

Understanding SMEs and Their Business Environment

1

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JULY 2012

PART 4

Helpful



Continued

Operational Advice

2



Advice #31

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- Know your **revenue generators and sales channels** and protect them and nurture them
 - Products
 - Services
 - Inventory
 - Website / e-Business
 - Affiliate programs
 - Partners
 - Catalogs
 - 800-Number



Advice #32

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- **Manage inventory.** Too little inventory will hurt you; too much of it will hurt you. Know your **inventory turnover** number and establish **minimum reorder quantity** for your products. Classify your inventory into fast, average and slow moving items. Put more emphasis on the fast moving items
- Remember: The easiest way to lose customers is to have the wrong inventory or too little inventory

An Example From ITT

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Inventory Optimization

- evaluate your inventory
- recommend safety stock
- cross plant rationalization
- eliminate duplication and standardized materials of construction

Inventory Process Improvement

- automate replacement process
- integrate planned repair schedules



Population Survey

- recommend sub assemblies to eliminate costly multiple levels of inventory
- identify upgrade opportunities
- power end exchange program
- identify obsolete inventory
- recommend material reationalization

Excess Inventory Disposition

- use in PRO Shop repairs or for credit
- remarketing to other ITT Industries customers

Purchase An Inventory Management System

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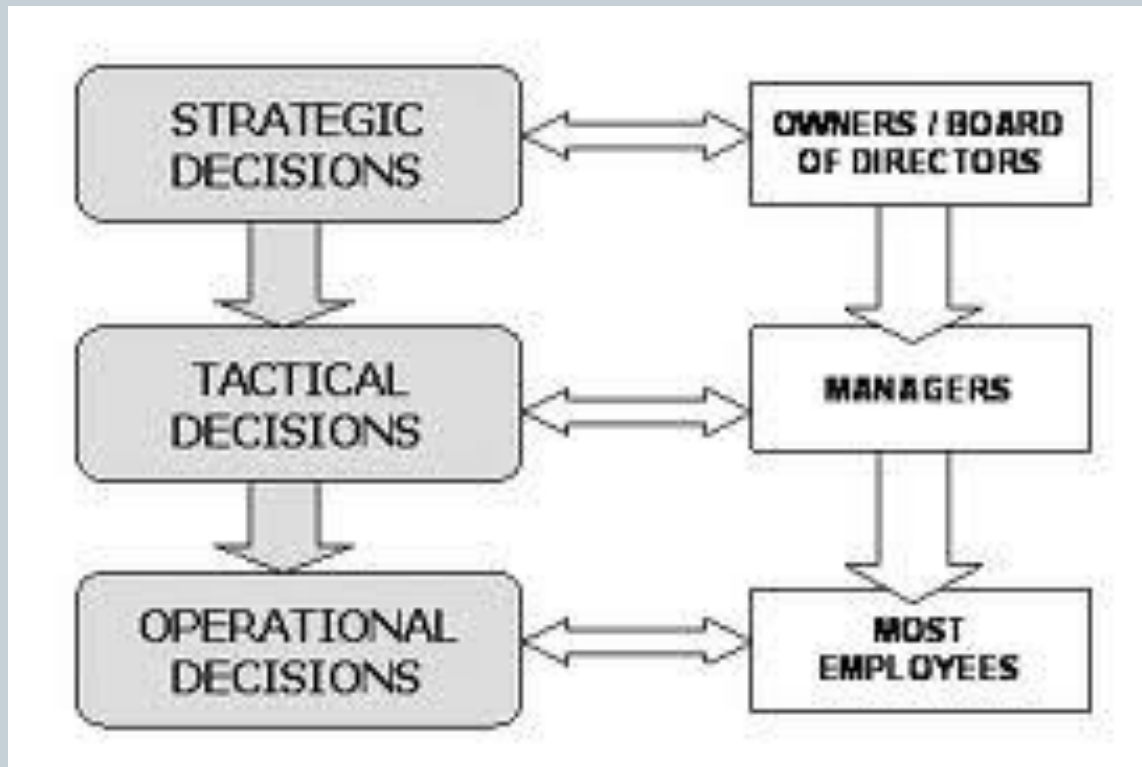


Better yet, integrate it with an ERP system, if you already have one

Advice #33

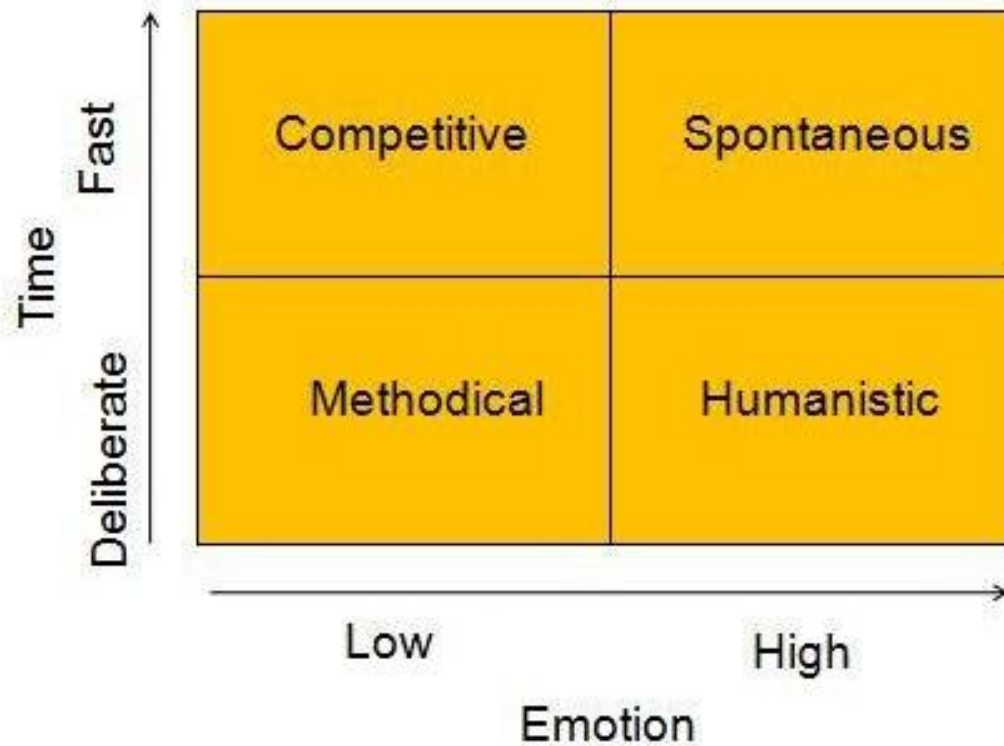
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- **Improve Decision Making** at all levels



Decision Making Landscape

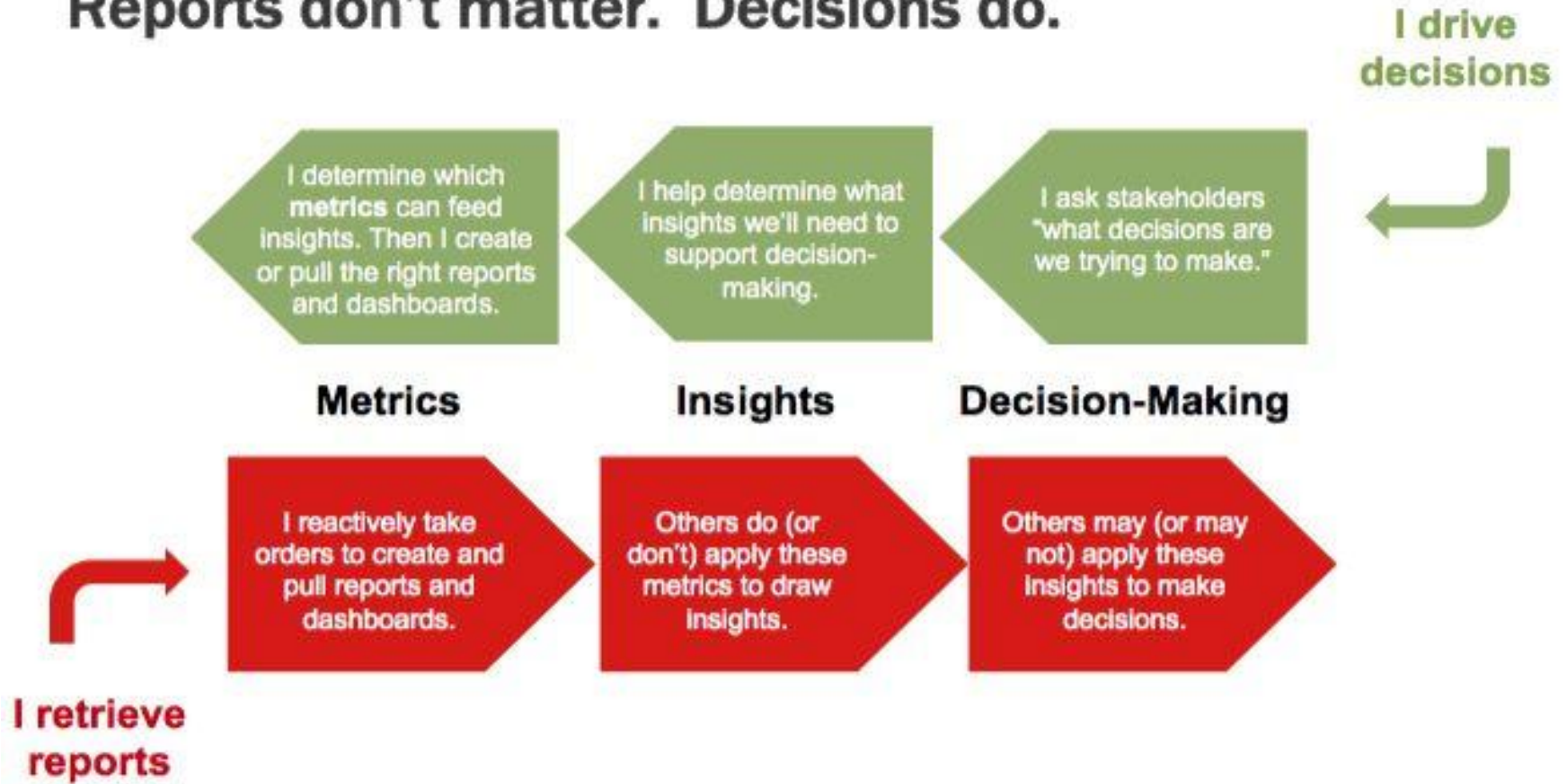
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Reminder

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Reports don't matter. Decisions do.



