

# **“Enterprise Excellence” - The Business Model for the New Millennium**

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## **Introduction**

In today’s troubled business climate where customers are constantly bombarded with new products as well as services and where competitors appear around every corner, business as usual will put you out of business. Let’s face it, both stability and predictability are history. Business today is neither stable nor predictable. To try to exist and flourish with a business model that was designed to support stability and predictability is like trying to stop the earth from turning. It can’t be done!

Success in business today reflects your ability to solve your customers’ problems, before they even know that they have them. You must anticipate their changing requirements even before they realize that they have changed, while at the same time maintaining the highest standards for quality and service all at an acceptable price.

In this article, we will introduce a New Business Model, as well as a different philosophy to running a business. We will demonstrate where today’s management strategies, tactics and tools fit in this increasingly traumatic business climate. We will provoke and challenge you to rethink the conventional wisdoms that you have grown comfortable with. We will introduce you to a New Business Model where the customer and the people that care for the customer takes center stage. A business model where the business processes necessary to assist both the customer and the people are in harmony.

## **The Customer**

A business model that does not empower and focus your people and your business processes on supporting your customers is doomed for failure. A business model that was designed to support a mass production environment cannot be effective as the environment shifts to mass customization. Frankly, it does not matter what you think about the quality or performance of your processes. It only matters what your customers think! The very best measurement from a customer perspective is “Easy to do business with”. Check for yourself. Call your Company. Try checking on an order. Ask for a quote. Seek technical information. Ask for assistance with instructions, etc. How many times do you get put on hold? How many different people do you get forwarded to? Do you even get to talk to a person? How many times do you here: “This darn computer...” “She’s not here today, but I’ll do my best to help...” “That’s not my job...”, etc.

Information is POWER. Experience has shown that by sharing ALL of the information you arm your people with the capability to CARE for your customers. The design of your Business Model and Core Business Processes must position your people to assist your customers, instantly, accurately, efficiently and effectively the first time every time.

The Enterprise Excellence Business Model starts with the “Customer”: (Markets, Potential Customers, Existing Customers and the Customer Database) and interfaces with each of the Core Processes providing the “Voice of the Customer” as the primary input to each.

### **Strategy Development and Business Planning**

Strategy Development and Business Planning starts with defining the type(s) of customer(s) that could benefit from your products and services. Your Strategy Development and Business Planning Core Process should center your business on one of three dominant strategies: Best Product, Low Price/Cost, or Best Total Solution. Please see the following articles: “Strategy the Key to Financial Payback From Re-Engineering” 1996 APICS International Conference Proceedings, “Re-Engineeringg the Front Office: Cashing in on the Cash Cow” 1997 APICS International Conference Proceedings.

It is important to understand that Strategic Planning is not about predicting the future, but about creating capabilities for success in an unpredictable future. Business today is complex and business strategies have followed in their complexity. High performance businesses, however, do a much better job of focusing their “Value Delivery Core Processes” to better support a much more highly focused business strategy. The market place has identified three dominant strategic positions: lowest price/cost, superior product, and best total value. The core value delivery processes needed to support a "superior product" dominated strategy differ from the core value delivery processes needed to support a "lowest price/cost" dominated strategy, and again from a "best total value" dominated strategy. Without agreement to a dominant business strategy, it becomes very easy for a company to try to be all things to all customers and to attempt to have their business processes support all three. This proves to be virtually impossible and ultimately results in poor customer satisfaction and loss of market share at increased costs.

In addition, to a dominant strategy, a Mission Statement (purpose), a Vision Statement (direction) and a Set of Values should be defined. Further a set of Business Imperatives, Core Process Performance Criteria's, and specific Action Plans, with time frames as well as responsibilities clearly identified, must also be defined. The Strategic Plan is reviewed and revised semi-annually and the Business Plan is reviewed monthly and revised quarterly.

