

# Doing the Right Things Right: Alignment of Improvement Efforts with Enterprise Strategy

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## Current Situation

Many successful start-up companies have difficulties to create the transition from the pioneer phase into the growth phase. The dominant role of the founder and his detailed knowledge of the market as well as of all internal operational procedures make it more difficult to share responsibility among several employees. The time constraints, as a result of the founder's success and the resulting work to be done, increasingly inhibit further growth. Innovative new product development, often a key element to success, is significantly reduced as a result. If this vicious circle cannot be broken, the enterprise stagnates, creates opportunities for competitors, and will eventually be at risk to be pushed out of the market.

Polydeck Screen Corporation is the leading manufacturer of screening media used for the screening of rock in coal, mining and aggregate industries. Instead of the traditional wire screen media, Polydeck offers an innovative solution using modular screen panels made from injection molded polyurethane or rubber. This solution provides a significant cost benefit compared to wire screens. So far, just about 15% of all aggregate plants in the US are converted to modular screens. Consequently, there is an almost indefinite market potential left to be explored. By the means of specific patents as well as by cost benefits resulting from industrial large-scale production using injection molding, Polydeck can effectively protect itself from smaller "Me-Too" suppliers who quite often use 2-component pouring to manufacture their panels.

After a period of stagnating sales, revenues started to grow exponentially right after the founder's son got involved in the business. By introduction of purposeful

product innovations, it was possible to contract several new key customers within a short amount of time. In order to keep up with increased sales operationally, the number of employees grew continuously, however without restructuring the internal processes: as before, daily operations were directed very much hands-on by very few key people. Because of the many direct interventions in the manufacturing process, i. e. rescheduling based on urgent customer needs, a higher number of inefficiencies and errors started to develop, thereby causing reason for additional interventions. Consequently, valuable time used to deal with errors along the order processing procedure, was no longer available for maintaining customer relationships. When the amount of product returned from customers continued to increase, the enterprise found itself in the midst of a growth induced, but nevertheless success threatening crisis.

## The Task

The problems were first perceived as production problems: Disproportionate growth of the number of production employees in comparison to output, quality problems in the injection molding processes as well as in the fabrication of welded support frames to go underneath the panels. Further problems were assumed at the interface between engineering and production; as it happened frequently steel frames needed to be manufactured that were not even completely designed at the time. In this situation, Polydeck asked Schuh Complexity Management to provide support to increase the efficiency in the production department, to improve the quality and achieve cost reductions.

## The Approach

As in most cases when directed to a clearly defined problem area, it paid off to step back and evaluate whether the described problems also were the most urgent ones to attack. To do that, Polydeck agreed to get started with a one-day strategy workshop to develop a holistic view of the overall situation of the enterprise. Only after the workshop was held, the actual approach for the optimization of the internal processes would be defined.

During the strategy workshop, the different market segments of Polydeck Screen Corporation were systematically analyzed. This included an analysis of the market characteristics and the intensity of competition as well as the identification of the key competences an enterprise must purposefully develop in order to have above average success in its respective market segments.

The discussion during the strategy workshop quickly revealed that screen panels are incredibly customized products; in order to guarantee a stable gradation of the final product, the panels must correspond to technical specifications (e.g. aperture, angle of inclination, etc.), which are dependent on the raw material to be processed. Thereby, the moisture content of the raw material is of particular importance, so that „raw gravel from the right side of the road passing the processing site cannot be processed with the same screen, which is used for raw gravel originating from the left side of the road“. Furthermore, a once determined specification must be examined and adapted with the progression of gravel extractions. A correct specification of the screen panels

to be used therefore can only be given after thorough analysis of the local conditions. Thus, customer proximity is one of the dominant strategic success positions for that market segment.