Advice #34

10

- Manage well



Advice #35

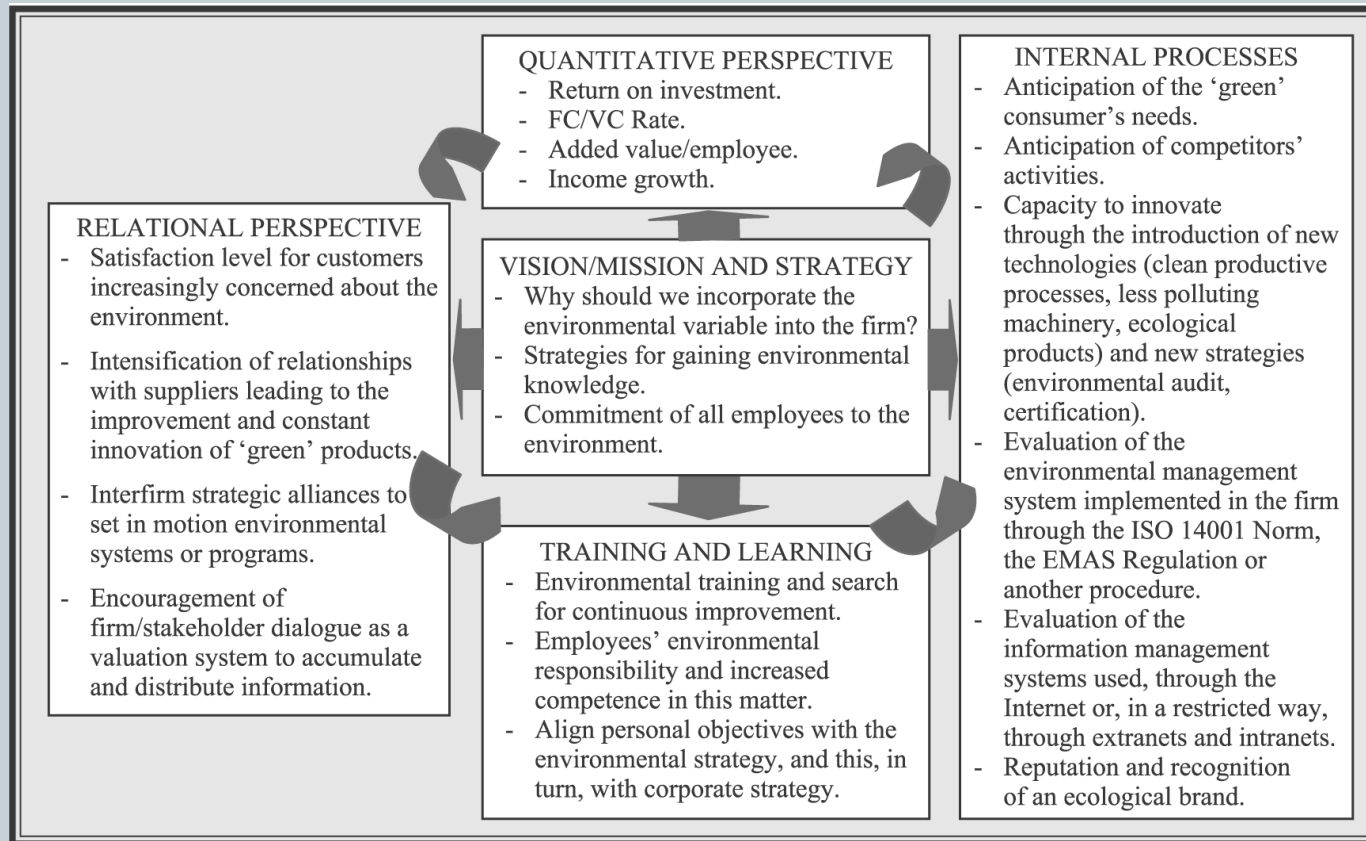
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Advice #36

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● “Go Green” --- beyond the



Source: The authors, from Kaplan and Norton (1996)

Advice #37

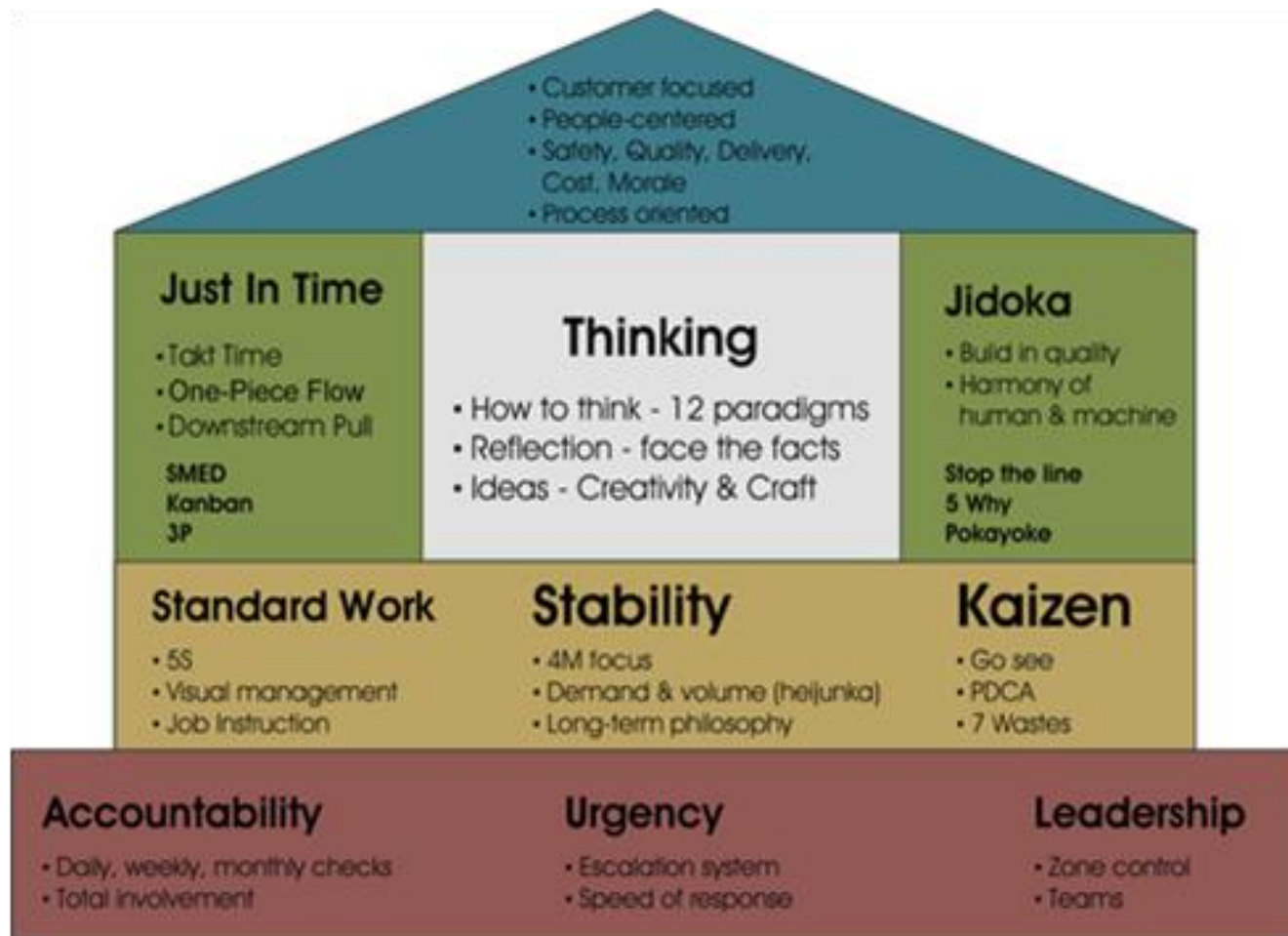
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- **Become Lean.** Apply the Lean and 6-Sigma Principles



Lean Principles

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Understanding the 5-S's

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There is more to 5-S's than this, but this is a good start

The 7 Wastes

MUDA is the Japanese word for WASTE.



Over Processing



Rework

Non right first time. Repetition or correction of a process.



Transportation



Unnecessary movement of people or parts between processes.

Copyright TE 2010

Overproduction



Inventory



Waiting



Motion



Unnecessary movement of people, parts or machines within a process.

Big Misunderstanding

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- Most people think that Lean applies only to Manufacturing. In reality Lean applies to all functions, all industries and all companies. It's basic message is

Stay lean and agile

Lean and agile organizations always win
over bloated and clumsy ones

Yes, it applies everywhere ...

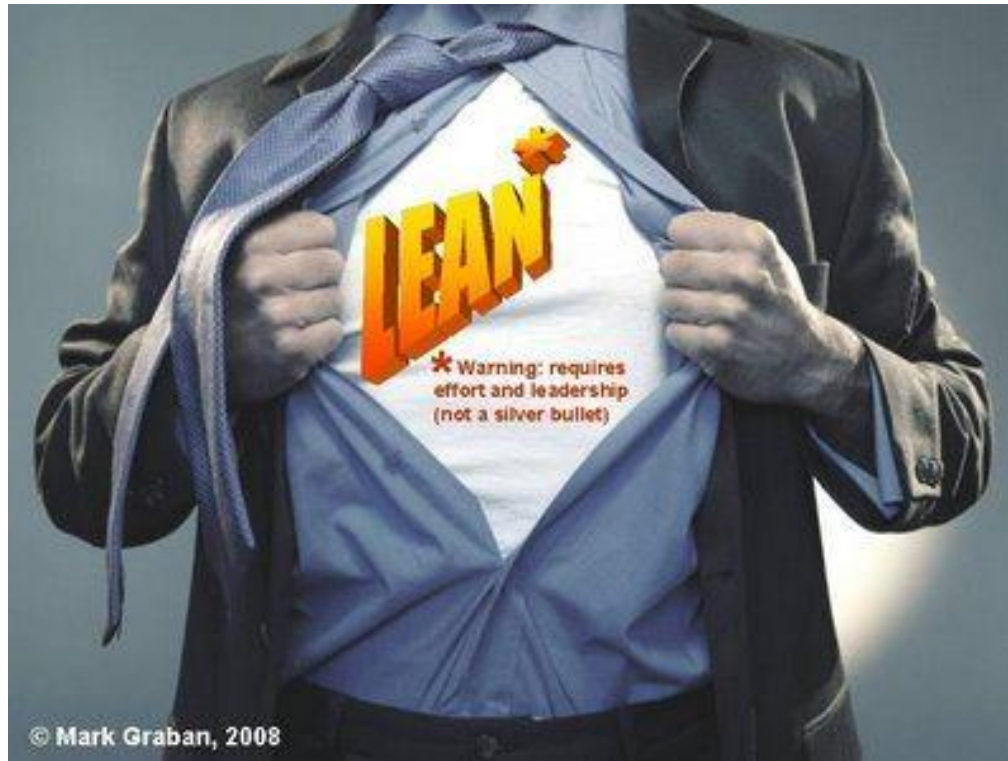
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Lean = Good Health

