DCA ADVISORS

White Paper

8 Steps to Better Business Performance

by Allen Pierce

Driving improved business performance will be one of the most challenging and rewarding things you will ever do in your career. Using this tried and tested 8-step process, you will prepare the organization for change, upgrade key leadership positions, reassess your strategy, create and manage a plan to close the gaps between what your strategy requires and how you operate today, and reinforce behaviors throughout the organization that are consistent with the new way of doing business.

The early stages of the plan require you to take actions that may be new and uncomfortable to you, and at times you will feel like you are shouldering the load all by yourself. Over time you will engage your management team in the development and implementation of the new strategy, and as their involvement increases the share of the load you need to shoulder will become more manageable.

Progress will seem slow at first, but as you implement quick hit revenue and cost improvements in the middle of the 8 step framework you will see noticeable improvements in company performance as your team builds buy-in to and enthusiasm for the longer-term strategic plan and vision.

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Introduction

When setting expectations for performance of your business, one of the decisions you need to make as a business leader is the specific list of companies, referred to as a peer group, that you should compare your company's performance to on a periodic basis. The more similar those companies are to yours, including the range of products or services they offer and the types and geographic locations of the customer base they serve, the more relevant will be the comparison.

Your company may be under-performing your peer group by a little, necessitating some "tweaks" to your strategy or organization. Your company may be significantly under-performing your peer group, necessitating a turnaround and more dramatic changes to your strategy or organization. Finally, your business may have done well to this point in time, and you are looking for something to help you make the leap from "good to great." The overall approach to improving business performance in each case is the same, but the sense of urgency you need to have, the specifics and tone of the messaging to your workforce, and the magnitude of many of the changes you need to make will differ.

Four of the five businesses I've run were underperforming their peers at the start of my tenure as General Manager. I developed and successfully used this framework to significantly improve the performance of all 4 businesses, 2 of which required a turnaround, and the others which required less dramatic improvements. I didn't invent the 8 steps, rather I developed them by integrating my own experience creating change in organizations with the recommendations from business thought leaders and academics that are experts in strategy, organizational development, and change management.

Driving improved business performance will be one of the most challenging and rewarding experiences you will ever have. There will be times when you question individual decisions you make, and you may question whether you are even up to the challenge at all.

As you progress through the overall 8 step framework, and through many of the individual steps, I want you to be prepared for what it will feel like. By knowing this ahead of time, it will give you confidence along the journey that you are doing things correctly, and it should give you encouragement that things will get better over time.

When you start this process and when you start many of the individual steps, there will be some activities that you must do personally. Some of these may come naturally to you and you will accomplish them without a great deal of stress on your part. However if you are like most business leaders I know, including myself, many of these activities won't come naturally to you and will require you to do things which make you feel at least a little uncomfortable.

When you consider the range of activities the 8 steps involve, including delivering tough messages to the workforce and to individual employees, making difficult organizational decisions, developing strategy, creating a project plan, holding individuals accountable to commitments, urging the organization forward in the face of uncertainty, and celebrating success, it should be obvious that no individual leader will be good at and feel at ease doing all of these.

The good news is that you don't need to do this alone. One of the major goals of this framework is to transform your organization from one where you rely on a small number of individuals who, by their experience and sheer will, "make things happen" on a daily basis, to a different kind of organization where everyone knows the mission and vision, they understand their role in delivering on the mission, and the right things happen as a result of well-designed processes that aren't so dependent upon key individuals for success.

To summarize, then, at the start of this process and at the start of many of the steps, don't be surprised when you feel like you are "holding up the world" on your shoulders alone. As you progress through the framework, your job is to get the rest of the organization to stand shoulder-to-shoulder with you, working together to carry the load. Trust me when I say that if you use this approach, your business and your work life will get better.

Step 1: Define a Rallying Point – *Anywhere but here*!

There is a scene in the first 30 minutes of the movie *Saving Private Ryan* which illustrates your job as Chief Executive in Step 1 of this process better than any business example I could give. The date is June 6, 1944, the day is D-Day, and the Americans are about halfway across the Normandy beach and are pinned down behind steel barriers the Germans put there to stop tanks. Mortar and artillery shells are falling all around them. Machine guns cut down anyone who dares to be out in the open. Captain Miller, played by Tom Hanks, is in the center of the scene, surrounded by other soldiers. He sees a member of his company Sergeant Horvath, played by Tom Sizemore, and tells him to move the men off the beach. Just then, one of Captain Miller's men finds him and shouts "What's the rallying point?" Without hesitation, Captain Miller replies "Anywhere but *here*!"

Anywhere but here. Your number one task as Chief Executive is to communicate to the company, in very clear and direct terms that business performance needs to improve, and changes are necessary. You don't need to necessarily get specific about the nature of the changes at this point, but you should appear confident in a successful outcome and commit to get back to them in the near future once the nature of the changes is clear. If you do know at least some of the changes required you can share them with your employees at this stage.

You need to be as transparent as possible about the situation with your staff and workforce. Tell it like it really is. You should neither exaggerate the situation to create the appearance of a crisis nor downplay the seriousness of the situation. Many Chief Executives of small, privately held companies share little financial information with their staff and even less with the broader workforce. Recognize that if you share no details about financial performance and how it has changed over time, your employees may assume that the situation is worse than it is or less serious than it is. In the case of the former, their reaction and subsequent actions may be much greater than what is required. In the case of the later, their actions may be insufficient to get the ship turned around and headed in the right direction soon enough.

