

“I Just Want To...”

A close friend and I sometimes play a thought game. It is called If I was Emperor of the World. In the game one of us will propose a change of law or rule that if applied to the whole world would improve life for most everyone in the world. The other will support the idea, propose a better idea or shoot down the idea. Proposing magic or assuming godlike powers is not allowed. The purpose is to get a discussion going. A brief example illustrates how the game is played.

My friend might say, if I were emperor of the world health care would be made universal and paid for by the world government. On this I would disagree on the grounds of economic impossibility. If we spent what the U.S. spends on health care that is about \$6,000 per person per year, the world population is 6.6 billion so the total cost is about \$40 trillion per year. The entire world economy is only \$45 trillion per year. That doesn't leave much for the rest of the world economy. He will counter that health care need not cost as much in the rest of the world as it does in the U.S. I will counter that by creating unlimited demand cost will be uncontrollable. The real point of this game is not that we get to a solution to the problem of delivering health care, but that we discuss the issues.

Why do I take your valuable time to describe a thought game? Because it illustrates both the good and the bad in the improvement processes that occur in many businesses.

On the good side are two items. Any idea can be thrown out and two people will have more information that bears on the idea than any one person can have. On the other hand, the goal of the game is discussion of improvement, while the goal of managers is making improvement. Way too often the setting of goals and doing something becomes the end of projects. A teacher of mine in continuous improvement methodology referred to this as the Plan-Do-Plan-Do trap. How many times have you seen a worthy goal stated, actions agreed to and implementation started only to have limited or temporary results?

We have all seen this in our business life – many more business plans launched than succeed. Launches of new strategic plans are a prime example of great ideas agreed to, plans made, money spent and implementation apparently put in place and yet the gain sought is never attained. In their work on implementing strategy, Robert S. Kaplan and David P. Norton note that between 70 and 90 percent of organizations fail to meet their announced strategic goals. (The Strategy-Focused Organization, Harvard Business School Press, 2001.) The Key problem identified is not setting an incorrect strategy; the key problem is a failure to effectively implement the strategy chosen. The same applies to any business plan, not to only the grand strategic plan.

For small businesses implementing a plan for improvement can be especially difficult. Plans typically are adopted to set forth a course of action that is beyond what the business is already doing. It might be a plan to increase sales, improve productivity, reduce inventory or any number of other things. However, the employees in the organization

are already calling on customers, getting the product on the truck or ordering materials the best way they know how. So a major impediment to getting the plan executed is that it is perceived as additional work and it probably is.

The second problem that small businesses have is that they perceive that they lack the capital or financing to implement the plan. It may be that the small business in fact can't afford to implement the improvement, but that is not always or even usually the case. I would posit that for most situations the small business can't afford not to make the improvements. The roadblock comes from the form of implementation that is proposed. The sales manager says that he can increase sales by lowering prices, the production manager says that productivity could improve if he had more supervisors, the purchasing agent could order more efficiently if only he had daily reports on levels of inventory.

The owner's first response is I am not giving away my profits, we have too many supervisors and I am not hiring someone just to count inventory. I tend to sympathize with the owner at this stage, but also understand where the employees are coming from. What the employees are saying, however, is that they need help to improve things. The subtext of each of these messages is that the employee is doing what he can as best he can and he will need additional resources to make the improvement.

Many improvement plans falter at this stage. The owner or manager proposing the plan simply can't see how spending the additional dollars will benefit his bottom line or that the limited resources available are applied elsewhere. The risk is just too great that lowered prices will not lead to enough new business to make up the margin foregone, that the additional supervisors will not in fact improve productivity or that knowing marginally more about inventory will not lead to lower inventory levels.

Success is hard. Implementing a business plan requires multiple activities that must be mutually supporting. This is not an exhaustive list, but any plan requires:

- A realistic goal that can be implemented with resources available
- A goal that is measurable
- Communication and buy in for the plan
- A person who is responsible for implementation
- A willingness to adjust the plan to circumstances

There are many methods for creating and monitoring business plans such as the Balanced Scorecard, many "lean" techniques and even ISO quality systems. These all incorporate one way or another the elements that I have listed.

A good step that often leads to good results is to create a cross functional team to help create and execute the plan. In our increased sales example this team may be the owner, a sales person, the manufacturing manager and the financial guy. As a team they will have more insight than any one person can have. For example, the manufacturing guy may know that the fastest growing product in the shop is the new and low volume X, and that the old line base products Y and Z are lagging based upon current orders booked. The finance guy may know that X has the highest margin in the catalogue. The sales guy may know that there is new competition for product Z with new features. Based upon all of this a plan may be formulated that actually raises the price for X, lowers the price for Y and decides to invest in

a refresh for product Z. Action plans can be drawn up for each element and timelines and benchmarks set. The cross functional team is often the fastest way to create a realistic plan, obtain buy-in on both the plan and the metrics and have a large number of people who can communicate the plan throughout the organization. The sales guy is willing to take responsibility because he has the support of the organization.

There may even be the trifecta in this plan. The light goes on in the manufacturing guys head. If X is going to grow, productivity can be increased by reorganizing the production line for X. Communicate the plan to the purchasing guy and he may realize he can reduce inventory for materials and finished goods in Y and Z because they are not growing at historical rates. Action plans for these items can also be established.

Weekly metrics can then be set to track the effect of the price changes. When the product refresh on Z is ready to launch it can be tracked also. Metrics for production and inventory levels can also be set. If desired results are not achieved the action plans can be adjusted.

Adopting this rather simple method of planning with cross functional teams can help any organization to improve. Making such teams part of the culture is a good start on creating a continuous improvement culture overall. It is not a panacea, but a good start.

For the small businessman keeping it as simple as possible is important and I am not advocating small businesses hiring a bunch of six sigma black belts as a solution to all problems. In fact one size clearly does not fit all. However, pretending to be emperor of the world doesn't work either.