GOING BIG
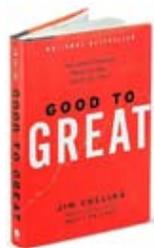
Growing your business

By Jeffrey Brown, MBA

As an entrepreneur, I've learned many things that contribute to growth of successful companies. Remember the saying, "If I only knew then what I know now?" This article is intended to outline a few major concepts that I believe can help grow your business.

The first concept Collins describes is "Getting the right people on the bus." I'm often shocked when I begin a project and encounter so many people who are just a horrible fit, either in their particular role or with the company as a whole. Even more frustrating is when I inquire about these individuals I'm often told, "We realize they are not in the right position but we don't know what to do."

Don't get me wrong. I'm not suggesting it's best to fire everyone and start over, but companies must have a process to identify these individuals, make them aware of their shortcomings and let them decide whether they want to step it up or move on. If you don't fix your people problem first, it's almost impossible to make drastic improvements.

Building the right team

If there's one thing organizational leaders can do to improve their business it's to read *Good to Great: Why Some Companies Make the Leap... and Others Don't* (HarperBusiness, 2001) by Jim Collins. This is a fantastic book. How many times have you encountered a situation where you ask yourself, "How did this guy get his job and why is he still here?" Collins conducted a series of research experiments and identified the key components that make good companies great companies.

Operational metrics

You've probably heard the phrase, "You can't fix what you can't measure." Unfortunately, this powerful concept is often overlooked and underutilized. Most companies measure their success with common tools, such as revenue growth, average gross margin, inventory turns, net profit, etc. Although these tools report on the macro level of your businesses success, they are really the result of micro processes and key metrics. To maximize these macro metrics, companies must develop tools to measure the micro processes that lead to improved macro metrics.

Do you monitor the productivity of your office staff, such as

the amount of time it takes to process an invoice or the number of incoming phone calls per day? If the data collection is designed properly, these measurements provide useful information.

Let's use a very basic example: the number of incoming phone calls. If your business is growing, you would expect the phone to ring more frequently. At what point do you decide that your receptionist or the inside sales team is overwhelmed? Do you wait to hear customer complaints? Do you wait until you receptionist quits? Alternatively, when your sales team says they're overworked do you take their word? Nobody can argue with numbers; they are factual if measured properly.

More than just profitability, operational metrics can tell you everything about your business. It highlights lost opportunity, which can improve your bottom line.

Workflow systems

Workflow is a series of events, often performed by people or groups of people. Proper workflow systems are an organization's defined internal processes. Workflow is powerful because each step or person has a clearly defined task that can be repeated.

Nearly every company operates using a defined workflow in some capacity. For example, when a call comes in and the customer has a billing question, the internal workflow requires the receptionist to redirect the call to accounting.

Most companies do not take the time to document their workflow. When I ask managers if they have a workflow system in place, a common response from managers is "Sure, everyone knows what their job is." This is sometimes problematic because even if everyone knows their job, no one is really watching how efficient they are at their duties. Higher performing companies are able to provide a written diagram showing the workflow of the entire organization. Documenting the current process is the first step to becoming more efficient.

Understanding the process and knowing if it operates efficiently is the next step. Unless you have operational metrics and tools to measure the success of each step, you can't be sure if it's ideal.

Some workflow can be measured without the use of any real tool or technology. Your eyes can measure it, as well. Let's say you walk into the accounting department every day and see a small stack of invoices sitting ready to be placed into envelopes and mailed. One day, you walk in and notice the stack is three times as high. You can easily deduce one of two things. Either you had a really good day in sales or the accounting department is backed up. If you hadn't walked in there, you probably would not have realized the problem.

As the organization's leader, you cannot rely just on your senses to identify potential problems. You need tools to identify the exceptions that need your attention. There are hundreds of out-of-the-box software programs available to automate many workflow processes. These systems can define your workflow, assign specific individuals to each task and measure their ability to process the work, while being totally transparent to the entire organization.

Management by exception

Management by exception is a management style in which leaders only focus their time and attention on issues and results that fall outside the norm, either above or below. One example is running an exception report on products that are below an acceptable gross margin. The idea itself was promoted heavily by Peter F. Drucker, esteemed writer, professor and management expert.

To develop a management by exception culture you must have the tools to develop the exception policies. Remember, you can't fix what you can't measure. Creating your metrics and dashboards or reports is critical. You use your defined workflow and tools that measure the workflow's success to develop the management by exception metrics.

Imagine a world where you have a dynamic, real-time dashboard that reports on all operational metrics and exceptions that run your business. A client recently told me that with his new tools and metrics make him feel like the Wizard of Oz.

Are your employees efficient?

Have you ever taken the time to observe your operational processes to identify areas in which your employees are not as efficient as they can be? For example, most companies have a central fax machine for everyone to use. It doesn't make sense to have a separate fax machine for each person. But if you think about it, every time someone walks to the fax machine, it eats up more time than just the few minutes it takes stand there and push a few buttons. How many times have you seen someone head over to the fax machine, but stop to talk to a colleague along the way? If you estimate 10 minutes of wasted time per day per office worker who uses a fax machine, and you have 20 people in the office, that's about one-half FTE, or the cost of one-half of an average worker's salary. The solution? For about the same cost as a central fax machine, you can setup your computer network to allow everyone to send and receive faxes from their individual terminals.