The specifics of the message you deliver and the tone you take should depend upon the severity of the situation. If your business is in a dire situation requiring a true turnaround, it will usually be apparent to most employees. Delivering the *anywhere but here* message is easiest in this circumstance, because most employees will be expecting it. Many employees will be glad to finally hear management acknowledge the issues they have known existed for some time. Hearing the Chief Executive deliver that message will give many employees a reason to be optimistic when the reality of the business situation may suggest otherwise.

If you are facing a turnaround situation, there really is only one mistake you can make in terms of delivering this message. The mistake I am referring to is to think that you should hide the situation from the workforce. What would motivate a business leader to want to hide a dire situation from the workforce? There may be other reasons, but one I personally experienced is the thought that if you hide the issue, or if you downplay the seriousness of the situation, you will reduce the chance that your best employees will bolt for a better or more secure opportunity elsewhere.

When I was in this situation previously, shortly after taking over as General Manager of a business that had recently fallen on tough times, I fortunately decided to be open and direct with the workforce about the reality of the situation. I told them that our financial performance had been terrible, that our performance was one of the major reasons why the division had just laid off more than one hundred employees, and that I had complete confidence that we could turn things around. I thanked them for their contributions building what had been, at least up until recently, a very successful business. Finally, I told them that we would have to do things differently, as customers had recently begun to change some of their purchase criteria, and the government funding which customers frequently used to buy our equipment was becoming more challenging to get.

The feedback I got from employees after I delivered that message was that they appreciated my candor, and by comparison mentioned how disappointed they had been when my predecessor down-played and minimized the seriousness of issues in the past. My take-away from that experience was that your best employees, the ones you need to depend upon to get the company out of the situation, are usually heavily committed to the business. Many will be glad that you confided in them, asked them for their help, and gave them a chance to be part of the solution.

If sales are flat or declining slightly, or you are looking to make the leap from good to great, the message you deliver needs to be finessed a bit more than in the case of a turnaround. You need to consider that many employees won't perceive the situation as being that bad, and the urge to maintain the status quo may be stronger than the urge to act boldly to save a troubled business.

In addition, if the business had been more successful until just recently, it is important to acknowledge this and acknowledge the key employees who contributed to the prior period of business success. In other words, you want to deliver the message that things need to change, but you want to be careful not to alienate key employees who contributed greatly to business success prior to the recent downturn.

Before you deliver this message to the workforce, you should first discuss this with your staff. You don't want to surprise them by delivering a message to the workforce that is a surprise to them. In addition, they will likely have good suggestions that will help you to shape the specific message you deliver and tone you use.

It is important that you deliver the *anywhere but here* message to the workforce as the first step in the process. By doing this first it will tell the organization that change is coming so they aren't surprised by the things that happen next. By hearing the message directly from you, the individuals most likely to resist will conclude that resistance is futile. In addition, once you deliver this message, you will become acutely aware that the "clock is running" and that you need to act promptly on the next steps of the process.

- ❑ Deliver the message first to your staff; enlist their help to craft the message to the broader workforce
- ❑ Be frank; neither exaggerate to create the appearance of a crisis nor downplay the seriousness of the situation
- ❑ Express optimism for a successful outcome
- ❑ Acknowledge the contributions of employees for building what had been until recently a successful business
- ❑ If you know some of the changes necessary, share them now
- ❑ Commit to get back to them with more details by a specified date

Figure 1: Checklist for Step 1 Communications

Step 2: Assess your leaders

In a company that is underperforming, members of the leadership team are often at least partly responsible for the situation your company finds itself in. The root cause of that under-performance may be a change in something external to the company, for example the expectations of your customers or the behavior of your competitors, and your staff failed to recognize this and react appropriately. The cause may be performance issues within your company, and those issues were allowed to continue until they adversely impacted customer satisfaction and business performance. Those failures I described are usually due, either in part or in their entirety, to a failure of leadership.

Jim Collins, author of the book *Good to Great: Why some Companies Make the Leap . . . And Others Don't*, found in his research that leaders of companies that make the transition from being good to being truly great focus initially on "who" and then turn their attention to "what." As he describes it, the good-to-great leaders first get the "right people on the bus, the wrong people off the bus, and the right people in the right seats."[1] The leaders that followed this approach reasoned that to make changes to strategy, organizational design, and business processes without first surrounding yourself with great leaders is likely to lead to a bad outcome. If you put great leaders in key positions first, you and your team will make better decisions about how to transform the company and be better able to anticipate and deal with the inevitable change management challenges that follow.

In order to make a difficult, subjective decision a little more objective I recommend a simple diagnostic to assess the extent to which leadership is contributing to the situation your company is in. This diagnostic is part of an overall organizational assessment larger companies perform on an annual basis, often right after the completion of annual performance reviews.

To perform this diagnostic, place all of the members of your staff in leadership positions on the 3 by 3 grid in Figure 2, where the vertical axis is a rating of the results each leader delivers, and the horizontal axis is a rating of the leadership behaviors each person demonstrates. If your organization is large enough to also have middle managers or front-line supervisors, you should plot those individuals on a second and possibly a third grid. The goal is to compare leaders only with other leaders at the same level in the organization.

