circumstances.

If you see yourself in this scenario, take my word for it, there are answers. One has to step back and look at the company as a group of integrated systems and processes all working together. If the systems/processes aren't integrated – aren't working smoothly in sync with one another, then *change is needed*.

The executive/manager needs to step back and look at the processes, the workflow and the results that are being achieved using the present processes. Then, drawing upon the entrepreneur's (or outside advisors) knowledge & experience, begin to upgrade the internal processes. This isn't one of those "it sure would be nice "sometime in the future" kind of action plans. This is one that needs to happen sooner than later. *The price for not doing it can be very high and even "mortal" for the company.*

Remember success in business usually comes from the effective use of processes & systems that are run by people working day in and day out.

If the processes/systems are old, inefficient or your people aren't properly trained to utilize them, YOU, not they, are the loser. Your competition will smile all the way to your customer's doors as he/she "takes your business right out from under you".