Honey, I Shrunk The Company

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As we emerge from unprecedented economic decline, past experience and common sense suggest that growth in these better times will not come without hardship. Many companies were forced to take quick measures to reduce costs, and this approach often has negative consequences in terms of operating risks down the road.

A number of the more salient risks include:

People

- Reductions in workforce impact the institutional knowledge of an organization, particularly as many companies do not have the requisite standardization of roles and responsibilities and best practices. As their volumes return, companies lack the talent that they previously possessed, and adding untrained labor to the process impacts quality, productivity, and customer service.
- Companies who pride themselves on possessing a certain culture will be surprised at the erosion of that asset. Traditional work covenants have been harmed, and a loss of shared ethics and values impacts the workplace. Leadership will appear diminished due to a general lack of trust by the workforce.
- Even employees who were seemingly unhurt by the economy may see opportunities to “jump ship” in an improved economy. This may be tied to a loss of respect for, or confidence in, their company’s leadership, or even the departure of key leaders.

Operational Capability

- In an asset intensive environment, reduction in maintenance budgets during the downturn will lead to a non-predictable maintenance environment, leaving unplanned downtime and breakdowns in its wake. Many less strategic assets will have been cannibalized and capacity may be limited.
- Customer service and on-time delivery may be impacted by the lack of capability within the company’s supply chain. Suppliers will inevitably face the same challenges that are discussed above, and along with resultant

credit issues, will impact their ability to provide raw materials, components and services in a consistent way with appropriate timeliness and quality.
- Prior efforts to implement tools such as lean manufacturing and Six Sigma may have been allowed to lapse, and budgets and operating plans now include standards and cycle times that can no longer be attained.
- Quality systems are no longer robust, and cost of quality and first time yield levels may hinder profitability targets and service levels.

Innovation

- Forward looking development efforts may have been reduced during the downturn, and the company may lose its competitive advantage and perception as a market leader.
- As they leave, development resources may carry portable knowledge and platforms to competitive firms.
- Launch processes may be impacted due to loss of key resources and reduced operational capabilities.

Even companies that invested in robust operational performance improvement platforms prior to the downturn may need to re-institutionalize these practices. Operational excellence leaders may have left or been let go due to cutbacks. Those that are left may no longer be willing to risk leading change. Cost and budget models are built upon the improvements that lean manufacturing, TPM, TQM, and Six Sigma tools provide, and companies simply cannot survive with the performance, productivity, efficiency and quality levels that existed a decade ago. Increased volumes will unmask the hidden wrinkles that exist in companies that have “held on” during the downturn.

All is not lost! Companies facing these challenges must move rapidly to ensure that they can emulate their former performance levels. Key tactics include:

- Balanced Scorecards with real time analysis and accountability processes;
- Root cause resolution to prevent recurring issues;
- Effective Total Productive Maintenance to assure asset reliability;
- Training, coaching and clear documentation of standardized procedures and best practices; and,
- Investment in robust development, innovation, and launch processes.

For each of the risks cited above, the approach to implementing necessary solutions is as important as the solution itself. A poor implementation of a good idea can ruin the good idea, or it simply may be perceived as a “flavor of the month”.

Some implementation approaches that can be helpful include:

- Instituting cross functional teams as a safe place for employees to express improvement ideas. Project teams create pride in the ownership of implemented improvement and a means to document best practices. The team environment sponsored by these teams can also go a long way towards healing damaged trust between employees and management. This exercise is an extremely effective way for management to prove to employees that they are supportive of employees' ideas and input. Afterwards, employees are energized by this process and help rebuild pride in their company. This frequently reduces or eliminates the desire to move to greener pastures.

- Analyzing current demand and available capacity. A company should also consider including customers and suppliers in improvement initiatives and project teams. By providing each party with a greater knowledge and comfort level with predicted demand patterns, this step bridges critical relationship gaps and allows for a team-like approach to potential problems.
- Effectively measuring performance ensures that operational goals are aligned with strategic plans. Accountability must be driven back into a culture where it may have fled or was never present.

Move quickly but with consideration. Companies that acted with a forward looking strategy during the economic downturn have a distinct advantage at the present moment. Companies that act with that same level of consideration, but with the required pace, will similarly be rewarded in the long run with increased market share and profitability.