Metrics Provide Strategic Roadmap To Overcoming Risks

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It’s a battle out there. Market conditions for many industries are still plagued with lurking economic hazards. Global competition continues to encroach on eroding territorial claims. Technology increasingly threatens to turn product distinctions into generic commodities. Long-established companies bogged down in old-school protocol struggle to keep up with the fast-paced change of entrepreneurial start-ups and angel-backed innovators who can create new market segments overnight.

For manufacturers that provide in-plant service on equipment, install equipment for customers, or provide after-market service, the escalating cost of labor-intensive service generates a tangible threat. Maintaining a skilled workforce and carrying an inventory of expensive replacement parts automatically puts the plant maintenance and service departments into the high overhead category. Increasing expectations of limited down-time and on-time deliveries without interruption only intensifies the pressure.

Manufacturers that produce equipment and install, maintain, or service the equipment for their customers are well acquainted with the danger-packed customer service landscape. Highly vocal customers—quick to release vengeance through social media outlets—bombard the customer service center with a daily onslaught of demands for immediate attention. Expectations are high. The stakes

are even higher. Today's consumer-driven culture has little patience and virtually no brand loyalty.

How do these daily conflicts between customer expectations and available resources affect the manufacturer that also wants to expand market share, take on new industries, or launch new product lines?

Tensions can certainly mount as resources are spread between additional fronts and managers stretch capacity, while reinforcing the internal system's infrastructure and maintaining a watchful eye for hidden dangers, as well as new opportunities.

Although the landscape is challenging, the alert manufacturer can outmaneuver its competition by strategic use of people, processes, and technology. Deploying a strong performance management system is an essential tactic. Metrics help the organization move forward, enabling bold assertive steps toward market leadership.

Behind closed conference room doors, strategic planning and use of Key Performance Indicators (KPIs) often have been mired in a rut of old-school ineffectiveness. How dangerous! For a manufacturer to stay in the forefront of competitive prowess, its ability to identify, capture, understand, and utilize relevant performance data is essential. In today's highly competitive economy, survival often depends on it.

Fortunately, advanced software functionality is enabling a next generation of performance management strategies to emerge. Profit-driven manufacturers can take advantage of the enterprise-wide visibility that integrated business systems offer. Additionally, ad hoc reporting tools, role-based workbenches, and easy-to-write custom reports have given life to KPI processes which can be utilized company-wide and lead to sizable—and measurable—gains in revenue, productivity, and most importantly, profit. It's a new world. New tools are available to allow the assertive, tech-savvy manufacturer to make major gains in equipment reliability, order completions, customer satisfaction, and fiscal efficiency.

The strategic use of performance analytics and KPIs can have a major impact on the overall profitability of an organization, whether a regional job shop or global industrial manufacturer. However, to have a lasting bottom-line benefit, the overall system must address several facets, ranging from relevance to engagement. People, processes, and technology must all be coordinated and synchronized, like a well-oiled precision machine.

Successful manufacturers must have a strategy

A systematic approach to gaining customer loyalty while also controlling costs must be developed—much like a general would craft a battle plan for seizing territory while rationing supplies. Discipline to adhere to the plan and willingness to enforce a daily regimen, even if painful, are important to winning the small skirmishes that pave the way for the big victories.

Fortunately for the forward-thinking manufacturer, technology is a powerful ally. Advanced ad hoc reporting functionality (available to everyone in the organization)

and fully integrated maintenance and service solutions which provide enterprise-wide visibility make it possible for the strategic manufacturer to perform thorough research and analysis of profit-driving factors.

Effective plant maintenance and service lifecycle management software allow the company to automate routine functions, streamline processes, and eliminate redundancies. Access to data enables managers to set priorities, monitor productivity, and make informed decisions. Reinforced by a strong system for tracking KPIs, personnel can focus on preemptive problem-solving and building relationships with customers based on meaningful dialogue and value-added service.

Investing in technology provides a powerful strategic advantage

The term “service lifecycle” refers to the complete customer experience a manufacturer offers its customers. It typically is a cycle, beginning with an order and encompassing multiple steps involved in delivering, installing, maintaining, and servicing the items. When there is a service request, all of the steps involved in resolving the issues are included, from dispatching a field technician to capturing data for accurate billing. The service lifecycle also includes managing warranty claims and providing preventive maintenance. Anticipating the customer’s needs and assisting with education is another important part of elevating the customer experience.

Not only does technology enable advancement, it can be an important differentiating tool for companies looking to gain a competitive advantage.

Today, as economic conditions begin to rebound following the worse recessions in modern US history, manufacturers are aggressively looking for ways to distinguish themselves from the other equally hungry competitors who are chasing the same emerging sales opportunities. More companies are turning to performance management tools as a way to create a customer-attentive culture that is above and beyond what their competitors offer.

Gain customer trust

Focusing on reliability and service as a marketing opportunity makes price become less of a critical factor in the customer's decision-making process. The role of relationships becomes more important, giving the company who plays an active role in providing support to customers a definite advantage. Once a relationship transformation occurs, the customer considers the manufacturer a trusted partner and a part of the team. A long-term alliance is formed. This should be the ultimate goal of any customer-driven organization. Although it is a difficult status to reach, it is certainly attainable and should be identified by executive level personnel as a priority goal.