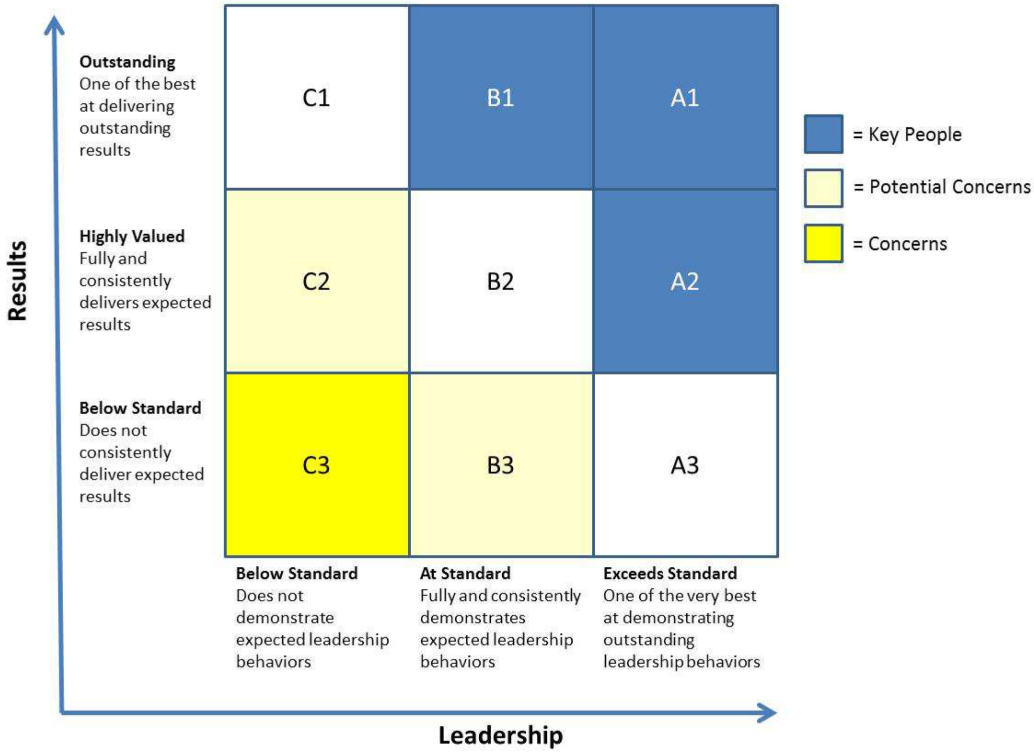

Figure 2: Leadership Talent Assessment

The middle quadrant, referred to as "at standard" in the case of leadership behaviors and "highly valued" in the case of results should represent the minimum expectation for each person and not an average level of performance. What this means is that an individual placed in the middle box B2 fully and consistently demonstrates expected leadership behaviors and delivers expected results.

If have done a good job hiring and developing leaders in your organization, you will have one or more individuals in one of the 3 blue quadrants, referred to as B1, A1, and A2. My experience, though, when doing this for the first time with several under-performing businesses is that most of the leaders are initially placed into the C1, C2, and B2 quadrants.

When I talk to a manager about leaders in their group who fall along the bottom row, meaning that their results are below standard, there usually is not a lot of debate; these leaders either need to substantially improve their performance or leave the organization. The manager understands this, since it is often the case that those poor performing leaders have made life difficult for the manager so that the manager is more than willing to deal with the issue.

When I talk to managers about leaders who are placed into the C1 category, meaning outstanding results and below standard leadership, those managers will usually describe the individual as "critical" to the success of the organization. More times than not, what this means is that you have a person who is in a leadership role but whose true value to the organization is in what they personally do on a daily basis. If this is the case, you might have an instance of someone who is in "the wrong seat on the bus," meaning that they need to remain in your organization but in a different role.

If you have individuals who are in leadership roles and their biggest contribution is in a non-leadership capacity, which is often the case for leaders who are placed in the C1 box, you should seriously consider moving them into individual contributor roles and replacing them with individuals with stronger leadership skills. If you do this, more often than not you will make those individuals happier, because leadership is not something they like or do particularly well, and you will get more productive output from the groups that those individual used to lead.

You can often do this in a way that preserves the dignity of the individual whose role you are changing. For example, if the individual's contribution is largely technical, and they lead an R&D team, you might move them into a Chief Technology Officer (CTO) role where they can focus on driving the development of your technology but not have to be bothered with leading an organization.

The individuals who are placed initially in cells C2 and B2 sometimes lead to a much more difficult discussion and decision. When I ask a manager about those individuals, the manager will often respond that their performance is "just OK". They will often describe those employees as "loyal employees." In many instances they will have worked for the company for a very long time, possibly since its inception. What I point out is that the middle category for both results and leadership behavior is meant to be for employees who meet *all* of the expectations we put on them. Individuals who truly belong in those middle categories aren't "top ten percenters," but they are good nonetheless.

On the other hand, individuals we describe as "just OK" will often meet some expectations but not others. We rarely give tough assignments to those individuals. The question I sometimes ask those managers is "if the majority of the leaders in your organization are 'just OK', why should you expect above average business results?" As we talk more about these individuals, it is often the case that the manager will move those leaders initially placed in the B2 quadrant to either the C2 or B3 quadrant, or from the C2 quadrant to the C3 quadrant.

As I warned up front, this part of the 8 step framework will not be easy. Many leaders don't like to make tough personnel decisions. It requires that you have very difficult discussions with people you may have known and who have been loyal to you and your company for many years. You may need to make decisions which can have a profound impact on the lives of those individuals.