Key Consideration

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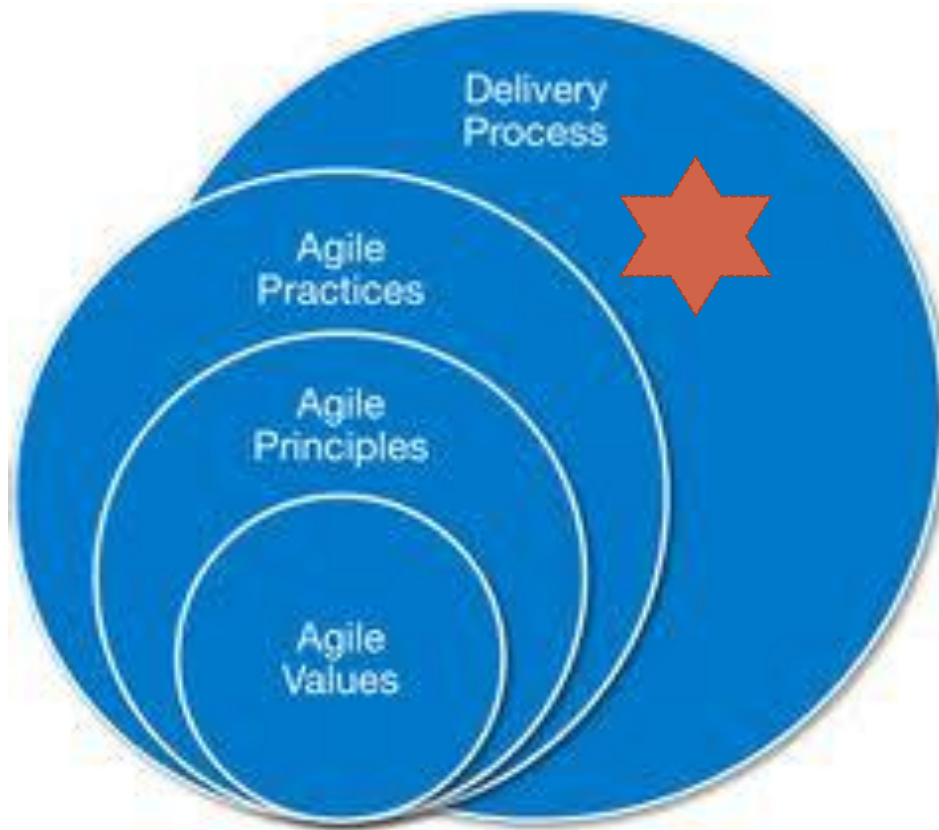
Another Key Consideration

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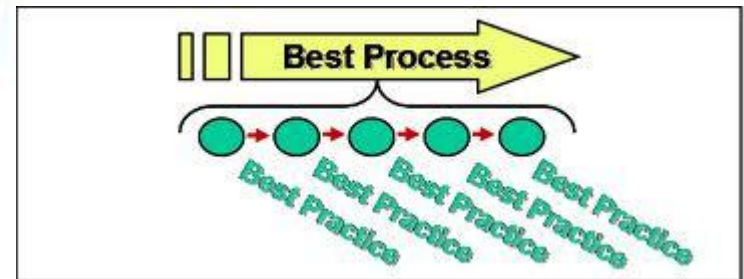


Lean & Agile is More Than Values and Principles

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This is why BPR is a requirement.
And so is benchmarking
and Best Practices



Advice #38

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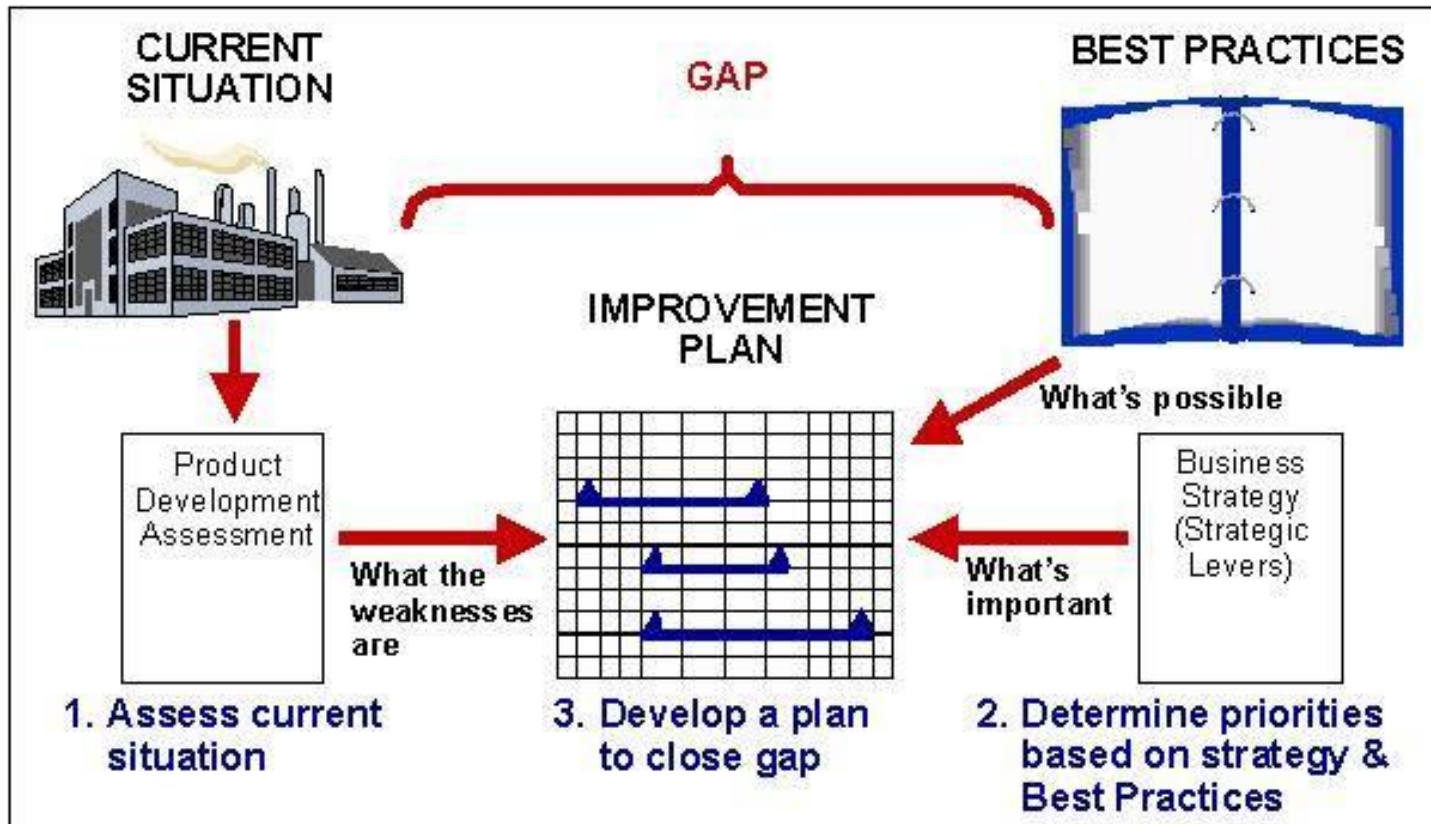
- Learn and apply **Best Practices** for your business

Strategy (28)	Organization (43)	Process (88)	Design Optimization (64)	Technology (52)
Business & product strategy (9) Product & pipeline management (8) Technology management (11)	Management & leadership (11) Early involvement (9) Product development teams (12) Organizational environment (11)	Process management (10) Process improvement (9) Understanding customer needs (6) Requirements & specifications management (9) Development process integration (7) Supplier/subcontractor integration (7) Product launch (9) Configuration management (9) Design assurance (11) Project & resource management (11)	Design for manufacturability (12) Product cost management (13) Robust design (15) Integrated test design & program (14) Design for operation & support (10)	Product data (10) Design automation (12) Simulation and analysis (10) Computer-aided manufacturing (7) Collaborative tools & technology (8) Knowledge management (5)

() Number of best practices / questions

Use Best Practices To Improve

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How To Learn Best Practices

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Advice #39

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- **Simplify and streamline your processes.**
Better yet replace manual processes with automated ones. This is the essence of Business Process Reengineering (BPR). BPR is based on good (and old) Industrial Engineering principles and tenets. Concepts such as: “Simplify, Simplify, Simplify” are also based on the 5-S’s that was promoted by the Toyota Production System (TPS)

Simplify,
simplify,
simplify.

– HENRY DAVID THOREAU

Apple's Basic Philosophy

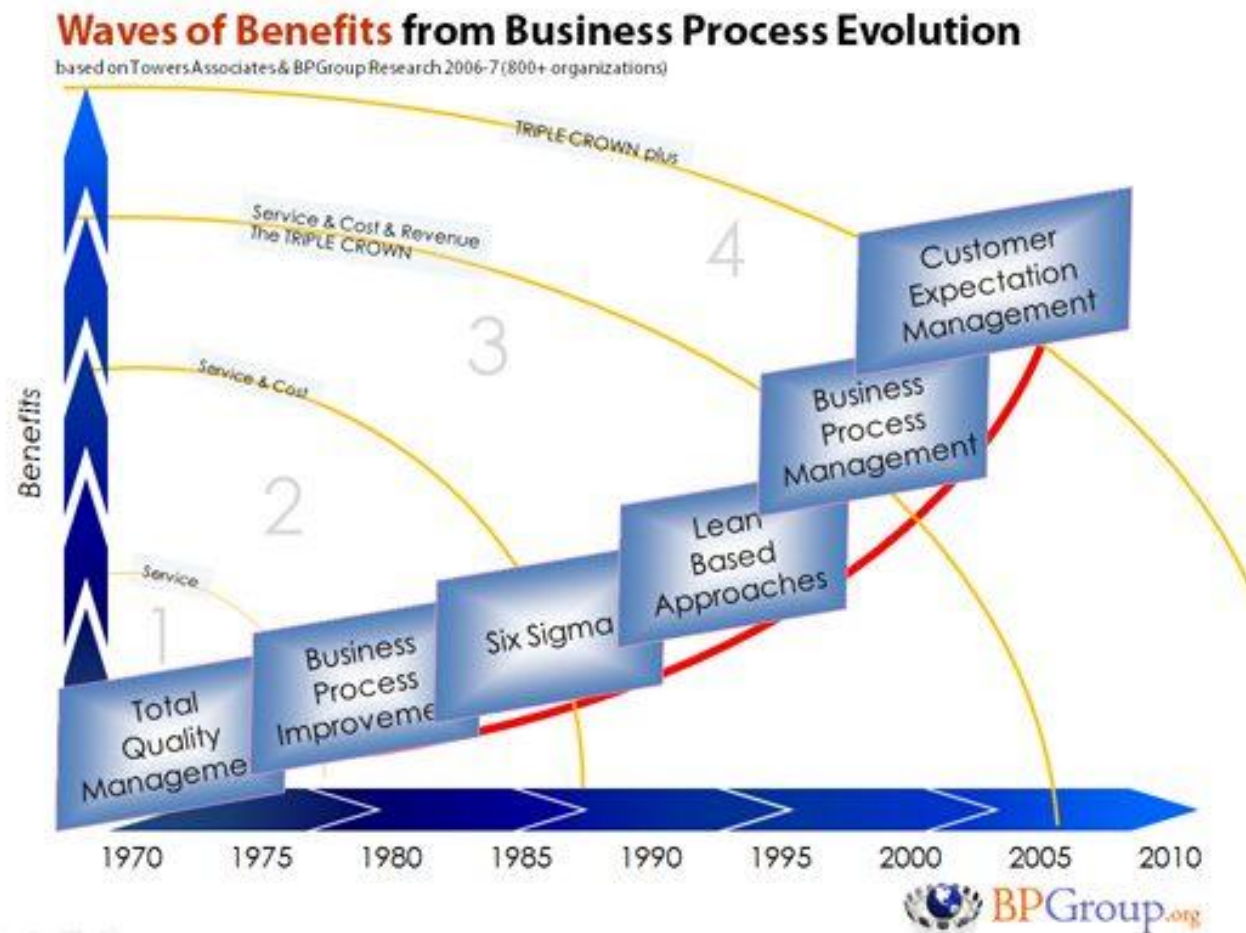
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- The Apple User Interface is based on the concept of “Simplify. Simplify, Simplify”



