High-Yield Methods

Rapid realignment of office and service process.

Ready for the Rebound? A Critical Six Point Check-Up

Would you leave on a cross-country road trip without changing the oil, checking your tire tread, adding anti-freeze (if you'll be crossing Minnesota, where I'm based), taking care of any other nagging maintenance items, and even loading some new tunes in place of the stuff you've been sick of for five years? You betcha you would. *So why would you take your company out on the road to recovery without doing the same?* And don't tell me your company doesn't burn oil. The average company has enough internal friction from bad process that lubrication is a must.

Potholes along the road to recovery

Think you can leave your company in cruise control and just glide back up the recovery path? Think again. Your "ascent" may resemble starting at the bottom of a steep hill in fifth gear, if you remember stick shifts.

Reality is you've tuned and equipped your company to peak perform under market conditions you won't likely see again–ever. In fact, depending on your industry sector, the new environs you'll hopefully soon see out your windshield will challenge your company to think and perform differently than pre-recession. And if you used to be a "muscle company" that could just "step on the gas" and leave competitors behind, you'll quickly discover you're heading up a new path with new hazards, including some mighty potholes and speed bumps. And you'll likely find that agility will trump speed and power on this new road you hope will return you to more prosperous times.

Competitive race leaders often lose their leadership positions, post-recession

According to Gartner's research following the 2001 recession, a full third of marketing-leading companies (defined as those in Gartner's top-right Quadrant Four) could not climb back to the top during the recovery–and only 10% of those that fell off the pace initially have been able to work their way back up over time. Upping the risk, business conditions have already changed far more than during the 2001 downturn, and there's much more to come. This recession will take an even deeper toll.

What's so different?

Let's take an especially close look from a customer perspective at what's changed or changing:

- Thrift is a virtue, not a lack of imagination
- Spending on credit is irresponsible
- Conspicuous consumption is gauche
- So is excess energy consumption
- Green is cool, not expensive
- Simple and basic are in
- Bells and whistles are not
- Bigness is a vice
- Agility is a virtue
- Value trumps brand names
- Attention to customer experience is no longer optional
- Buyers expect sellers to sell what customers want to buy

As the singer once sung, "You don't need a weathervane to know which way the wind's blowin'." The opposite direction than before the storm. And demographic as well as economic factors will prevent a change back–for many years to come.

Preparing for the light to turn green

How should you be preparing for the recovery, which is going to be a windy, slow road, not the straightaway many companies hope for? You can start with these six fundamental steps.

1. **Check in with your customers:** Don't assume buying patterns will return to "normal." What was normal yesterday will be abnormal tomorrow. New, primary research is a great starting point. So is getting out of the driver's seat to walk around in customers' shoes–and especially listening to what customers are telling you. Successful, post recession companies will take customers on their new terms–and not try to lead them backwards. They won't follow.

For example–General Motors and Chrysler need to fathom how customers feel about buying cars from a post-bankruptcy company (assuming the best). Flashy "wea culpa" advertising with "we've changed" messaging won't do squat. Think back to Hyundai. Hyundai entered the U.S. market importing cars with "flexible" steel fastened with rivets. The cars fell apart so fast that Hyundai would not have been able to keep up demand for replacements–had customers been willing to buy another. So they redesigned, retooled, vastly upgraded manufacturing processes–*and, they offered the first 10-year warranty in the biz.* Turnaround at its best. Guaranteeing its cars for 10-years directly addressed customer fears, and Hyundai delivered on its implied quality promise. Huge success story based on understanding what customers were thinking and feeling–instead of advertising and promotion.

2. Reset your strategies to match your new customer environment: "Let's play nice" no longer cuts it with customers–not unless coupled with well-designed, well-delivered and well-targeted products and services. After relearning their customer bases (or finding new ones), companies must meticulously reset strategies to fit changing customer expectations–and hopefully exceed them.

   For example–thanks to changing customer purchase patterns, Wal-Mart and Target are on a collision course. Target has owned the "cheap chic" market segment for clothes, household items etc. along with a share of the "branded but cheap" market. Wal-Mart has owned the "lowest available price market" along with its share of the "branded but cheap." But thriftiness and budget-cutting are driving department and specialty store customers down to the discounter level, which would seem to favor Target; while joblessness and overall economic distress will drive Target customers to seek lowest available prices, which would seem to favor Wal-Mart.