Conversely, putting very capable leaders in key roles in your organization can have a profoundly positive impact on the success of your company. It has often been my experience that within 3 to 4 weeks of putting a stronger leader in charge of part of the organization, the performance of that part of the organization will noticeably start to improve, even without any intervention on your part beyond the change in leadership.

Finally, you should not expect that the process of upgrading leaders in your organization will happen once and then be done. It is often the case that after you upgrade leadership positions on your staff, the new leaders will go through the same process for their own organizations. Those new leaders will find some individuals in their organizations that are in the wrong seat on the bus, and others that need to get off the bus entirely.

Step 3: You need a capable Finance Partner

You may think of Step 3 as a special case of Step 2. My personal opinion is that having a capable Finance Partner is so important that it merits its own step. I mentioned in the introduction that improving business performance is a challenging task, often filled with difficult and uncomfortable actions that the Chief Executive needs to take. In my experience it is extremely helpful, and the outcome will usually be better, if the Chief Executive has a Finance Partner to share the load.

I don't mean "Partner" in the sense of a co-owner, although that may be the case in terms of your company's ownership structure. I mean "Partner" as someone who shares the load and who complements your talents, interests, and personality. A good Finance Partner can perform many important roles:

- Identify financial issues and opportunities
- Help you and your staff to understand and quantify the financial implications of potential changes in strategy or organizational design
- Ensure that as you take steps to improve financial performance that you actually realize the benefits, and reflect the changes in your budgets when appropriate
- Challenge you and other staff members to aim higher when thinking about opportunities to increase sales or reduce costs
- Provide someone you can test ideas with before proposing them to the broader staff
- Help you to say "No" or "Not Now" when well-meaning individuals come to you with great investment ideas
- Provide a "trusted pair of hands" that you can delegate difficult or sensitive tasks to
- Provide a person on your staff that you can vent to when you have a bad day

When I ask a business owner or Chief Executive whether they have a good Finance Partner, I often get the response that they have a Bookkeeper or a Controller. A Bookkeeper or Controller and a Finance Partner perform 2 very different roles. A Bookkeeper or Controller views it as their primary responsibility to produce accurate financial statements, no matter how bad the results.

A good Finance Partner views it as his or her primary responsibility to help you to meet the financial goals and achieve the true potential of the firm. Similar to a Bookkeeper or Controller, a Finance Partner understands the need to have accurate financial statements, and a good Finance Partner should be beyond reproach in this regard.

In a larger firm, the individual who would fill the role of Finance Partner would usually have the title of CFO or Finance Director. In a small firm you probably don't need and can't afford to have both a CFO and a Controller or Bookkeeper. You may get lucky and find a Controller who has great business acumen and interests and can also fill the role of Finance Partner.

This often is not the case, though, so you may need to fill the Finance Partner role in a different fashion. It may be adequate to bring in a part-time or interim CFO for your business. Maybe having someone in this role just 2 or 3 days a week will be enough. Maybe you need someone in this role full-time, but only for 9 months to a year until the business is on more solid footing.

You should be aware, though, that if you chose not to have or can't afford a Finance Partner in your company, you may end up shouldering by yourself many of the tough challenges involved in improving your business, and your odds of success will be lower.

Step 4: Revisit your strategy

Your business strategy should define where and how you intend to compete for business. The late Michael Rukstad, a long-time Professor of Strategy at the Harvard Business School identified three important elements of a business strategy: an objective, a scope, and an advantage. By "objective," Professor Rukstad was referring to your principal goal as a business, or the results you want to achieve through the application of your strategy. By "scope," he was referring to the part of the market in which you intend to compete. By "advantage," he was referring to the things you intend to do differently and better than your competitors do.2 Said more simply, a business strategy needs to identify where you intend to compete, and in areas where you do compete it should identify how you intend to win.

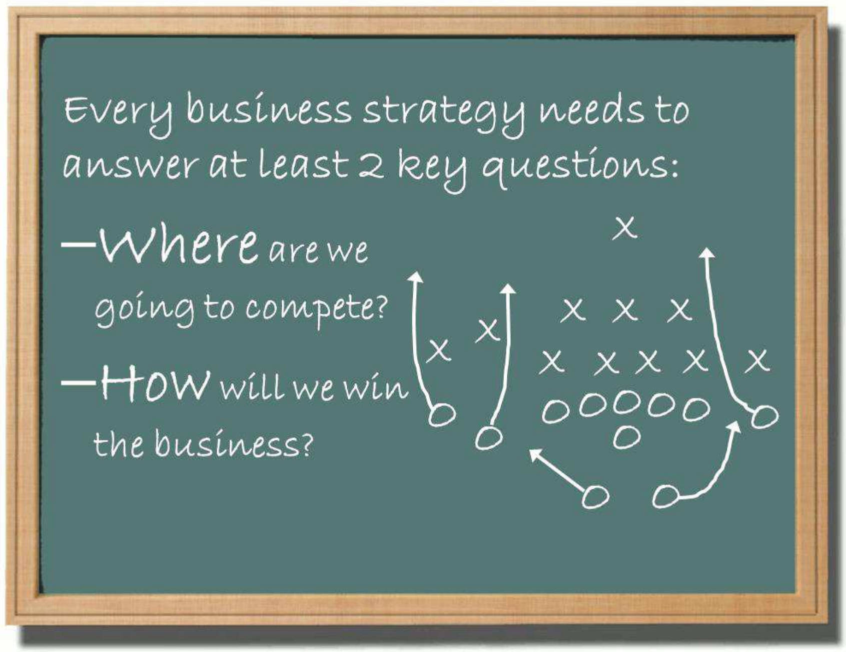

Figure 3: Basics of Business Strategy

Michael Porter, the leader of the Institute for Strategy and Competitiveness at Harvard Business School and a well-respected author on the topic of business strategy, identified 3 generic strategies that many companies use with success [3]. The 3 generic strategies are shown in Figure 4, below.