This example might seem small, but when you add up all of

Business Process Reengineering

One of the best things you can do to improve your business and grow is a concept called "Business Process Reengineering" (BPR). It's a strategic approach to analyzing the way work is performed in order to design a more efficient operation. Although this process does not always require the investment of technology, most often it does. Identify bottlenecks in your process, but most important, identify technologies that can allow you to grow without adding more people. I recently helped a healthcare company implement a new software system. Over a year's period of time, the company increased its business by 35 percent while lowering the number of required office staff from 14 people to eight. After natural attrition and promotions to new positions, to the company didn't need to fill the vacancies. With this new technology, the company was able to absorb extra work while reducing staff by 45 percent.

these types of tasks you'll discover a lot of wasted time. I once owned and operated a telemarketing company (yes, I was one of those people who capitalized on those annoying dinner-time phone calls). Today, I cannot imagine running a tele-marketing company without a computer dialing the phone numbers, but in the beginning, we used printed call lists and dialed the numbers manually. It was very inefficient. It didn't take me very long to realize that a $400K investment in tech-nology would pay for itself in less than one year. And we were a small company.

Technology and change

Some companies fight technology; others embrace it. If you don't embrace technology, others will and you will be left in the dust.

I'm sure you've heard of the Japanese company, Toyota. In the 1950s, Peter Drucker consulted for the then-small automobile manufacturer. He promoted many new ideas, including lean manufacturing, a concept that requires just-in-time inventory. This concept was a huge technological advance that many U.S. companies ignored for several de-cades. To this day, Toyota still employs many of Drucker's concepts, which probably had something to do with the com-pany's ability to displace GM in 2007 and become the larg-est automobile manufacturer in the world. Toyota embraced technology and new ways of thinking.

I once had the opportunity to meet with Drucker while pursuing an MBA degree at his school. At 95 years old, his comment to me was, "Most companies don't want to change because it's too much work."

You will find most of the concepts above can be accom-plished through the use of some sort of technology. In some cases, one software program can accomplish everything; oth-er companies require a mixture of several technologies. Don't fall into the major pitfall I often see: scouring the Internet for something that looks really neat, then calling the software maker and listening to their pitch. Do you think they will tell you if their soft-ware is not appropriate for your company or if there's some-thing better out there? Probably not.

Before you buy anything, you must know your business processes. You also need to know your customer and make sure that whatever you do is customers centric. A common technological change many companies made was the use of automated phone attendants. They are extremely efficient, but not always customer centric.

If you don't have an employee with experience in both business processes and technology, find someone. Most com-panies don't employ these people because the good ones set up systems that make their jobs redundant. (Incidentally, that's what I did before going back into consulting.)

Don't buy anything that won't provide an ROI in the first year. Disregard the soft costs a vendor might use to develop the ROI; they often don't come true. Instead, look at the hard costs, usually FTEs (full time equivalents).

Finally, make any changes a huge, positive event within your organizations. Share with everyone why these invest-ments are necessary and how they will help the company—not put them out of a job. Implementations often take six months to two years, long enough for natural attrition to solve the dilemma of having to let people go.

A consultant's job

People always ask me what I do as a consultant. I was al-ways taught that you need an "elevator pitch" or you'll never sell yourself. After reading this article, you can see why it's difficult to squeeze these concepts into a 60-second pitch. Studies of cognitive process show that the more exposure you have to a situ-ation, the less likely you will see things that are obvious to someone new to the same situation. As a consultant I look at these companies with a fresh set of eyes, looking for the things managers may have overlooked.
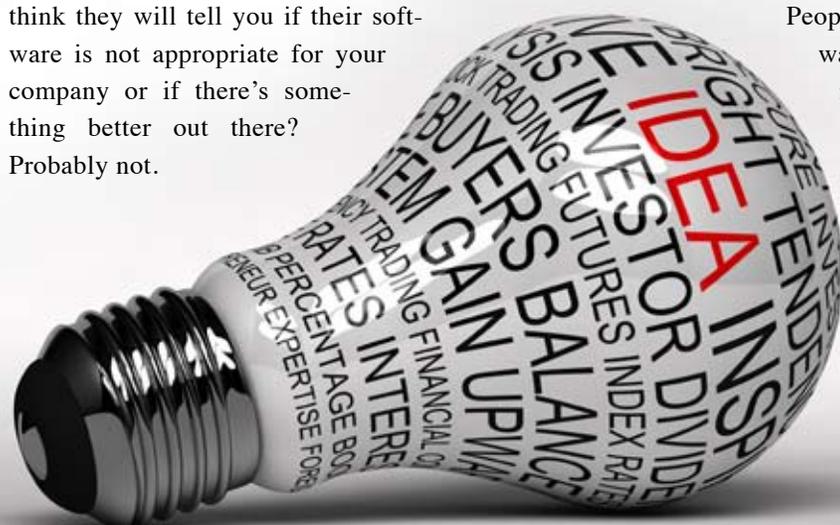
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