

Ignoring Problems can be Costly

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One of my customers has just returned to my service manager, for the third time, with a related set of problems. We have a valuable customer, who is now getting heated about the time she's spent coming back again. The service manager is great, but is getting frustrated at being in the middle between our service department and our customer. The service department has its most experienced tech working on the problem, and each time he thinks he has solved the problem. This isn't the only time this has happened; but in this case we're pushing our luck with a really good customer. Help!

Sounds like it's time for a quality approach to analyzing what's going on. Often when organizations run into problems, they tend to look at them as individual incidents, or individual customer experiences. In fact, there may be more fundamental problems at work which need correcting.

Let's look at the cost of continuing as is, and the potential rewards for making changes. I'll list some of the standard process improvement programs, and talk about some of the fundamental steps employed in process and organizational improvement. And I'll wrap up with questions you can ask to help diagnose problems within your company.

The cost of ignoring underlying problems can be significant. You

can end up chasing away otherwise good customers. You can risk ruining the company's reputation, which makes it harder to attract new customers. You can lose good employees who get fed up dealing with problems, or who can't stand the tensions that go with handling dissatisfied customers. Employee turnover, loss of customer revenue and not hitting growth targets are big killers in any organization.

As business owners, we have to remember that customers, prospects and employees all have choices as to where they shop and work. Frustrations will eat into profits, in addition to limiting your company's growth. Customers will ask you to make up for mistakes with discounts. Employees will ask for a premium, or combat pay, to handle difficult situations. And prospects will try to negotiate your prices down, based on your lower market reputation, if they bother to shop with you, at all.

On the other hand, fixing problems can have big rewards, if you do it right. One system of performance improvements, known as Six Sigma, was promoted early on by Larry Bossidy of Allied Signal and Jack Welch of General Electric. GE reported over \$300 million in benefit the first year they worked on Six Sigma. Bank of America used Six Sigma to prevent fraud, reduce credit risks, and improve customer satisfaction. They

reported \$2 billion in benefits while improving customer satisfaction by 25%. A hospital applied Six Sigma to emergency department handling of heart attack patients, and cut out 41 minutes in potentially life-or-death situations.

Now we're not all Fortune 500 companies or major banks. We still have opportunities to cut out waste, reduce fraud, make customers happier, and do what we do faster and better. Not only will we save money, but we'll have the satisfaction of having led the way in doing things right the first time – an admirable goal in any company.

Process and organization improvement programs come in many shapes and sizes, each with pros and cons. Six Sigma, TQM, or Total Quality Management, ISO, Kaizen, Lean Manufacturing and The Deming System, are some of the leading initiatives. These are all major undertakings, with many players, and initiatives unfolding over long periods of time. While you and your company may not be up a long, involved process, you can still apply kernels of these programs to help your company improve.

Six Sigma is a measure of quality, and defines a disciplined method for measuring and eliminating defects, as you approach near perfection in a given process. TQM is about

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continuously improving results, from the top of the organization to the shop floor, by focusing on people and machine capability, technology and processes. ISO is a process of certification, emphasizing standardization and continuous improvement, which qualifies participants to conduct business domestically and internationally in highly competitive arenas. Kaizen is a Japanese word for improvement, and today represents a business philosophy of continuous problem reduction and cost reduction, through teams focused on rapidly improving activities. Lean Manufacturing is all about eliminating waste in manufacturing due to excess inventory, wait times, over production, motion and scrap, transportation and processing. Lean Manufacturing initiatives include terms such as JIT, or Just In Time, Zero Wait Time, Zero Inventory, Scheduling based on Internal Customer pull, Batch-to-Flow, Line Balancing, and supply chain management.