Generic Strategy	What is It?	Works Well When
Cost Leadership	• Achieve superior market share by charging lower prices while making reasonable profits • Achieve superior profitability by charging average prices while having the lowest costs	• Low cost base (labor, material, facilities) • Ongoing cost reduction focus
Differentiation	• Provide products or services that are different from and more attractive than competitive products	• Intimate knowledge of customer needs • High innovation • High-quality products and services
Focus	• Focus on a particular market niche where you strive to meet unique customer needs • Usually combined with either a cost or differentiation strategy	• See above 2 categories

Figure 4: Porter's Generic Strategies

A focus strategy is generally not used by itself. Companies that elect to focus on a specific market niche need to define how they intend to meet the needs of that particular customer group either by offering low prices or by providing product features and benefits that the target customer group values and will pay for.

Because a Focus strategy is usually combined with one of the other two generic strategies, 4 strategy quadrants are possible with one axis representing the scope of the customer group targeted (narrow versus broad) and the second axis representing the type of advantage you intend to provide (cost or differentiation). The 4 quadrants are shown in Figure 5, below along with well-known companies following each of the 4 strategies:

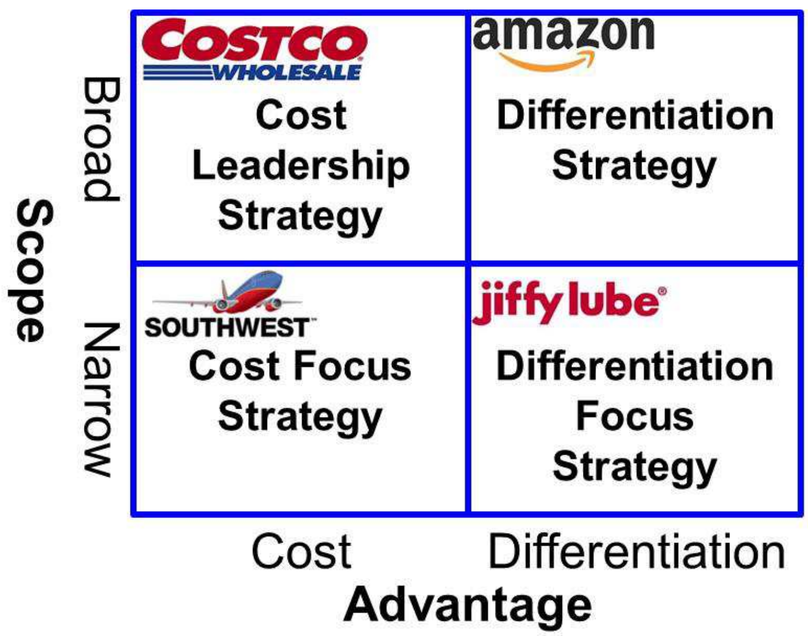

Figure 5: Examples of Porter's Generic Strategies

An important concept related to business strategy, positioning refers to how a company describes itself to its customers. Michael Porter described three generic ways in which companies position themselves to customers [4]:

3 Sources of Positioning:

- **Variety-Based:** Companies positioning themselves based on variety choose to produce a specific subset of products or services that an industry offers. Jiffy Lube is an example of a company that positions itself based on offering a very narrow set of services to automotive customers including just oil and filter changes and a handful of related services.
- **Needs-Based:** Companies positioning themselves based on customer needs elect to provide all or at least most of the products or services needed by a defined group of customers. Disney is an example of a company that positions itself as the provider of entertainment products and services aimed at families that are interested in wholesome and fun activities for their children.

- **Access-Based:** Companies positioning themselves based on customer access offer a unique and convenient means for customers to acquire a product or service. Amazon.com is an example of a company that successfully positions itself as providing a means for customers to shop for a seemingly endless assortment of products from the comfort of their own home or anywhere having an internet connection.

If you search the internet you will find many more examples of generic strategies and positioning approaches than the ones I described here. There are many books written about the subject of strategy and a significant number of academics, thought leaders, and consultants who advise businesses looking for outside help developing a successful strategy. I've listed some of the better books and articles on the subject near the end of this paper.

How should you select the right strategy for your business? Since it can take a significant amount of time to fully implement a strategy, how can you be sure that your business will succeed at the end of that period of implementation? When you select a strategy for your business you should evaluate the alternatives you consider against three criteria illustrated in Figure 6:

Valued by a Significant Group of Customers

Difficult to Imitate

Can Become a Good Fit For Your Company

Figure 6: Three Characteristics of a Good Business Strategy

First, a good strategy resonates with a significant group of customers accessible to you. The particular customer group you target will ultimately determine the size of your potential future customer base. You need to select a target customer group that is large enough to meet the growth aspirations you have for your business, and the group you select needs to find your particular product or service offering appealing.