## **Identifying, Acquiring, and Retaining Customers**

The selection of a dominant strategy will focus the Marketing and Sales efforts on Identifying, Acquiring, and Retaining Customers that the selected strategy has identified as desirable. At the same time an effort must be made to move away from customers that do not fit the “Ideal” profile as customers that fit it are acquired. One of the primary objectives of this core process is to provide a highly accurate demand signal for the supply side of the business. A Demand profile by product family/line in dollars and units is generated and updated on a regular basis. These Demand profiles consist of your current backlog, high probability quotes and releases, as well as forecasted future business. The Demand profile should extend into the future twelve to eighteen months. This rolling demand profile is up- dated at a minimum of twice monthly at a formal meeting titled “The Bookings Review”. “The Bookings Review” is a meeting where the Demand Manager documents and formally communicates to the Master Scheduler changes to the Demand profiles. These changes are then incorporated in the business Operations Plan and Master Schedule. This insures that the supply side of the business is in balance with the demand side. The ability to quote and promise delivery are also essential components of this core process.

## **Product/Service Development & Process Engineering**

The Product/Service Development & Process Engineering Core Process provides a focus to develop new products/services that respond to the Voice of the Customer. The intent of this process is to position the business to respond to changing customer requirements and to anticipate potential customer problems (before they even recognize that they have one), and solve them. Obviously a traditional approach to design, (Product Definition-Design Work-Redesign) is not effective. There are three rules of Effective Product Development. Changing the business paradigms requires the mastery of these three rules: Know your competitors, know your product development capability, and act precisely and decisively.

Knowing your competitors is essential to avoid the “we know best” syndrome. The tendency is to focus on one business issue at a time. We also tend to seek excellence by searching for “what” and “how” solutions. While “what” and “how” criteria is important, we must also seek the “why” and “when” as well. This requires us to not only understand our own business fundamentals but also the underlying motivations of the obvious performance indices of the competition. This holistic approach can enable us to more accurately compare and effectively apply the best practices of the competition to our new product development process. If you see someone doing something and it works, copy it. If it works very well, copy it quickly.

Knowing your product or service development capability is critical to success. You must be honest with yourself. Your customers award their business to you. It is their perceived value of your products or services that either makes or breaks your business. Thus, one of

your business objectives must be to create a product or service development capability or process that satisfies the greatest number of customers within the dominant strategy.

Acting precisely and decisively implies the need to prepare as well as the need to act. A “ready-fire-aim” philosophy seldom breeds success. Likewise, a “ready-aim-aim-aim-aim-fire” just does not work. The approach that seems to be more common in the successful business is the “ready-aim-fire-fire-fire-fire-fire” philosophy. In other words, do a thorough job of planning, insure that the direction is correct, and execute. You can’t fix the problem after the fact by throwing more resources into the breach.

The classical approach to new product or service development is imbedded in the management approach to the business, sequential product design, competitive bidding, multiple suppliers, just in case inventory, functional organization structures, quality through inspection, market research models, engineering designs, hierarchic management, and islands of automation. This mind set embraces a set of paradigms that virtually guarantee that you will continue to do things the same way that you have always done them, and most likely achieve the same results so long as the world doesn’t move. To break out of the existing new product or service development process requires that you embrace a new set of business paradigms.

A process is defined as a bounded group of interrelated work activities providing output of greater value than the inputs; it is essentially a method for doing things. A well-managed business process has the following characteristics: Clearly defined ownership, Defined boundaries and interfaces, Documented workflows, Clearly defined control points, Established measures, and Control over process deviations. The utilization of a process approach to new product or service development is a function of the paradigms of the management of the business. Do they embrace, simultaneous/concurrent engineering, supplier partnerships, single sourcing, just in time inventories, cross functional teams, quality at the source, listening to customers requirements as well as trying to uncover their needs, design for manufacturing as well as assembly, total employee engagement, and flow manufacturing as well as logistics? The process itself will be considerably different depending on the selected business strategy. The time and energy invested in the development of the new product or service can and probably will vary based on the process.