BPR Must Have Customer Expectations In Mind

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Clarification

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- The difference between Continuous Improvement (CI) and BPR is that CI promotes incremental change, while BPR promotes significant (orders of magnitude) and revolutionary change (a.k.a. discontinuous change)



Building Sustainable Competitive Advantage through Radical Innovation & Efficiency Improvement

RADICAL INNOVATION

- In-company Ventures
- Spinouts
- Venture Investing
- Venture Acquisitions

EFFICIENCY IMPROVEMENT

- Incremental Innovation
- Continuous Productivity Improvement
- Total Quality Management
- Synergistic acquisitions & join ventures

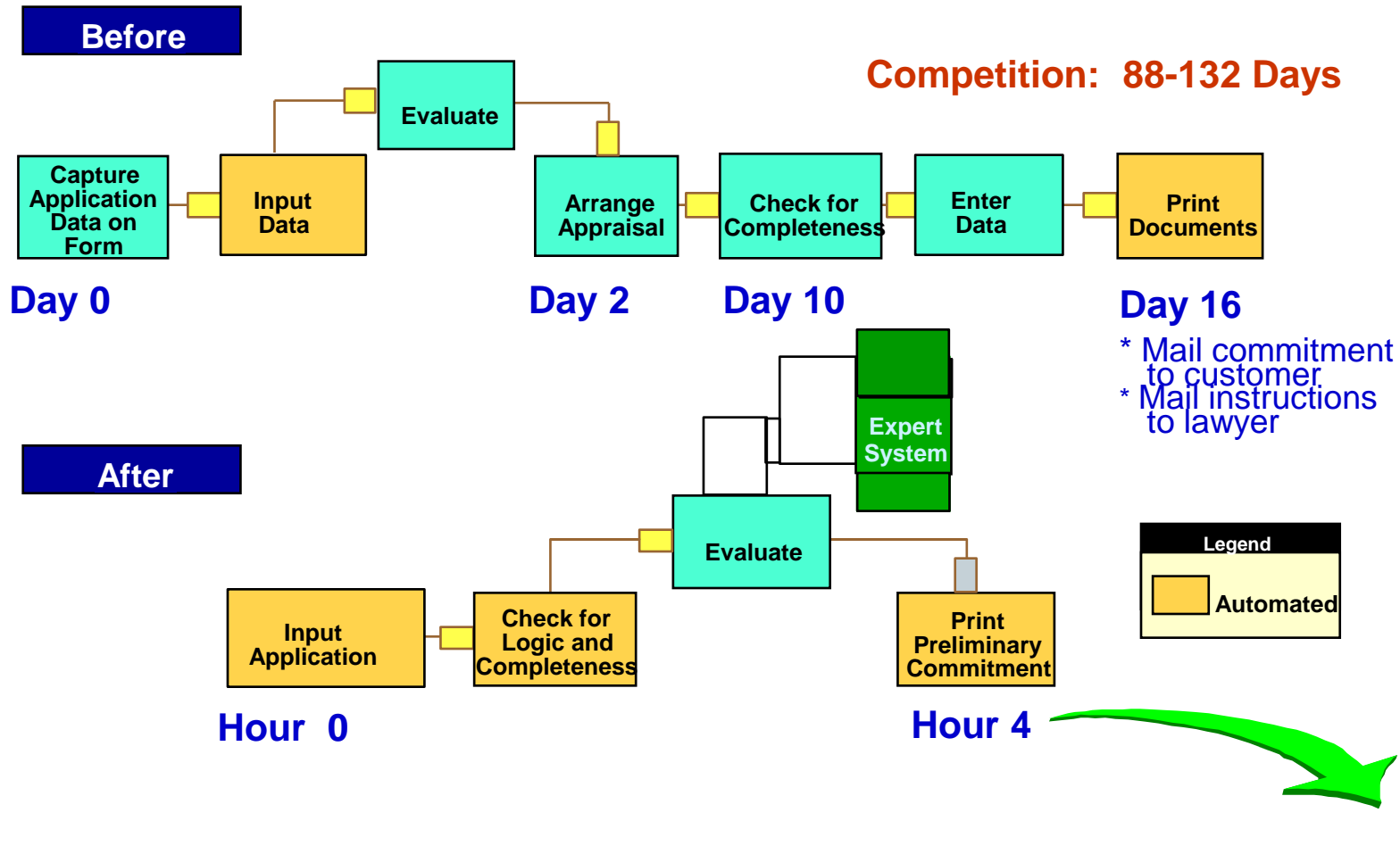
"It's not the BIG that eats the SMALL... it's the FAST that eats the SLOW"

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BPR Example

Mortgage Approval Process

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BPR Promotes Innovation!

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By: Vadim Kotelnikov
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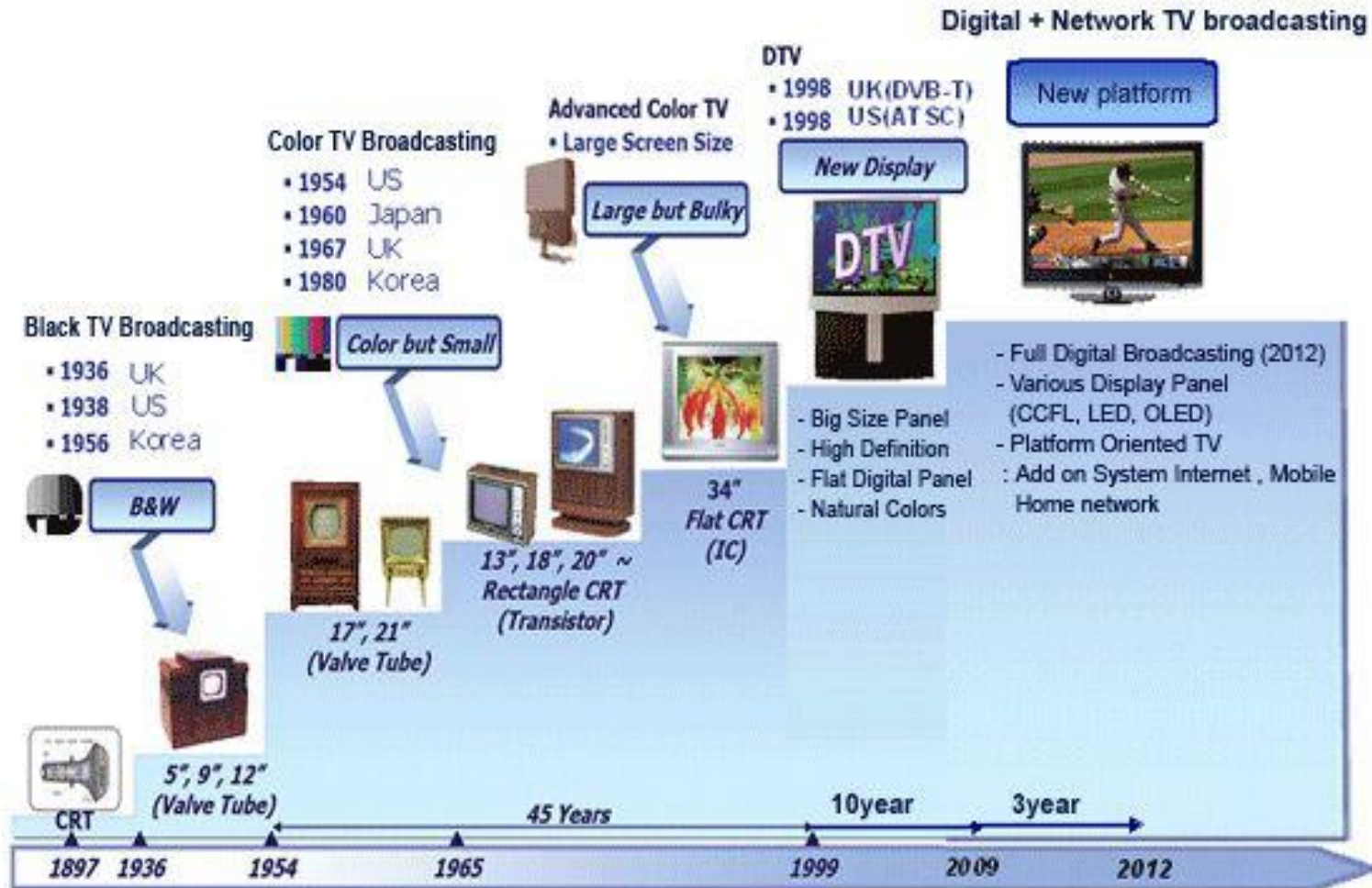
Thousands of Examples Of Discontinuous Change ... and the Evolution Continues

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Evolution is Another Fact Of Life, incl. Business Life. It Fits With The “Grow Or Die” Mantra

(33)



Advice #40

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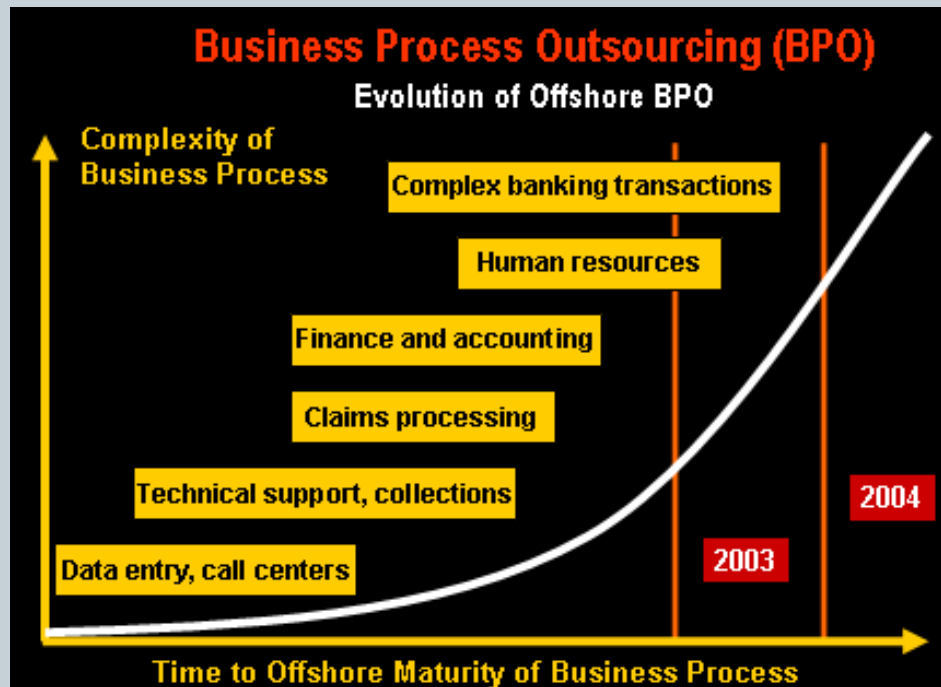
- Build a strong, healthy and high-performance **Organization**



Advice #41

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- Consider **Business Process Outsourcing** --- outsourcing all non-core and non strategic processes, functions and activities