   But Wal-Mart, at least, is not going to sit passively and let economic impacts run their course. Eying the downward migration of department/specialty store customers, Wal-Mart is doing an end run on Target by spiffing up its traditionally down-at-the-mouth stores and adding more upscale fashions and branded merchandise. As you may remember, the Arkansas gang tried that several years back, and it flopped. However, they didn't take the concept far enough, fast enough or confidently enough. This time they're much more committed, and Wal-Mart management plans to beat Target to this new, downwardly mobile, consumer market.

   Now, can Target afford to sit still?

   Wal-Mart is strategically aligning with customers, which will force Target's hand. What remains to be seen, however, is whether Wal-Mart will execute well enough to shed its reputation for shoddy merchandise, shoddy stores and shoddy employee treatment.

And let's take a quick look at the high end, women's apparel market. How many women, even very upscale women, will want to walk around lugging ostentatious, $3,000 purses from Needless Mark-up (oops, Neiman-Marcus)? Neiman and Saks will both have to seriously reset their strategies to stay relevant in a market that frowns on excess.

3. Restructure and streamline process: American business has never warmed up to process the way our overseas competitors have. Just think of the way Detroit automakers virtually stapled a waybill to C. Edwards Deming's forehead and shipped him off to Japan–where he taught the Japanese new process techniques that eventually brought Detroit to its knees.

   U.S. repugnance for process will hurt, because restructured markets will pressure companies to restructure how they work (process). That will be especially true in office/service (O/S) environments. Unless companies restructure process, they'll continue doing business the old way. Further, the consumer lockdown on spending will force companies to streamline in order to stay cost-competitive. And with most waste already squeezed out of manufacturing, O/S settings are the primary target for cost reduction.

   The good news is that streamlining O/S process, instead of just cutting people, creates scalability for growth, expands capacity, improves quality and strengthens customer bonds. It's like having a mega-coupon that gives you money back instead of paying for an oil change. Plus, we find that restructuring office process reduces O/S FTE requirements by on average 15%–*while delivering all these benefits*.

   For example–the do-it-yourself (DIY) market for home improvement/repair products is already in recovery mode, thanks to the resurgence in DIY consumer attitudes towards home improvement. Here in the U.S., two chains dominate this market: Lowe's and Home Depot. You'd expect that Lowe's, far and away the more customer-sensitive and better managed of the two, at least historically, would rise back up faster and higher. However, sometimes adversity forces companies to take drastic internal improvement measures–as in completely redesigning customer service processes–to get back in the competitive race.

   Home Depot did have a running start restructuring. Even before the housing downturn former CEO Bob Nardelli nearly flushed the company down a Kohler toilet by cutting customer service to the bone, forcing HD to change to survive. But HD has not let the recession curb its appetite for change. The number of customer service agents available to answer customer questions about how to do stuff and what to buy is way up–as is the quality of the service staff, which now includes many older contractors and trades people who otherwise might be out of work. As a customer with a HD store nearby and a Lowe's far away, I can personally testify to the improvement. I'd call it a process revolution–from the way customers are greeted to finding help out on the floor to expedited self check-out for small orders to staff willing to assist you loading heavy items into your vehicle.

Lowe's needs to be very careful. HD's redesigning seemingly all its customer processes could very well tilt the competitive playing field enough for HD to take the lead. Classic case of doing in down times what companies have terrible difficulty doing in good times–restructuring process.

4. **Check technology alignment with process:** Most companies operate in one or more of these states today:
   - Available technology doesn't adequately support process
   - Technology is driving process, not the other way around
   - The right information doesn't get to the right person at the right time
   - Business owners understand what they need for process support, but can't communicate their needs to IT
   - IT introduces new technology irrespective of process support needs (and without running it by the business-side).

   In order to restructure process, companies need to address all these issues. Technology that doesn't suit users and processes doesn't scale. The faster business grows, the faster systems support comes unraveled, potentially cutting off growth.

