

Periodic Fundamental Reviews are Necessary

Overall productivity in most companies has improved in the last several years. Much of this result came from making meaningful improvements in the way work is done. Some of it, however, came from people simply working harder and longer. In this new faster paced and more demanding environment, it is especially important for executives to stop periodically and make sure the fundamentals in their company, division or department are working well.

The purpose of this quick review is to see if the fundamentals are working well and, most importantly, identify areas that need to be studied further and perhaps improved. This review is similar to your annual physical and, like a physical, it is best done by professionals. But in today's world of tight expenses and even tighter timeframes, this is sometimes impractical to do. So, how can you do it yourself? Here's an approach and some of the fundamentals we think you should look at. They fall into five general categories.

1. Purpose and Strategy – this is the reason why your organization exists and your plan or strategy to make it successful.

At a company or profit center level this includes what you sell (products and services), how you sell them (your distribution system), who you sell to (your customers or market), why this will work (the perceived value you bring) and why it will continue to be successful (culture, infrastructure and environment). At a department level your focus is usually more limited and may be more internal, i.e., focused on customers inside the company instead of policyholders, agents, etc. For example, it could be the service you provide, the professionalism of your employees, the results you must attain, how happy your customers are, your expense level and your ability to stay ahead of the competition (remember outsourcing is always an alternative).

Key questions to ask yourself are: Are these elements clearly understood by everyone? Is each working well? Do they interact and work well together? Can they be improved? Do you have a clear purpose? Does your overall strategy still make sense? Are there other, better strategies that competitors are using? When you look out to the future, will your strategy continue to work well or will it crumble?

If you feel less than confident in any of your answers, probe deeper. The fundamentals supporting your organization's success should be obviously appropriate.

2. Core Success Measures – the concrete, quantified measures that tell everyone whether or not they're successful. They help you understand if your strategy and day-to-day activities are working well. They identify areas where improvement or change is needed. They help you identify your top performers. They keep everyone focused on what's important.

Are your measures complete and well designed? Are there too many? (The best number is between six and 10. If you have too many you tend to monitor activities instead of manage results.) Does everyone understand what they are, how important they are and what the measures and standards mean? Do you have them just at the overall company level or do you also have them at lower levels so every employee understands what their team or unit must accomplish? Do your measures include "expense allowables?"

If you'd like to know more about core success measures and how they should be designed, go to our website. We've discussed success measurement in other monthly newsletters and included it in several of our articles.

3. Work Processes and Systems – the computer systems, workflows, work processes, job designs, rules and guidelines that ensure that work is done effectively and efficiently.

This area can be reviewed in a lot of ways. Three questions or areas of review almost always need to be looked at. They are:

1) How long has it been since they were studied and improved? Systems and work process tend to naturally degrade over time, mostly because the situation they're dealing with changes. Maintenance must be done continually. Redesign periodically.

2) Do you have the right tools in place to track the efficiency and effectiveness of the way work is done? Most companies have good tools for measuring the efficiency of their computer systems but it's good to check what's happening periodically just to make sure you're getting the results you need. It's also good to have core success measures for every department that track workflow results. Another tool that is effective is interactive staffing models that not only help identify and manage the staff you need but also help identify inefficient work processes.

3) Do you have efficient processes in place for identifying, cost justifying, prioritizing and managing change efforts? (This includes product development.) Most companies spend too much time working on ideas that never produce the results needed. In part, this may be because of poor cost/benefit analyses up front. Other times it's just poor prioritization and project management.

4. Organizational Structure – the way the company is organized to be most effective.

The best organization structure is the one that helps everyone in the organization be most effective and efficient. There is no right or wrong structure because the best structure depends on your current situation and needs. But there are some basic principles to follow, regardless of the structure you choose. We've written about some of these in our monthly newsletters but we also have what we call a [Practical Checklist of Organizational Concepts](#). We'd be happy to share it with you.

The key in reviewing your structure is to see if the way you're organized is helping you get key things done efficiently, with great results. Structure follows strategy, workflow and just about everything else. It should be an enabler. If it isn't, then change it. So, look for "coordination" committees, too many meetings, communication blockages, complex or lengthy decision-making, informal structures, etc. They usually indicate problems and opportunities for structural improvements.

5. Leadership – this category deals with the people in your organization and the tools that help them become effective and successful. It is by far the most important.

There are a number of things that need to work well. These include:

Compensation -- This includes job grades and competitive salary levels but also your approach to variable compensation. The key question is if your total compensation package focuses everyone (not just a few executives) on controllable results and achieving above average performance levels. Once you have accomplished this you need appropriate loyalty hooks in place so key players have concrete reasons to stay and aren't tempted to go to your competitors.

Job Design – The key here is having dual career paths for your top performers so they can progress in technical and professional jobs as well as perhaps becoming managers. This is important in creating a leadership culture instead of one that just values management.

Training and Career Development – You should have formal processes that encourage individuals to take charge of their careers and become involved in determining how they develop. This is a very different culture than one where employees wait patiently to see if there's any money in their department's budget that might be used to help them learn needed skills.

And a performance evaluation and management approach that emphasizes outstanding performance and encourages your top employees to excel. This includes the identification of high potential performers and putting them on a "fast track" for career development.

Most importantly, you need a management culture that values individuals and encourages accountability, outstanding performance and results, even when this might entail risk.

If you want more information about anything mentioned or if you'd like some assistance in doing this review, please call me. We'd love to help. Also, please visit our website (McDonaldConsultingGroup.com) for other topics of interest.