Second, a good strategy is difficult to imitate. If the strategy you choose is successful and easy to imitate, some of your competitors will simply copy your strategy. An example of a company that has chosen a strategy that has proven to be difficult to imitate is Southwest Airlines. They offer low fares, and the entire focus of their company is on delivering service at the absolute lowest cost. As a result they can offer low fares at a significant profit.

Many of their full-service competitors saw the success Southwest Airlines was having with this strategy, and they attempted to copy it by creating low-price, no frills brands aimed primarily at vacation travelers. For example United did this when they created their TED brand. Unfortunately for United and many of the other full-service competitors, while it was easy to copy Southwest's prices, it was extremely difficult to copy Southwest's low-cost position. United discontinued their TED brand in 2009 because it was so unprofitable.

Third, you need to be able to create a fit between the needs of the strategy and your organizational capabilities, the features of your products and services, and your infrastructure, systems, and processes. When you first adopt a strategy there may be some significant gaps between what the strategy requires and the particular characteristics of your company. For example, you may choose a strategy to serve customers throughout all of Northern California with a particular service. If your current site footprint only includes offices in Sacramento and the Bay area, there is likely a significant gap in your ability to serve remote areas in Northern California.

The question you should ask yourself in this example is whether or not you have the capital, management and other functional expertise, and resilience required to either acquire or set up new office locations. If you have or can acquire the things required to close any gaps, then the strategy may make sense for your business. If you lack one of the key ingredients required to support the strategy and can't see a path to acquire or develop that ingredient, then you probably have more work to do on your strategy.

Step 5: Make a plan

The new or refined strategy you identified in Step 4 likely contained several elements that are aspirational, meaning that you would like to operate in that fashion, but you don't today. This is typical of most business strategies, because after all, they were conceived to improve business performance.

While you were creating your strategy, and in any case once it is complete, you need to do some soul searching and identify the areas where your current organization, business processes, and infrastructure don't measure up to the requirements of the new strategy. I'll refer to the gaps between how your organization operates today and the needs of the new strategy as strategy gaps. I've illustrated this concept in Figure 7, below. The process of closing those strategy gaps is referred to as Strategy Execution in management literature.

Very few companies apply even basic project management disciplines to the overall process of Strategy Execution. When a company develops a new product or upgrades a critical business information system, business leaders will often assign a project manager. Those same business leaders will expect that a project plan is created with responsible individuals and due dates assigned.

While that new product or business information system may be central to the strategy of the company, there are many other elements of the strategy that are just as critical but aren't managed with even basic project management disciplines. Business leaders just expect those other activities to happen through the normal course of business. It should come as no surprise, then, that many companies review their strategic plan each year and discover that many of the key elements of the strategy are no further along in implementation than they were the year prior.

Figure 7: The Concept of Strategy Gaps

To understand the importance of having a plan to manage Strategy Execution, consider this: Strategy is implemented during discretionary time. Discretionary time is that time when you aren't in scheduled activities such as meetings. Managers use discretionary time to do things such as completing a quote for new business, calling back or otherwise responding to an unhappy customer, or dealing with employee issues.

Most companies do not attempt to schedule or even prioritize the discretionary time of their employees. Because of this, it is very natural for employees to spend all of their discretionary time doing "urgent" work. In many cases that urgent work is time sensitive, but it is not nearly as important to the long-term success of the business as many of the activities required to execute your strategy.

As a first step in creating a plan to execute your strategy, take each strategy gap you identify and describe a series of initiatives to close those gaps. Initiatives are a set of related activities, designed to achieve a stated objective, that usually take 6 – 12 months to complete. If your strategy is to become much more customer focused, one initiative might be to implement a customer satisfaction survey. If your strategy is to become the low-price provider of a service, an initiative might be to redesign your service to reduce its cost by 25%. If your strategy is to expand sales coverage to new geographic areas, an initiative might be to find and put under contract 2 distributors in a specified region.

For each initiative you should be clear about the business goal you expect to achieve once the initiative is completed. You should assign an owner within your organization that will be accountable to implement the initiative. Finally, with the involvement of the initiative owner you should specify a due date for the initiative to be completed. Make sure that the due dates assigned consider the difficulty of the initiative, the amount of resources that can be applied, and the amount of time each specific resource can spend on the effort.

Once you identify the series of initiatives that will make your strategy a reality, you should go one step deeper and describe the specific actions required to implement each initiative. In each case you should identify the goal of the action items along with owners and due dates.

Document your initiatives, action items, owners, and due dates in a formal plan. You don't need to do this in project management software; a word processor, spreadsheet, or even presentation software is adequate for the type of simple project plan that is required here. An example of the format for a simple project plan is shown in Figure 8.

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Pillar 5: Enhance client retention with a Key Account System - Jerry

	Initiatives	Due?	Who?
1	Define criteria and expected customer service levels for key accounts	3/31/14	Jerry
2	Create staffing plan and long-term budget for key account function	6/13/14	Jerry
3	Develop Key Account Dashboards for our top 5 accounts	12/31/14	Bridget
4	Create job description and develop training material for Key Account Managers	9/15/14	Steve
5	Develop customer satisfaction survey for key accounts	3/31/15	Samantha

Figure 8: Format of a Simple Project Plan

Finally, you should anticipate that when you go through this planning process for the first time, the amount of actions you define and the timeframe in which you intend to complete them will be much greater than the capacity of your organization to deliver. It is not unusual for a management team new at the strategic planning process to describe 3+ years' worth of activities but schedule them in an eighteen month to 2 year period of time. This is very natural and is driven by excitement in the new strategy, impatience to see results, and inexperience creating project plans staffed largely by part-time resources.