Of course, data collected from performance management systems contributes to the ability to provide meaningful insights to customers and establishes this trust factor. Information can, and should be, shared with customers. Much of the data collected in the routine KPI-tracking process provides insights the customer will find useful and appreciate.

Customers too are eager for information and ready to make well-informed purchases. They face the same economic constraints as manufacturers do and need to be prudent in their investments and protection of capital equipment. Historical data on maintenance costs and repairs helps instill confidence in purchase decisions for upgrading or replacing units. Data also can be used to demonstrate to the customer the overall reliability of on-time delivery rates and agreement compliance.

In many cases, companies that have put projects on hold are now ready to move forward with investments but need to find new suppliers, because their long-standing suppliers downsized or even went out of business during the recession. Customers are searching for resources and being diligent in asking questions which only a fact-based company can answer.

This pent-up demand is one of the reasons companies that survived the recent economic downturn are now ready to step up and make bold, aggressive moves aiming for the forefront of their industry. They see an opportunity to recapture lost ground. This means they are investing in their infrastructure, including software initiatives, so they can pursue new markets, add products, and extend value-add services they offer customers.

To make it easier to share data with their customers, companies are investing in performance management systems, specifically business intelligence, according to recent surveys.

In order to stay competitive—or ahead of the competition—it is important to be equipped with the same types of technology tools that other manufacturers are utilizing. Investing now in performance management infrastructure will enable the company to stay current, keep pace with the improving economy, and avoid being left behind or overlooked by customers who are seeking new data-rich, tech-savvy resources.

To create and implement a successful performance management system, sufficient time must be allowed for developing processes, including obtaining employee input/feedback, identifying goals, researching associated software needs, and

training personnel.

The process can be summarized in the following ten steps:

1. Executive Sponsorship
Major new initiatives must begin at the top. High-level priority must be communicated to personnel in order to establish expectations and encourage compliance. Corporate level managers will also be responsible for ongoing due diligence if the going becomes difficult.

2. Identify Key Roles
Determine which roles in the organization require access to data and where permission levels should be set. Determine who will be responsible for defining, collecting, consuming, and monitoring data. The system should be able to limit access to confidential information as needed.

3. Establish Critical Numbers
Determine which critical numbers are to be associated with each end-user role and parameters for those critical areas, making sure they tie to corporate objectives. Choosing the critical numbers will require research, using an ad hoc report writing tool, to determine which influencing factors offer the most opportunities for taking corrective actions.

4. Research Software Needs
To maximize the results of a performance management system, it is essential the software solution supports multi-dimensional needs. Having several components, but one missing, is going to diminish (or eliminate) the effectiveness of the entire system. Similarly, a system which patches several different point solutions, with limited integration abilities, will have more complexity. Before building or piecing a system, itemize needs. Research options. A single software solution which fulfills all of the requirements is likely to be the most cost-effective.

5. Integrate Flexible Reporting Tools and Workbenches
Ultimately employees should be able to work from a role-specific workbench and

create their own reports without requiring the support of the IT department. Reports should be based on timely data and have drill-down capabilities, from primary to secondary, tertiary, etc. In most cases, real-time data is the most beneficial.

6. Determine Desired Methods of Alerts and Escalation

How should employees be automatically notified when a problem is imminent, such as SLA response rates heading toward non-compliance? With an advanced service management solution, options can be tailored to fit the need of the organization and can range from an email alert to a red flashing gauge. Determine which personnel should receive the alert and how far in the chain of command the alert needs to escalate. Be clear in establishing policy for action to be taken when alerts are received.

7. Train Personnel

A system is near certain to be ineffectual if the intended users lack ability or, worse yet, don't desire the ability to use it. Resistance to change is a very real roadblock to instigating a role-based performance management system. Does this new system place more responsibility on the individual and does that translate to more opportunities for blame or praise? Is this new system a "Big Brother" tactic to micro-manage daily activities? These are some of the questions that need to be addressed during training and deployment. Open communication can overcome concerns.

8. Implement the Process

With tools in place and teams trained, the organization can begin the process of researching and improving critical KPIs throughout the organization. Begin slowly with iterative steps. Celebrate early wins.

9. Continually Evaluate

The entire system, functionality to usage, must be routinely evaluated to ensure it is still meeting the needs of the organization. Critical numbers need to be continually challenged and adjusted as performance, abilities, and goals change. Initial KPIs selected rarely end up being the final, appropriate critical numbers. A process of continuous improvement should be planned.

10. Integrate Maintenance and Service to Back-End Accounting

For maximum efficiency results, the company should operate with one totally integrated system. One database which includes not only financials, but also service incidents and parts inventory should be the resource for critical numbers and key performance indicators.

Single Source Systems, Inc. is a company that develops, implements, and supports software solutions for manufacturers and companies which maintain and service complex equipment. Since 1985, Single Source has been helping service-centric organizations achieve greater efficiency and profitability through the use of its advanced software products For more information or a complimentary copy of Tony's E-book on Performance Management Strategies, visit www.singlesrc.com [1].

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[1] http://www.singlesrc.com/