

From the Sacramento Business Journal:

<http://www.bizjournals.com/sacramento/stories/2009/10/12/smallb2.html>

## Efficiency is key to success in recession

Premium content from Sacramento Business Journal - by Larry Mandelberg

Date: Sunday, October 11, 2009, 9:00pm PDT

Regardless of how you define success, there are many strategies that will help you achieve it. The most important question to answer is, why does one business thrive in a down economy while dozens of others struggle just to survive?

The answers range from having great staff to targeting the ideal market. No matter your strength or strategy, no business can achieve maximum benefit unless it is operating efficiently. Anything less will result in wasted dollars and wasted time — expensive and unrecoverable once gone.

Efficiency becomes the critical aspect for success in the coming year and beyond. Competition is fierce and price is a major consideration for all, so only those firms that minimize overhead and maximize output will be winners.

The trick to winning in business is to sell needed products and services for a fair price with minimum cost.

This approach is highly sensitive to leadership's ability to provide laser-like focus with respect to value delivered, the market being served and the manner in which that product or service provides value to the customer.

Once focus is created, a high level of performance from staff is next. Ultimately this means ensuring everyone is working toward common goals and leveraging the collective wisdom, talent and efforts of everyone in the business. This is what I call performance.

### The elusive objective

Performance begs for consistency, but consistency can create a staleness. If your business keeps doing what it's always done, your deliverables will become boring and easy competition. Hence, the need to innovate and experiment. Therein lays the Catch-22: The more you change the less consistent you become, and the harder it is to be efficient and avoid mistakes.

Only nimble firms that adapt quickly are able to stay ahead of trends while maintaining value and interest. The ability to keep your business focused while looking for new products and services is what innovation is all about.

If you can figure out how to do that, you are well on your way to success. I define success as increasing capacity without increasing overhead, which means greater gross profit.

### The multiplying effect of leverage

In the book "The Goal" by Eliyahu Goldratt, the reader is taken on a roller-coaster ride of personal and business complications that undermine efficiency at every turn. The story describes the personal and professional life of a plant manager struggling with his marriage and his manufacturing facility.

The main character, Al Rogo, battles with conventional manufacturing wisdom while trying to achieve seemingly impossible results. Only when failure comes knocking on his door just as his wife begins to question their marriage does he accept the fact that things have to change.

Rogo comes to understand that traditional wisdom leads to traditional results. One man has only so many hours in the day and can do only so much. This is when he stops looking at his plant as a manufacturing facility and begins looking at it scientifically with an eye toward efficiency.

What ensues as the book winds its way through the story is a study of what to do and what not to do. With the help of his staff, Rogo begins to measure and adjust systems and processes. As he makes changes, success leads to problems that pop up in the most unlikely of places. The story makes you feel like Rogo is at the carnival playing Whack-a-Mole.

By the end of the book, the plant is producing more finished product than other plants in the system in a fraction of the time and with greater profits.

The plant's success springs from a well thought-out and documented series of processes that formalize measurement, planning and adjustments. Eventually, he finds the magic combination of systems and structure that allow his staff to perform at unheard-of levels. In the end, they become a model for efficiency and profit, and Rogo is promoted to division president overseeing all of the company's manufacturing facilities.

### **Eight simple steps**

How do you achieve this in your business? The answer is found in eight simple steps:

1. Identify your ethical framework, your values. This will define how employees should act under stress or difficult circumstances and provides the basis for your corporate culture.
2. Describe the business you're building. The description must be clear and concise, creating a picture in every employee's mind of what the organization will become.
3. Explain the value the business delivers to its clients in the simplest, most basic form.
4. Document your strategies and tactics. Lay out the details behind delivering the value described above along with the structure of the organization, how it works and how it will lead to what you are building.
5. Explain how you sell your products and services. Describe how you will promote them and the markets they are expected to serve.
6. Be crystal clear about what each person is responsible for. Assign specific goals and define boundaries within which each contributor should work to achieve them.
7. Design how work flows through your business. This allows everyone to understand processes that occur before and after they are involved to ensure effective execution in their respective areas.
8. Create a communications plan that ensures information is shared with the appropriate people at the appropriate time. Your plan should include everyone that is touched by your organization, the manner in which they need to be communicated with, the information they need and the frequency with which that communication must occur.

This is what I call the foundation of business. The problems of every organization, no matter how large or difficult they may be, are created by failure to fully execute each of these steps.

Approach your business with the singular purpose of completing each of the eight steps and you will be well on your way to increased capacity and reduced overhead. And that is where profit comes from.

*Larry Mandelberg is a management consultant specializing in updating strategic plans for the new economy.*