As a final step in the planning process, go through a prioritization exercise that assesses the impact of each initiative on the objectives of your company, rank order each initiative, and then either push out in time or eliminate entirely those activities having the least amount of impact. Keep going through this prioritization process until you end up with a project plan that can reasonably be accomplished by the resources you have available at the same time as running the business, delivering products and services to customers, billing and collecting cash, and attending to other day-to-day needs.

Step 6: Implement "Quick Hits" to build momentum

As you and your staff went through the process of creating a plan to execute your strategy, you undoubtedly identified several actions which could be taken quickly. Some of these actions may have a small business impact, possibly only symbolic in nature, while others can have a sizeable impact.

It is important that you act on several of these "quick hit" actions sooner rather than later. There is nothing like getting a few quick wins under your belt to raise your spirits and those of your staff and the broader organization. In addition to any direct financial benefits quick hits may provide, they help to lessen organizational resistance to further changes and give you and your staff confidence as you go about the task of implementing the longer-term, more impactful elements of your strategy. Finally, once you act on several quick hits and start to see key financial metrics moving in the right direction, it will relieve some of the stress that undoubtedly you and other members of your team are feeling. Here are a few quick hit ideas to get you started:

Revenue Quick Hits

- Consider raising prices – even a ½% - 1% price increase can add up over time, and price increases of this magnitude may not be questioned or even noticed by customers. Remember that price increases fall directly to the bottom line as increased profit.
- Hold a sales promotion.
- Put a SPIF in place to provide a temporary financial incentive to your sales team for short-term sales.
- Approach your existing customers and find out what else you can do for them.
- Consider adding a related product or service to your portfolio.
- Look at your receivables. Is there some low-hanging fruit there? Making collections faster, or collecting portions of invoices which are sometimes short-paid (i.e. freight on Business-to-Business sales) can be meaningful to both cash flow and revenue.
- Is there a distributor or rep that had approached you previously about carrying your products? Maybe now is the time to get them on board and selling for you.
- Add an inside sales person, even on a part-time basis.
- If all of your sales are through "brick and mortar" locations, consider adding internet sales. It has never been cheaper and easier to create a website and enable eCommerce sale of your products.

Cost Quick Hits

- Consider not replacing an employee who left recently; this is far less painful than laying off existing employees.
- Eliminate or severely restrict overtime pay; put a process in place to ensure that all overtime is approved prior to employees working it.
- Cut back on unnecessary travel. If you would normally send 2 people to a customer, supplier, educational event, or trade-show, consider sending only 1.

- Cut back or eliminate the use of business class airfare.
- Have the person who does your purchasing contact your top 10 suppliers and ask for a price reduction; even a 1% or 2% price reduction can provide meaningful improvement to your bottom line while still preserving a good relationship with your supplier. And don't feel bad about this, since many of their other customers are doing the same thing.
- Cut back on company-paid food. If you have been open with your employees about the need to improve business performance, most will understand. Be very thoughtful about this, though. Most employees won't be too put off if you cut back on bringing in lunch. If you eliminate company-paid coffee and put in a coffee vending machine, though, you may experience wholesale mutiny.
- If cash flow is a concern, cancel or defer capital upgrades.
- If cash flow is less of a concern than profit is, consider making energy efficient upgrades to your facility; the cost of the upgrades can often be capitalized and may be subsidized by the utility company, you will see an immediate reduction in energy bills, and you may quality for a tax credit when you next file your taxes.

Step 7: Manage the plan like it is the most important thing in your business – Because it is!

You've upgraded key leadership positions, analyzed your strategy, acknowledged the reasons your business is under-performing, modified your strategy to better suit your capabilities and market conditions, and created a plan to execute your strategy. Quick hit actions aimed at driving sales up and costs down are in progress. What should you do next?

The answer is that you and your staff need to manage the successful accomplishment of your strategic plan as if it is the most important thing in the world to your business – because it is!

Every company I've worked in or consulted with holds periodic project reviews for things such as a product development project or an information system implementation. It is rare, though, that a leadership team manages the achievement of their strategic plan using a project management approach and disciplines.

Most companies create or update their strategic plan once a year and at best hold cursory progress reviews once a quarter. Many companies never review progress with strategic plan activities even once between annual review cycles. It should come as no surprise, then, that a very high percentage of companies, 70% in some studies, fail to meet the objectives they set for themselves in their strategic plans.

Leaders of the best companies recognize that it can be very challenging to implement the changes contemplated in a typical strategic plan while also dealing with the many, day-to-day urgent issues that compete for the time and attention of key employees including the CEO and his/her staff. A best practice is for the management team to review progress with the strategic plan every two weeks throughout the year. A two week interval is both frequent enough to keep key activities on track and infrequent enough so as to not be a burden.

With practice, this bi-weekly review can be effectively accomplished in only 30 minutes using management by exception. In a simple review format, leaders of major sections of the strategic plan report 4 things to the rest of the management team:

1. The highlights of what your team accomplished since the last review.
2. Any risks or issues that the rest of the management team needs to be aware of. Risks can be to either a scheduled due date, the accomplishment of the specified deliverables, or both. Where there are risks, if shifting resources from other activities to the risky activities could help, now is the time to bring it up and either decide to shift resources, or accept the risk and possible outcome.
3. The things the team will focus on between now and the next review. Because many activities are cross functional, this gives other department leaders the opportunity to participate in upcoming activities that are of interest to them.
4. Trends in any key performance indicators that are affected by the actions of the team.