W. Edward Deming, who lived from 1900 to 1993, is often called the father of business improvement. He was a statistician, business consultant and teacher, recognized worldwide as a crusader for achieving quality by improving trust and building relationships within and among organizations. Deming believed it was management's duty to drive out fear, break down organizational

barriers, encourage pride of workmanship, and foster education and self-improvement throughout the organization. First embraced as a guru in Japan, after the end of World War II, his teachings helped Japan become a world quality leader. Throughout his career, Deming was highly critical of US business practices and management styles, which he condemned for being short sighted, focused on motivation by fear, lacking effective organization communication skills and having little understanding of how to motivate and manage individual performance. Deming capsulated his views into 14 points, with the stated purpose of making it possible for people to work with joy. The W. Edward Deming Institute in Washington, D.C. promotes Deming's teachings, and gives out annual awards to individuals who make outstanding contributions to the study, statistical modeling or dissemination of TQM.

That's your 2 minute introduction to some of the terms, initiatives, people and goals of "doing it right the first time", so that companies, and the people within them, can survive, thrive and prosper. Let's see what we can do to help you make progress in your own organization. The first step is you, the business owner. You set the tone for your organization. All of the experts agree that what you, the owner, tolerate in terms of errors and problems, and how

you deal with individuals, groups and departments, as you ask them to make improvements, is the single most important factor.

Let's come back to the problem with which we started this article. The customer has a problem. The problem gets fixed, but not to the customer's satisfaction. The customer comes back and a second repair is made, again not fully addressing the customer's concerns. The third time, the customer, the service manager, and the senior technician come together to review service logs, talk through the customer's concerns and review steps taken to date.

Once the third round of work is completed, the customer and senior technician look over the final adjustments and agree that the problem is finally resolved. The service manager gives the customer a discount, to partially compensate her for her trouble. The customer acknowledges that the problem was hard to diagnose, and gets to see that the technician was very much interested in understanding and solving the problem. The technician is able to get feedback from the customer which helps him to finally correct the problem. And he logs the changes made into the customer file for future reference. Everyone gets back to work, with the problem solved.

What's missing? Everyone treated this problem like a single

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incident. One customer, one set of problems, solved. No one is looking for the system breakdowns, which allowed this set of problems to happen in the first place. While mistakes are made by people, according to the continuous improvement experts, mistakes most often result from problems in the system or process that people employ. Getting to the root of the problem means finding out what in the system or process isn't working, and fixing it, so that the breakdown can't happen again.

Improving business processes takes time, effort, patience and commitment. You have to step back from the daily rush of business activities, to analyze, measure, and understand the problems you're dealing with. Our job, as owners, is to hold ourselves and our people accountable for preventing mistakes, detecting mistakes early, and once mistakes are found, stopping production until the process can be corrected. For many of us, this becomes a risk-reward lottery: what's the likelihood of the problem happening again, versus the cost of interrupting what we're doing to search for a root cause.

According to the continuous improvement experts, if the problem is not fixed at its' root, it will happen again. The business will lose its' competitive advantages, and waste profits, because it has to fix problems

over and over again. Think of it this way. Would you rather spend your profits on waste and repeating errors, or fix the problem, and take home the money you save, to spend on doing things that give you personal satisfaction? Consider the fringe benefit: once you solve the root cause, you can relax; you don't have to worry about when the problem might crop up again.

How do you work on root causes? Here are some things you can do to get started. Make a form that everyone uses to track problems: time of day, description of the problem, areas/people involved, how the problem was solved. Identify activities that can be measured, that will indicate how well or poorly parts of the business are performing. For example, you can log customer complaints, track vendor deliveries for completeness and timeliness, record how often activities are / are not completed on time, in budget, or according to specifications. You can follow your product or service through your shop, set standards for each stage of production, and identify when you do, and don't meet standard. Reward your people for identifying problems, by encouraging them to talk openly and honestly about what is, and isn't working well.

Once you have a list of problems to work on, focus. Pick one area or problem set to work on at a time. Define the goal: how will

you know the problem is fixed. Define how you will measure progress as everyone works to fix the problem. Analyze what caused the problem, and be willing to look outside the box for factors that aren't so obvious. Design and test improvements, see what works. Agree on solutions. Measure results to be sure the solutions work.

Once you have solved the root causes, make sure everyone in the company knows what to do, and does it the new way. Assign process owners to oversee the new way. Be demanding, but patient, as you encourage and lead everyone forward.

Looking for a good book? Try Gemba Kaizen, A Common Sense, Low Cost Approach to Management, by Masaaki Imai.

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