   For example–the retail automotive sector will have to adapt selling processes to meet customer expectations and start building much stronger bonds with customers. While most dealerships–especially in mid-to-large networks–have already deployed an automotive deviation of CRM software, most of this software strictly segregates data by individual dealership. A dealership owns a prospect–and a customer. If a prospect decides to buy another type car than the dealer offers, or if the customer's circumstances change in ways that push them in a different direction, the customer walks out the dealership door (figuratively speaking) without the dealer network ever knowing what happened, never mind having an opportunity to build on the brand relationship and help the customer find the right car at another network dealership.

   You can probably think of another dozen faults with this segregated data system without breaking a sweat. But the bottom line is that these CRM systems won't support the selling processes of the future, which are already shifting from the dealer level to a shared dealer/network and cross-dealer profile. A whole lot of these deployed CRM systems will have to be ripped out and replaced before technology will align with new selling and relationship-building processes.

5. **Make sure all the company's "wheels" are pointed in the same direction:** Understanding how to align strategy to customers, process to strategy, technology to process–none of these do much good if the staff isn't behind them. A well-aligned company offers little wiggle room for "I'll do it my way" managers. Alignment isn't a straight jacket for creative thinkers and risk takers. It just channels their efforts so every synchronizes.

   For example–go into anything retail chain store and sample the staff for consistency of customer engagement (or non-engagement). Things are better than they used to be, yah sure, but they're still a long way from good. What you'll typically get is about 50% company values and 50% individual personality and attitude. Sometimes the percentage dips to 25/75 or even 10/90. Like the Radio Shack clerk that I wrote about in a recent “Toxic Employees” article who cold-cocked a customer for asking to see the manager. Now that’s “Attitude.” Okay, that’s extreme, but my point is that large variances remain from staff person to staff person.

Next, go into Trader Joe’s. The staff members aren’t automatons, but they all understand the importance of delivering the best possible shopping experience–a particular kind of Trader Joe’s experience. I love that store. Doesn’t help that they have surprisingly good wine, cheap (and I’m not talking about “three-buck Chuck”). And the coffee. Ooohhh, the coffee. But the staff is the kicker. I can’t have a question mark in my eyes before a clerk cheerily asks if I need help.

6. “Lube” the company to eliminate internal friction: Recessions bring lay-offs, salary cuts, bonus cuts (or elimination) and stalled promotions. Also, they often force individuals to up their workloads to “cover” for people who were cut without cutting their roles and responsibilities. All these factor and more cause various types of employee friction–oft-times bringing out the worst in people, leading to toxic behavior.

   Will improved business condition alleviate the friction and bad behavior? Usually not. In fact, a business upturn will most often aggravate them. Returning right back to the former organizational structure brings back that set irritations and worse while also carrying forward all the baggage from downsizing. The two combined can impede growth and profitability more than most management teams imagine. But that’s only the half of it. When companies adapt to changing market conditions, one of three things happens: 1.) they ask employees to produce different outcomes by doing the same work the same way; 2.) they ask employees to work differently without changing the organization or underlying workflow and information flow; 3.) they restructure work to align with new strategies. Instance #3 is far and away the least common–although it’s the only route of the three that reduces rather than creates internal friction.

   Rebounding companies should restructure work to fit new strategies as part of ramping up for growth. And they should also address toxic behavior issues–even among supposed “top performers.” Those that don’t will likely climb as if they’ve forgotten to release the emergency brake.

   For example–in retail financial silo walls tend to rise proportionally to the size of staff reductions. Every function wants to protect its own. Cuts produce winners and losers among silos, and the losers often have long memories. While process restructuring and streamlining led by cross-functional teams will reduce FTE requirements by a higher percentage than FIs can achieve otherwise, just cutting staff leaves FIs with intra-company friction and often a less-than-scalable base. When the retail FI sector starts growing, players that try scaling back up by merely undoing their scaling down had better switch to high-temperature tolerant, synthetic motor oil. That and make sure the radiator's full. And something's still likely to blow.

Six steps, with effort required. But remember that old motor oil commercial? "You can pay me now, or pay me later." Do the work now, because doing it later while scrambling to win the rebound race will either require a very long and expensive pit stop–or drop you to the back of the pack.