

Creating A Prospector Organization

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Most American manufacturers want to increase sales. For many, this means finding new customers and new market niches and being able to shorten lead times. But in discussing their needs I have often found that they are not organized to find new customers or explore market opportunities and their organizations are not designed to reduce lead times.

I would like to make a case that American manufacturers, in general, need to adopt a new type of organization - the Prospector Organization - in order to grow in the future.

The Defender Model

The organizational model that describes most small and midsize manufacturing companies is the "Defender" model. The Defender model worked for a long time because the U.S. had long term stability for decade after decade. After World War II, market demand was fairly stable; there were few competitors, and customers relied on a few loyal suppliers. A manufacturer didn't have to monitor customers or be a good industrial marketer. The Defender organization was the perfect organization to control internal operations, and tended to feature centralized decision-making and communication. Normally this would restrict information flows to vertical channels where directives and instructions flow down the hierarchy and progress reports and explanations flow up, according to Raymond Miles and Charles Snow, authors of Organizational Strategy, Structure, and Process.

The Defender's fundamental emphasis is on operational efficiency, therefore most of their focus and time is devoted to internal issues such as capacity, quality, and process issues. This orientation prevents them from devoting much time to finding out what's going on in the market.

The Prospector Model

It is my belief that succeeding in the new global economy will require an organization that is some variation of what Professors Miles and Snow call a Prospector organization. Prospectors, according to Miles and Snow, are very different than Defenders and their efforts are described as follows:

- Multiple market exploration - The Prospector's prime capability is that of finding and exploiting new market opportunities.
- Market and competitor intelligence - The prospector invests heavily in individuals and groups who can scan the environment for potential opportunities. Prospectors have the ability to find new customers and markets on a continuous basis.

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- Product organization – The company is decentralized into many divisions and sub units. This structure is a flat organization with many units, cells, and teams. Control is also decentralized because the information needed to assess performance and to take the appropriate corrective action is located in the operating units themselves, not in the upper echelons of management.
- Decentralized decision making and communication – Prospectors prefer short, horizontal feedback loops. Therefore when a deviation in unit performance is detected, this information is not channeled to higher management for action but fed back to the unit for immediate corrections. This gives organizations the ability to quickly respond to customer demands.
- Quick Response Manufacturing (QRM) – QRM methodologies fit the Prospector model very well because it is an enterprise-wide strategy that goes beyond the shop floor. QRM also provides executives with a strategic view of time (The Power of Time) and helps them rethink decisions on capacity (System Dynamics).

Minster Machine

Minster Machine has been headquartered in the West Central Ohio village of Minster since 1896. One of the designers of the new organization and processes is Joe Kumpf, VP of the Midwest divisions. Kumpf had been using Lean Manufacturing techniques for quite a few years to reduce costs and waste, but Lean did not provide any practical way to shorten lead times for manufacturers of highly engineered and custom products. Minster Machine decided to try some of the methods of QRM, a process totally devoted to lead time reduction.

Minster Machine had already chosen to find new markets and develop new products; to succeed would take a different type of organization. According to Kumpf, “We have eliminated the functional organization and created focused divisions who have clear commercial goals, understand their capabilities, and become intimate with their customers.” Minster went from one large functional organization to seven divisions with different, but coordinated missions.

“Changing from a functional organization means keeping the divisions as flat as possible and to avoid building functional walls. It also means eliminating functional department management whenever possible. At Minster, people with various skills all report to a manager who has responsibility for serving the customer. The result is lots of interaction across disciplines.”

SEMCO Inc

The second example is a product manufacturer called SEMCO. Company owner Ricardo Semler took many chances in developing a new type of organization that could respond better to customer needs and to employee needs.

The organizational pyramid is the basic structure of the functional organization and Semler decided that it was going to be impossible to push authority down to the people who were doing the jobs as long as he had a functional organization. So he

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scrapped the pyramid organization and organized the company into smaller business units. He tried to make a flatter organization where communication was easier between employees.

He also determined that functional organizations, by their very design, create small “fiefdom departments” that tend to grow into self-serving entities playing by their own rules. In his war against functionalism, he closed down the entire IT department when he found out it couldn’t effectively get an invoice out to the customers.

Conclusion

The Prospector is an organization with the built-in capability to find new market opportunities as well as a production organization that can reduce lead time based on the methods used in QRM. It is a lesson that should be taken seriously by all manufacturing companies who need to find new customers and market opportunities.

Mike Collins is the author of Saving American Manufacturing. You can find him on the web at www.mpcmgt.com [1].

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