A well designed structured process for new product or service development would consist of the following major elements: Concept, Concept Development, Product/ Service Development, Full Scale Production, and Product/Service Introduction. Each of these elements must be creatively developed to support the dominant strategy selected. In addition, it is necessary to establish criteria to bring closure and agreement to each of these elements as you progress through the process.

Managing new product or service development with a process approach is not a revolutionary new concept. Most companies have developed some type of product or service development process. Regardless of their intent, traditional development approaches generally fall within two categories, the first being a formalized, stringent, and very uncompromising technical process that stifles organizational flexibility and creativity. The second is typically so undefined that it results in only “me too” type products if at all.

Neither approach fits today’s competitive atmosphere. As a result, both of these approaches are more hype than reality. They hinder more than help and seldom fulfil their intended purpose: to channel and facilitate organization creativity toward satisfying customers’ needs. The critical nature of this issue cannot be overstated! Each day you perpetuate an ineffective product or service development process, the less competitive you become.

Customers continue to become more, not less, knowledgeable and sophisticated. In turn, they are demanding a greater, not lesser, array of innovative, complex, and WOW products. Who will meet these challenges? The answer is the most talented, creative, and innovative people and companies. An effective product or service development process must balance and integrate creative people needs with those of effective supporting processes and business strategies.

### **Customer Order Processing and Fulfillment**

The Customer Order Processing and Fulfillment Core Process consist of actually processing the customer(s) order as well as the planning and execution processes necessary in order to position the company to accomplish this. The planning processes include Operations Planning, Resource Requirements Planning, Master Scheduling/Rough Cut Capacity Planning, and Materials Planning. The execution processes include Shop Floor Control and Purchasing. The planning processes are designed to create a level load.

*A number of years ago I remember hearing a wise person say, that if you execute the plan every day, you make the week, if you make every week, you make the month, if you make every month you make the quarter, and if you make every quarter you won’t get help from corporate.*

Operations Planing is done on a monthly basis, Master Scheduling/Rough Cut Capacity Planning is done on a weekly/daily basis and Materials Planning is done on a daily/hourly basis. The execution processes are then charged with performing at a hourly/daily/weekly/monthly basis. The Operations Planning Process extends twelve to eighteen months into the future and is utilized to establish a monthly rate of supply by product family/line that matches the monthly Demand Profile and is within acceptable

Inventory as well as Backlog levels. Performance to the Operations Plan is reviewed and up-dated monthly. Performance to the Master Schedule/Rough Cut Capacity Plan is reviewed and up-dated weekly/daily. A Monthly Operations Review (Sales and Operations Review) is utilized to review last month's performance to plan for the Business, Demand, Operations, Inventory and Backlog plans. In addition the Business, Demand, Operations, Inventory, and Backlog plans for the next 30-60-90 days are reviewed, discussed and agreed to.

### **Data Bases**

The "Data Bases" necessary to support the business processes must be absolutely accurate, period.

### **Performance Measurements**

Performance Measurement provides the "Voice of the Process". It is essential that we know if the business processes are performing to the criteria that were established in the Strategy Development and Business Planning Core Process. The focus of these measurements should be balanced between financial and operational. To only look at the financial measures, is like driving your car with the windshield blacked out and only using the rear view mirror. You can sure see what you ran over, but it's too late and there is nothing that you can do about it.

Operational Measurements that track hourly/daily/weekly/monthly performance allow you to get your arms around the areas that are not performing while you can still do something about it. Your Performance Measurements should track performance to plan as well as rate of improvement.

### **Conclusion**

This New Business Model has several significant differences from many of the models that have dominated publications over the last twenty-five years. The biggest one is the prominent presence of the customer. The second one is the essential emphasis on the empowerment of the people that take care of the customer.

How does your company match up?