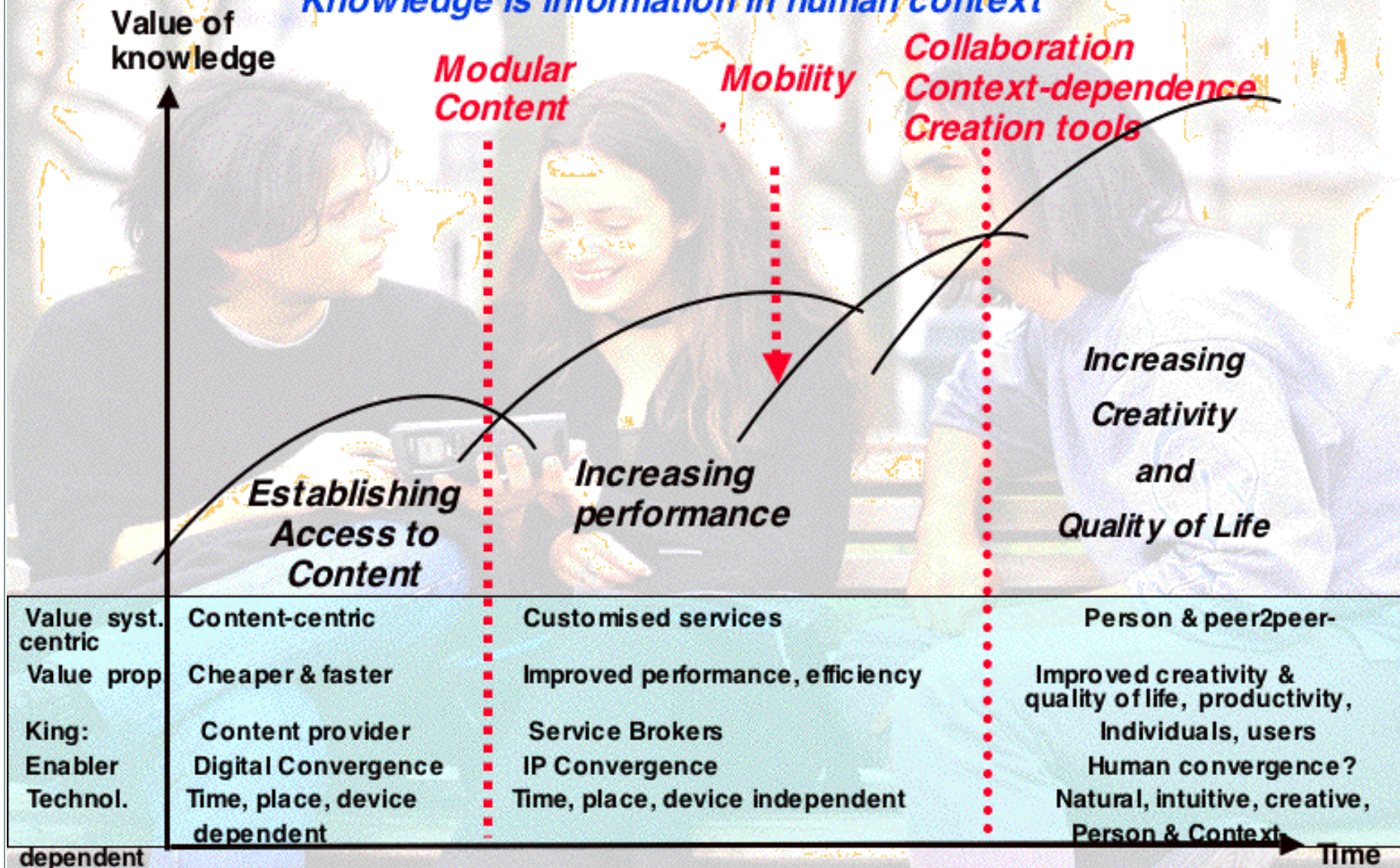
Major Misunderstanding

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- Although politicians badmouth outsourcing, they have caused it by introducing an avalanche of rules, regulations and business restrictions
- However, the truth is that outsourcing is forcing our society to move away from mundane and trivial jobs. We are slowly transforming our society to a knowledge society ... full of knowledge workers capable for more innovation and invention

APC - Evolution to Human Centric Knowledge Society

"Knowledge is information in human context"



Typical Outsourced Processes

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- Tax Preparation and Accounting trivial processes
- Payroll
- HR trivial processes (incl. Benefits Management)
- IT Data Center Management
- Systems Management and Maintenance
- Telemarketing
- Customer Service
- Reprographics
- Maintenance ... and many more

Advice # 41

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- Excel in **Customer Service**
- Don't just serve the customers. Thrill them, enthuse them, give them a unique experience



Offering A Total Customer Experience

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Things To Master

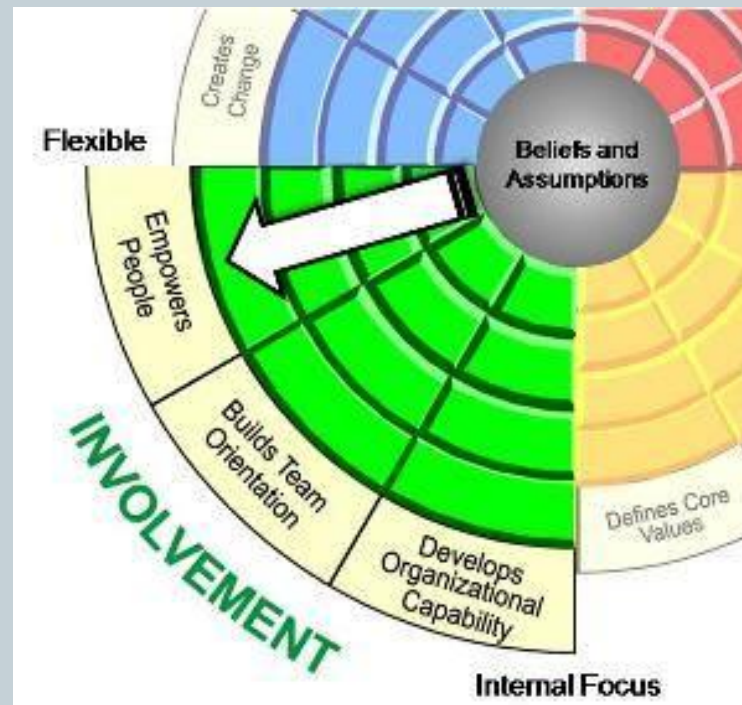
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Advice #42

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- Take care of your people. **Treat you employees as a strategic asset**



Advice #43

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- Nurture and promote **Teamwork**



TEAMWORK
DIVIDES THE TASK
AND MULTIPLIES
THE SUCCESS.

Advice #44

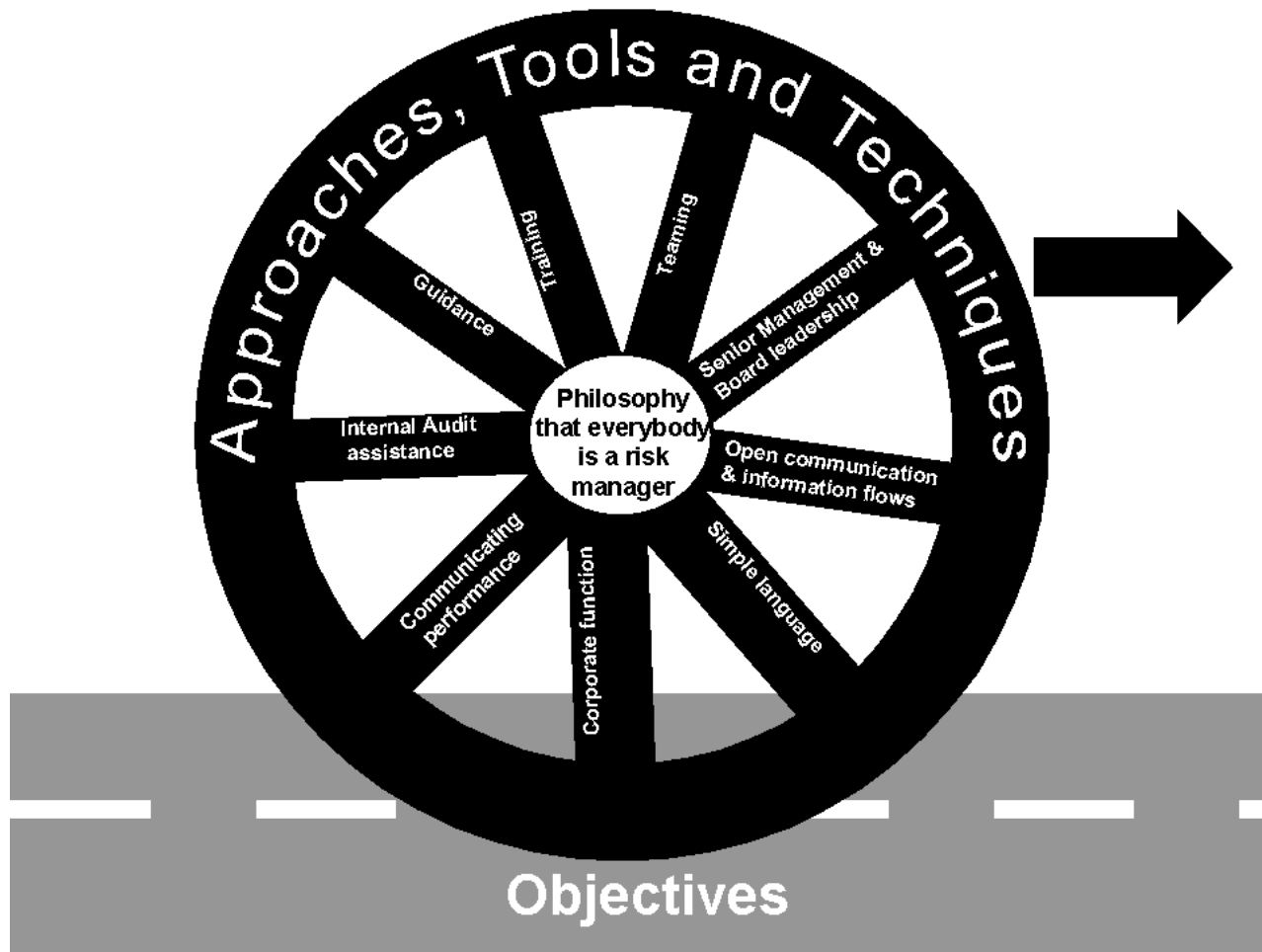
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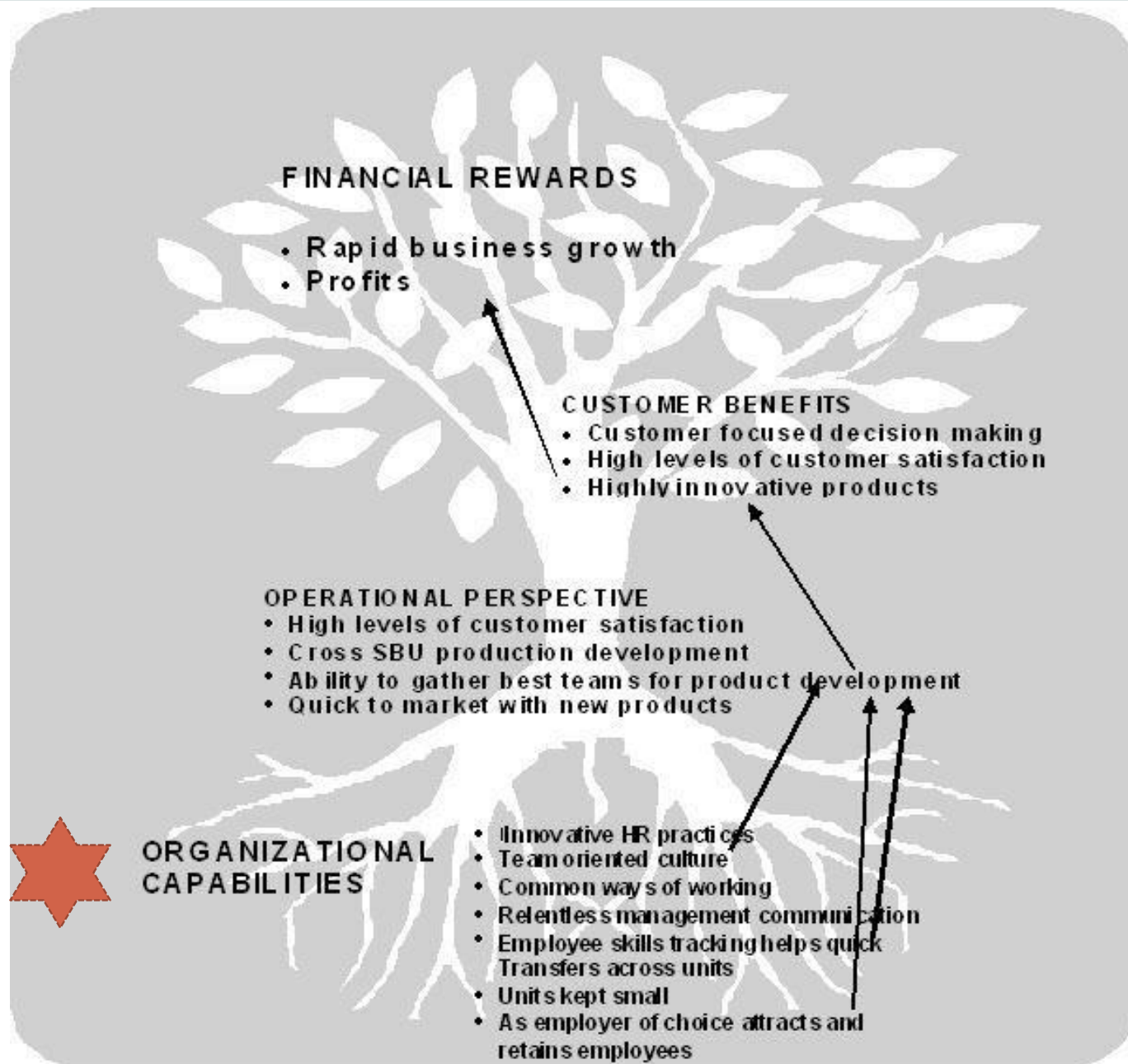
- Enhance your **Organizational Capability**