These biweekly reviews provide frequent opportunities to recognize teams and individuals for their accomplishments. Smart management teams use these opportunities for recognition to reward key employees, increase excitement and buy-in to the overall strategic plan, and increase the overall level of employee satisfaction and engagement.

Step 8: Spend time with employees and reinforce the right behaviors

This last step is incredibly important, and it can be incredibly rewarding to a Chief Executive. The business strategy you developed to improve your business results and the associated initiatives you identified to turn strategy into action almost always require employees to think and act differently than they did before. It will take time for new procedures and new attitudes to take hold and become ingrained in how your company does business.

Once your staff and the broader workforce have been exposed to the new strategy, initiatives, and attitudes, you cannot assume that things will "just happen" by themselves. Some employees will not hear important parts of the message. Others will hear it and not understand it. Still others will hear and understand but will choose to continue to do things the old way. They may simply prefer how things were done previously, or they may think that you and the other members of your management team really aren't committed to the changes. They may believe that if they resist the changes long enough, they will simply go away.

As Chief Executive, your role at this stage of the revitalization is to spend significant time with the rest of the organization in many different settings. Spend time with individual employees and with small groups at all levels of the organization. Spend time with employees in informal settings such as the lunch or break rooms as well as in formal settings such as meetings.

Be on the lookout for employees who act or make statements that are consistent with the new way of doing things. When you observe this, be sure to give positive reinforcement to those employees. Put them on a pedestal. Tie that reinforcement to the message you gave previously about the new strategy or initiatives. As an example, you might say something such as this: "Remember last month at the Town Hall where I mentioned that we need to be more customer focused? What you just did was an excellent example of what I was referring to. Great Job!"

Conversely, when you observe or hear examples of doing things the old way, you have to speak up as well. In this case, be sensitive to how you deliver a negative message. It is generally better to address this message to a group rather than to an individual. You may also want to deliver this message in private if you feel that the employee in question would be put off having this kind of message delivered in front of their peers.

You can also turn what could be perceived as a negative message into a positive message if you are creative. For example, suppose that you recently announced that as part of your strategy you want to become much more customer focused and easier for customers to deal with. While walking through the customer service area, you overhear a Customer Service agent tell a customer that your company could not accept a return under warranty because their warranty expired the week before. After overhearing this, you might say something to the group such as "remember last month when I mentioned that our strategy is to be more customer friendly, and that I was empowering you to make reasonable decisions to satisfy a customer? In this instance, I would have been perfectly happy had you decided to cover that customer return under warranty, even though it had technically expired."

You need to have these kinds of discussions with employees throughout the organization, and this includes having frank discussions with your staff. Ask your staff to have the same kinds of conversations with their employees as you are having. If you praise or correct an individual or group, make sure that you bring this to the attention of the person on your staff that manages that individual or group.

Over time, you will begin to notice that if a member of your staff hears or observes behavior or comments that need to be recognized or corrected, the member of your staff will respond without you having to say anything. At this point, you can be confident that this member of your staff "gets it."

Even farther out in time you will begin to notice individual employees correcting behavior or comments that are inconsistent with the new strategy. As I mentioned at the start of this paper, when you start to see and hear these kinds of things take place it will be tremendously rewarding to you as the business leader. At that point you will truly feel that the rest of the organization is standing shoulder-to-shoulder with you, pushing and pulling the organization in the direction you specified.

8 Steps to Better Business Performance

Step 1: Define a Rallying Point – *Anywhere but here*!

Deliver a frank message to your staff and then the broader workforce that business performance needs to improve. Express confidence in a successful outcome. Don't exaggerate or downplay issues. Commit to get back to them shortly with a plan.

Step 2: Assess your leaders

Assess your leaders along two dimensions: the leadership behaviors they exhibit and the results that their organizations deliver. Organizations that underperform often have leaders that are below standard in one or both dimensions. Upgrade leaders that don't measure up.

Step 3: You need a capable Finance Partner

A Finance Partner views it as his/her primary goal to help you meet the financial objectives of the business. In addition, they will provide you with invaluable insight and support to revitalize your business, especially in the early days of the process when the challenges are greatest.

Step 4: Revisit your strategy

Identify a strategy for your business that resonates with an important group of target customers, is difficult to imitate, and your organization is capable of implementing.

Step 5: Make a plan

Identify the gaps between what your strategy requires and how your company operates today. Close those gaps with initiatives and action items. For each, identify the specific action, the goal or objective, the task owner, and a due date. Ruthlessly prioritize the plan and write it down.

Step 6: Implement "Quick Hits" to build momentum

Implement quickly improvements to revenue and cost in order to build momentum and relieve some of the pressure from you and your staff.

Step 7: Manage the plan like it is the most important thing in your business – Because it is!

Meet bi-weekly to review progress, recognize accomplishments, resolve resource and priority issues, and hold employees accountable. Practice management by exception.

Step 8: Spend time with employees and reinforce the right behaviors

Actively seek out employees that exhibit the right, new behaviors and recognize them. Conversely, when you find employees exhibiting the old behaviors, correct them.

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