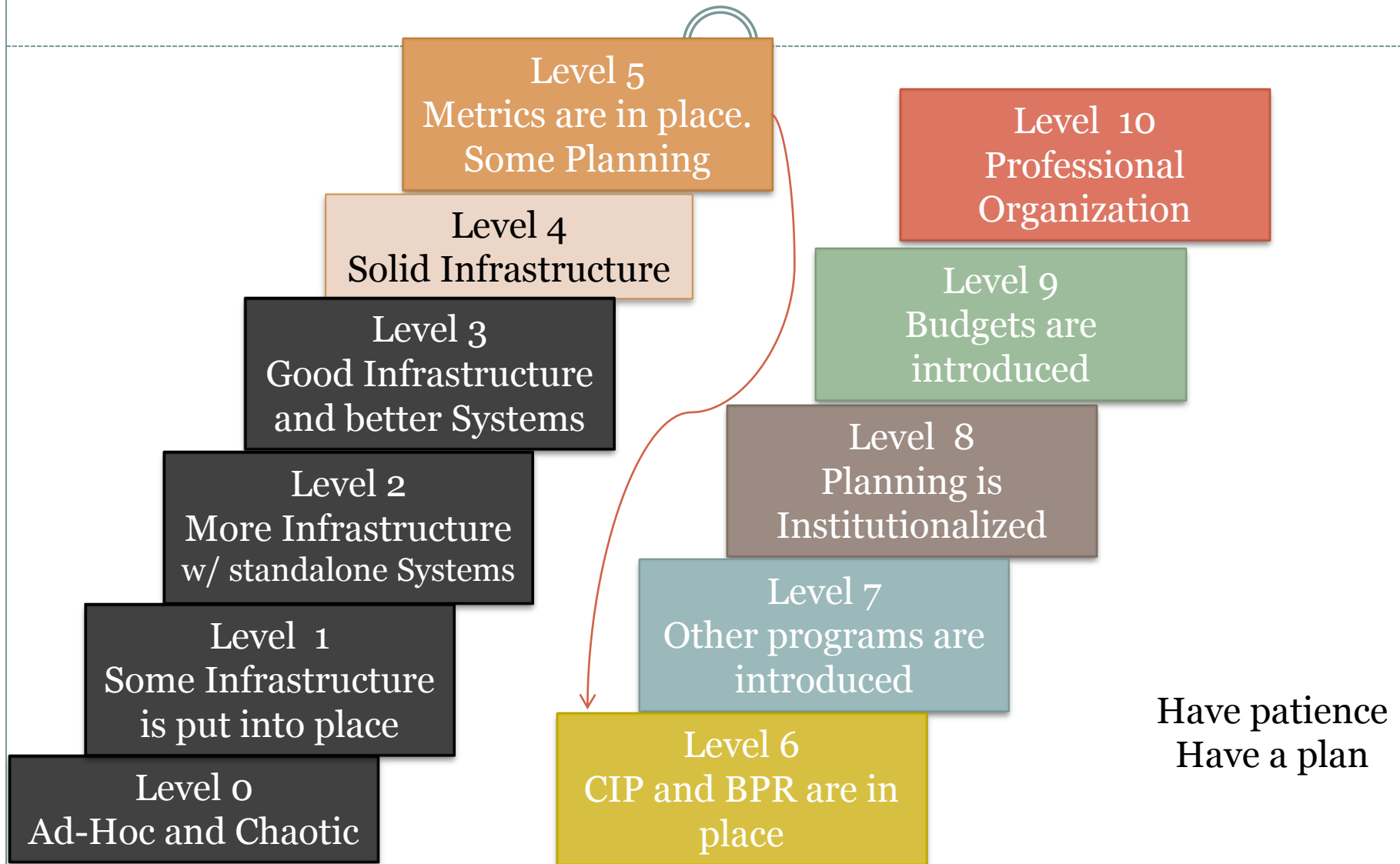
Strong Organizations Need All Of These:

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Capability Is Built Over Time



Advice #45

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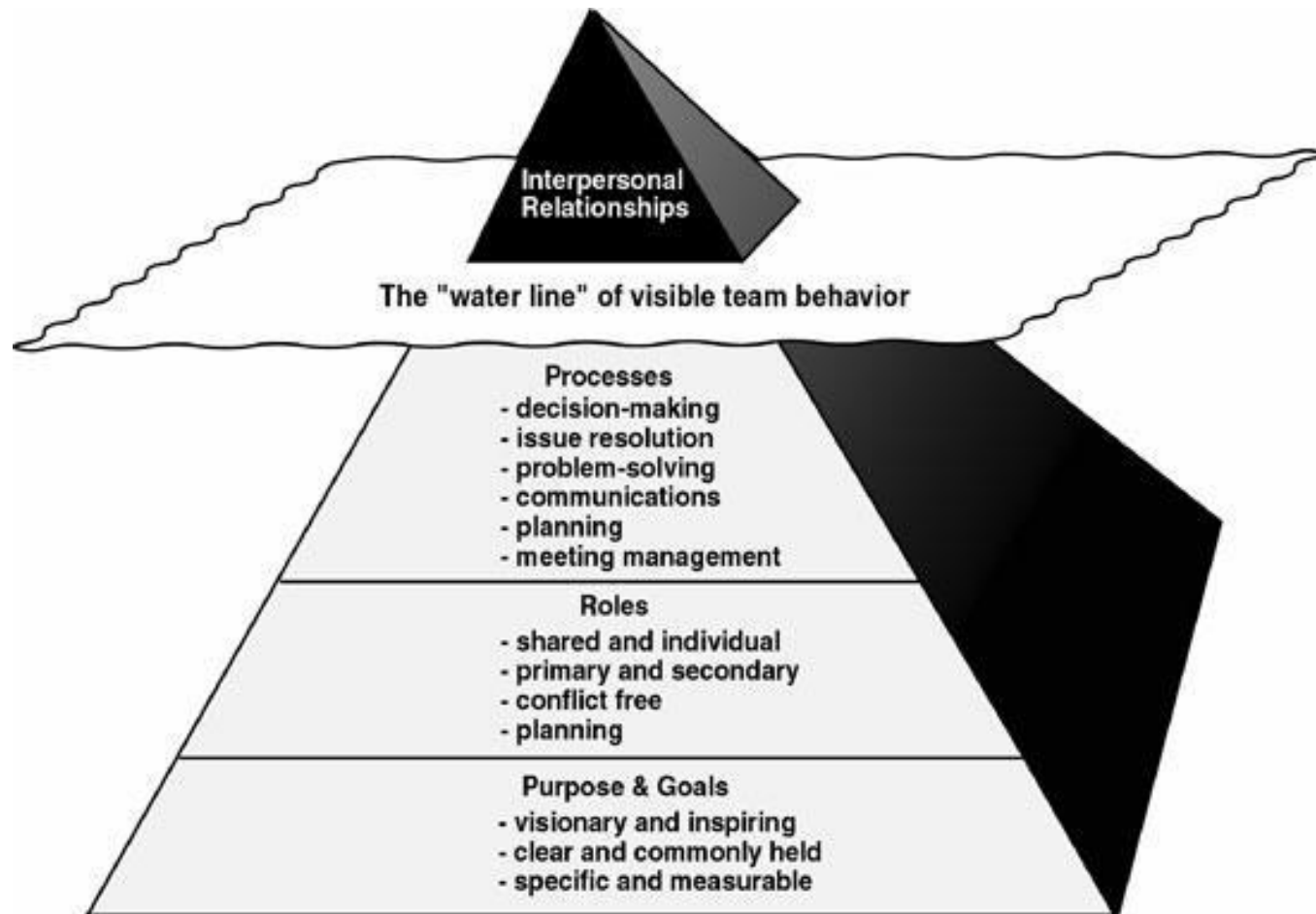
- Build a **high-performance organization (HPO)**



Companies that follow the 50 pieces of advice from this course become HPOs

How To Affect Interactions/Behaviors

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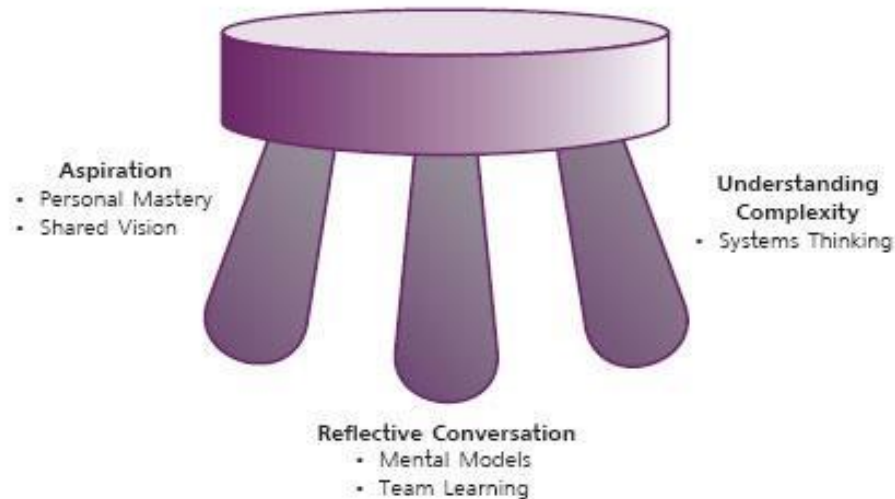


Advice #46

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- Promote **Organizational Learning**. Become a Learning Organization. Have a formal program for Organizational and Leadership Development

Figure 1: Core Learning Capabilities of Organizations



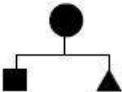
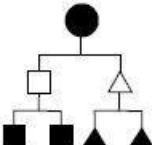
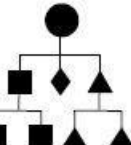
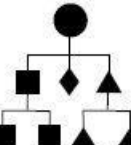
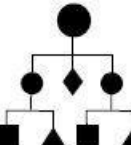
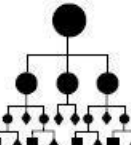




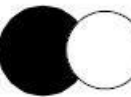
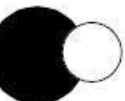
Source: Adapted from Peter Senge, 1994, *The Fifth Discipline*, New York: Currency Doubleday.

Advice #47

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- Design and implement the right **Org Structure** for your company and situation

Characteristics of Small Business at Each Stage of Development

	Stage I Existence	Stage II Survival	Stage III-D Success-Disengagement	Stage III-G Success-Growth	Stage IV Take-off	Stage V Resource Maturity
Management style	Direct supervision	Supervised supervision	Functional	Functional	Divisional	Line and staff
Organization						
Extent of formal systems	Minimal to nonexistent	Minimal	Basic	Developing	Maturing	Extensive
Major strategy	Existence	Survival	Maintaining profitable status quo	Get resources for growth	Growth	Return on investment
Business and owner*						

*Smaller circle represents owner. Larger circle represents business.

Different Strokes For Different Folks

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Bureaucratic Organizations
Mechanistic design

Centralization

Many

Precise

Narrow

Formal and impersonal

Hierarchy of Authority

Rules and procedures

Division of labour

Spans of control

Project Manager

Adaptive Organizations
Organic design

Decentralization

Few

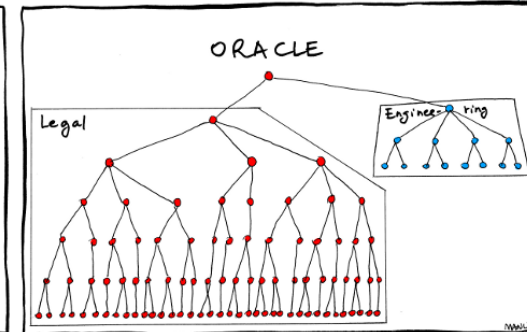
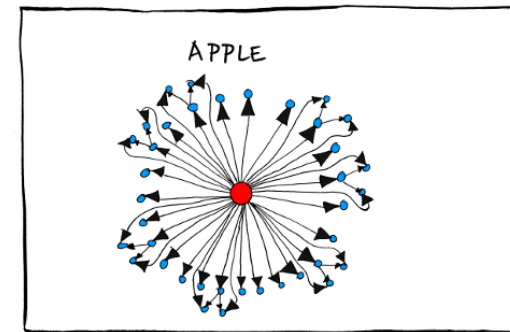
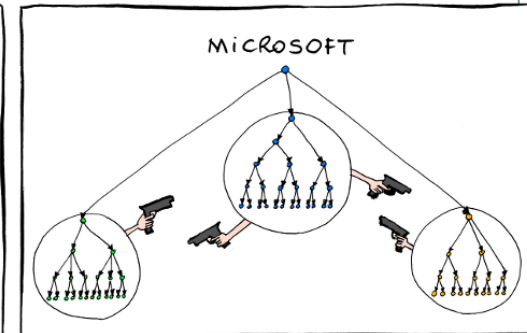
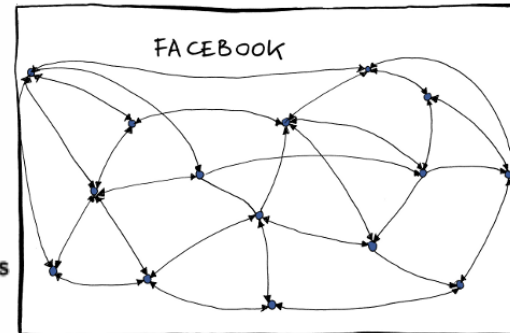
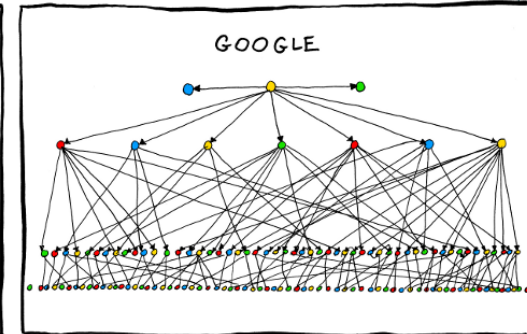
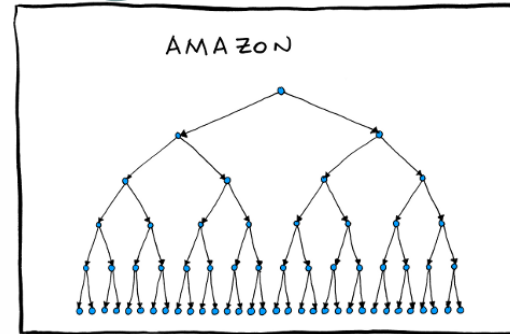
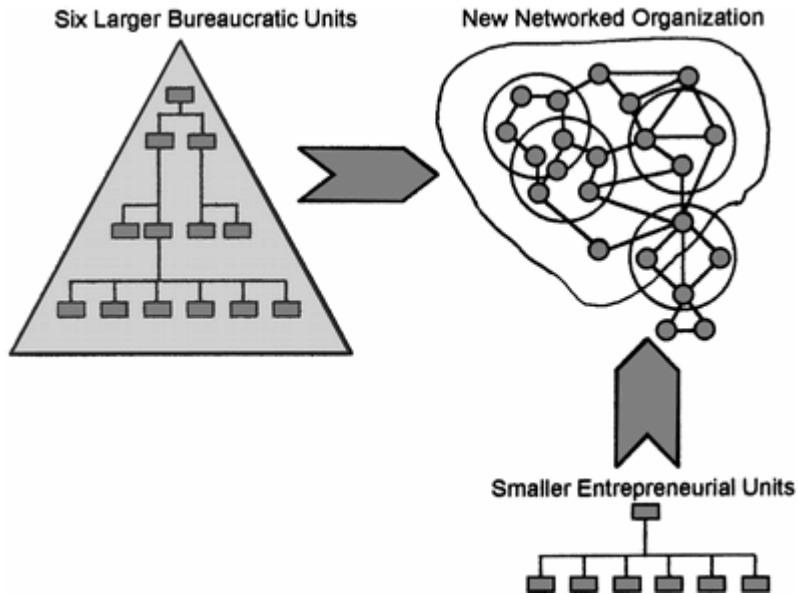
Open

Wide

Informal and Personal

Which One Appeals to You?

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The Org Structure Must Fit The Culture

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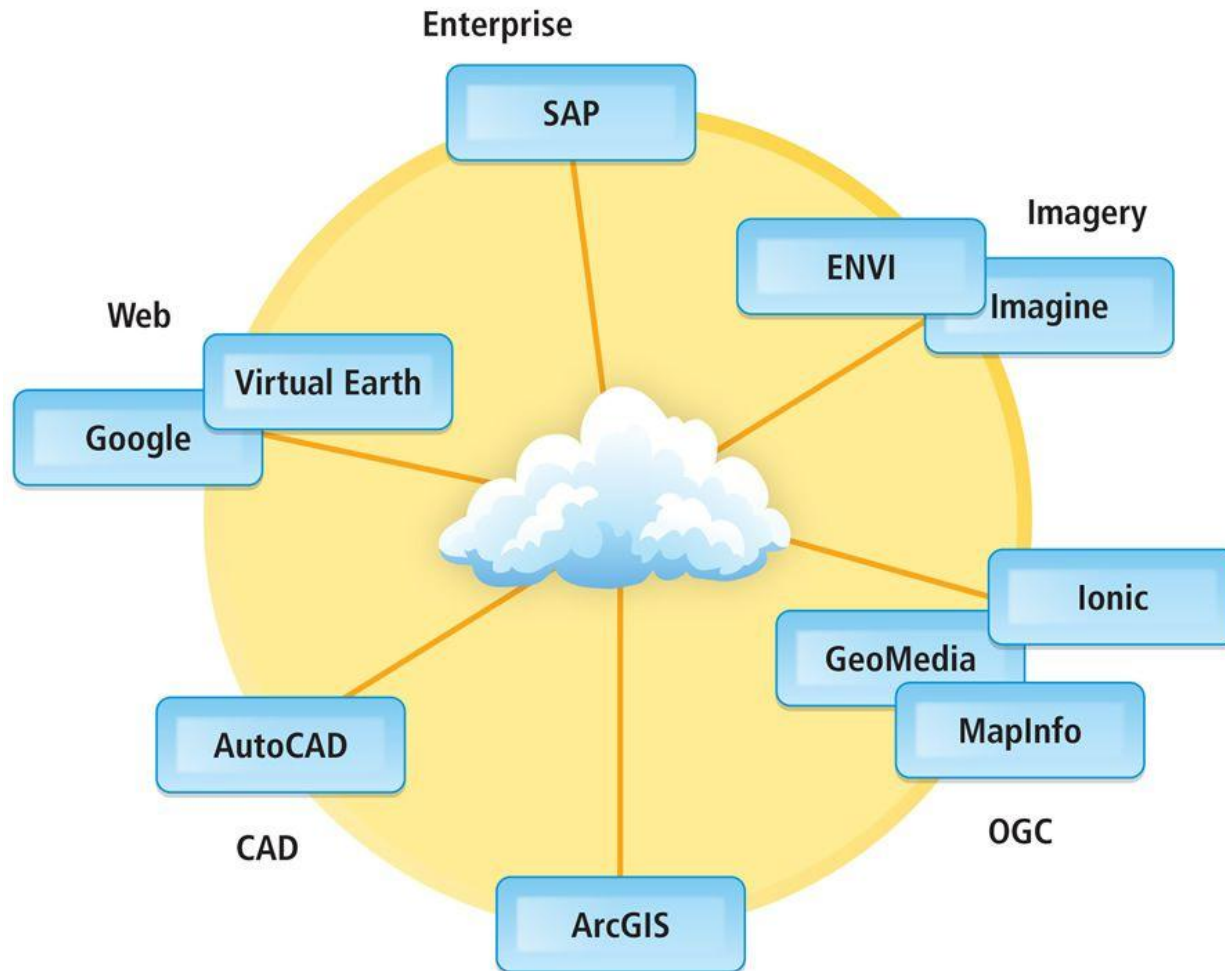
Advice #48

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- Have the **right systems** for your organization, like ERP (incl. Accounting & Finance), CRM, SCM, Knowledge Management, Business Intelligence ...
- Make sure that the systems are integrated, have seamless interfaces and share one database or data warehouse (where information is created/updated once and is used everywhere). The goal is to have enterprise-wide systems that everyone can use

An Example

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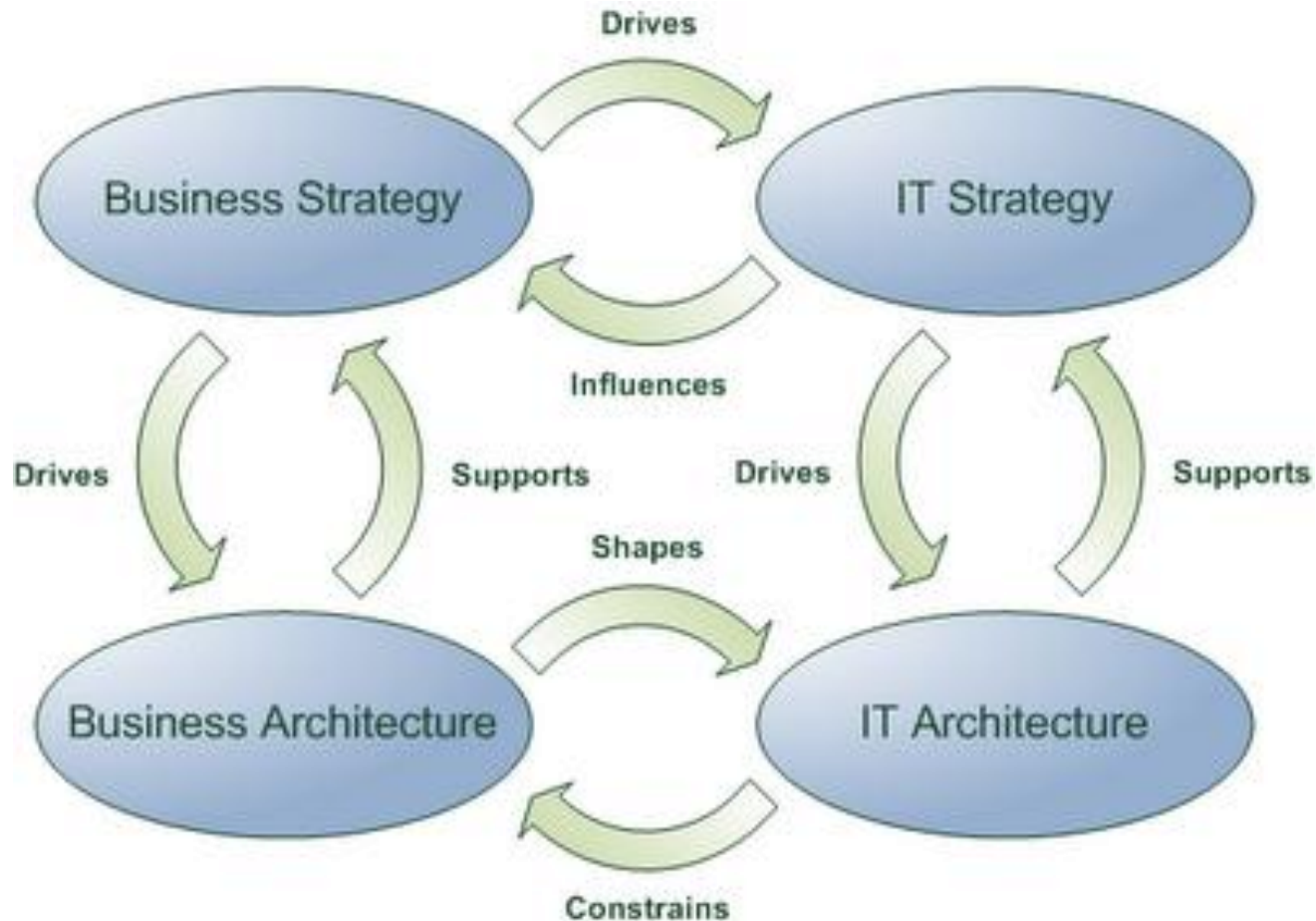
The Right Systems/IT Strategy Matters

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Alignment Is A Major CSF

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Advice #49

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- Use **budgets** to manage functions and programs. This is not a financial advice. It is operational advice because budgets are proven to be excellent control tools for managing functions such as Marketing, Sales, Customer Service, Maintenance, etc., as well as programs and projects pertaining to Lean, Supply Chain Management (SCM), Customer Relationship Management, Continuous Improvement Program (CIP), BPR, etc.



Two Reminders

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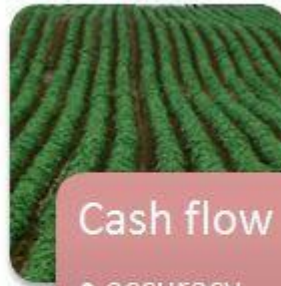
Costs

- materials
- labour
- equipment



Monitoring

- planning
- estimated
- actual



Cash flow

- accuracy
- predictability
- profitability



Advice #50

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- **Follow up, Follow up, Follow up.** No matter how good your employees are, they need to know that you follow up and keep them accountable. **Accountability** is huge in achieving the desired results. Budget Management is a huge tool for accountability



Two Final Reminders

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Now What?

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**CONTACT US FOR MORE INFORMATION AND
HELP.**

**HAVING THE ADVICE IS NOT ENOUGH.
PUTTING IT TO WORK FOR YOU TAKES MORE
THAN KNOWING WHAT TO DO. IT TAKES
SPECIAL PLANNING, HAVING THE RIGHT
TOOLS, METHODOLOGIES/TECHNIQUES AND
SKILLS.**

**WE CAN PROVIDE TO YOU WHATEVER YOU
ARE MISSING.**

- These four modules make up a whole day course. We have other courses for Entrepreneurs and SMEs. We also have courses re: **Entrepreneurism, Innovation, Outside-The-Box Thinking, Crisis Management** and other courses of interest to startup companies and SMEs in general.
- We can customize this course to fit the needs of your organization. We can expand or shrink this course to the length that you prefer.

Further Learning

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- Most of the 50 advices represent individual courses.
- Please feel free to call us to schedule an in-house workshop/seminar where we can address any number of courses in the sequence you want. We can also adjust the duration of each course/module. Our workshops range from 4 hours to 5 days long. We can custom design any workshop to fit your or your organizations needs.

Moreover ...

66

- We have numerous other courses/modules to improve the skills and knowhow of your people. We can email you a list of our basic courses and most popular modules. Our education and training fees are lower than our consulting fees. Please take advantage of what is offered to you because:

Knowledge is the among the top three strategic weapons that an enterprise can have to be super-successful in the its industry and business world!

Remember

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Not having knowledge guarantees failure!

**Having knowledge guarantees success
at least 90% of the time!**

Don't be part of the tens of thousands of
businesses that will fail in the next few
months!

We can ...

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- Build your business and technical infrastructure in a matter of 2-4 months so that you can move up to Levels 4 or 5 (as shown on page 47) that will allow you to become an effective and efficient enterprise
- Load up your organization with courseware and training materials that will take you years and many thousands of dollars to acquire and/or prepare. This way you can start your own Leadership and Organizational Development Program right away
- Give you great analytical tools

Contact Information

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- Please call us at **972-672-6657**

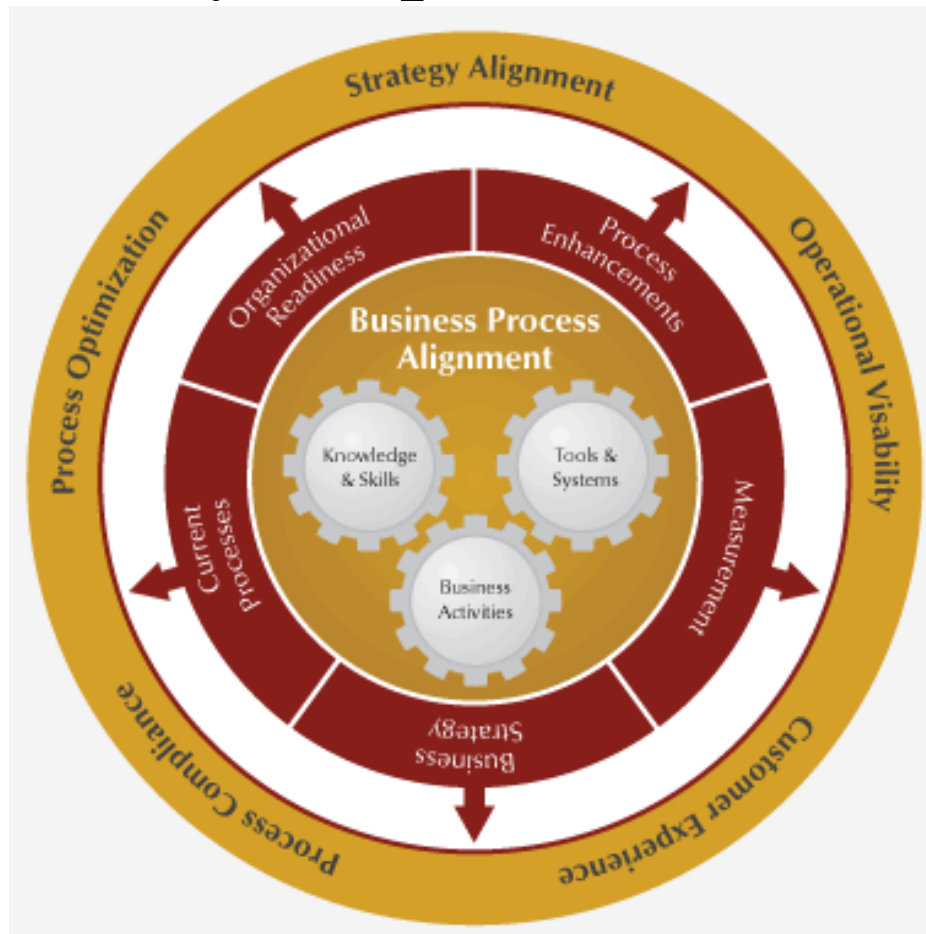
Or at **214-716-8233**

- Or email us at info@bizsmarter.com
- Or email us at info@trigon-solutions.com

Reminder

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Why companies hire us



We fine tune strategies, business models, cultures, alignments, major programs, organizations, processes, systems and infrastructures. Please view us as business doctors and knowledge experts