In further proceedings during the strategy workshop a process portfolio was developed, showing all enterprise processes and evaluating them regarding effectiveness (achievement of objective) and efficiency (resource employment). The portfolio clearly showed that the processes right at the customer interface, in particular quoting and order acceptance and entry were poorly suited to successfully occupy the strategic success position “customer proximity”. It was actually confirmed that in the majority of the cases not production errors were responsible for a false supply, but the systematic non-consideration of those persons, who were most familiar with the actual conditions at the customers; replacement panel orders were conveyed directly by the customer to the inside sales department and transmitted from there to production without further examination of specifications (Fig. 1).

The result of the strategy workshop was the jointly developed insight that a project with the sole purpose of increasing efficiency in production would only be helpful to do “the wrong things more economically”. According to the requirements from a strategic point of view it was decided to first improve the processes Quote Generation and Order Entry, thereby achieving significantly improved customer proximity. In particular, it was the goal to better involve the people who know the customer best, the outside sales reps, in the process of order review. To



Figure 1: Order Processing, Before

have them approve the orders would almost guarantee that the customer would get what he needs the first time around.

Consequently, the interface processes to the customer were completely restructured. At the core of the new processes a web-based communication interface was developed that would provide a copy of all new customer orders to the respective sales representative and give him the opportunity to review and approve the orders from his customers. In addition, the tool would also provide a complete customer history in order to enable the sales representative to determine at any time whether a customer order corresponds to previously ordered items and, if necessary, correct the order (Fig. 2).

### The Results

These measures were implemented within a rather short period of time. As a result, the Return Goods Authorization costs were reduced right away by approximately 95%: Through systematic examination of all orders by the responsible outside sales people, wrong deliveries could practically be eliminated. The work load caused by “fire fighting” was voided and production capacity for other tasks was freed up. The amount of overnight shipment costs was clearly reduced. As visible indication of the improvement of the customer interface processes, the customer service department became obsolete: The

remaining few inquiries and complaints could easily be answered by the inside sales representatives.

Of course, after these spectacular initial successes, the process optimizations were expanded to include additional processes – always in accordance with the appropriate strategic requirements. In the meantime the sales volume almost tripled while personnel growth was at approximately 25%, a clear indication of the fact that the company succeeded to improve effectiveness and efficiency simultaneously.

As a result of the much better defined and also documented processes it became possible to distribute the responsibility for their daily execution to several individuals. For that purpose it was crucial to provide the processes with defined achievement goals and measured variables so that the outcome could be verified. This over time allowed the owner to gain confidence into the leadership abilities of his employees without being involved in all details. At the same time, the performance goals represent also an objective criterion, according to which the leaders on every level can align their work without running the risk that the goals will be redefined by the owner after only a short period of time. It became very clear that only by a systematic definition of the processes, based on market requirements and enterprise strategy; suitable conditions for the transition from the pioneer to the growth phase of the enterprise could be created.

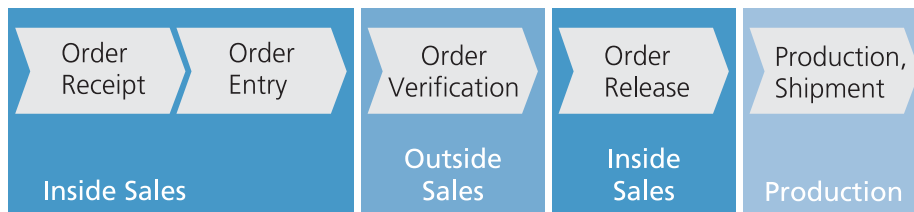


Figure 2: Order Processing, After

## Conclusions

As it is often the case, the perceived problems were not necessarily the real problems. For this reason, every Change Management project should be started with the development of a shared understanding of the market situation. In small and medium sized enterprises, this can normally be achieved in a one-day strategy workshop. Besides the holistic understanding of the enterprises current situation, an evaluated portfolio of the most important business processes becomes available, which allows for prioritizing further work steps.

Another important principle is that process improvements are to begin at the front-end of the process chain: Errors in the early phases of the process execution will be amplified in later process steps and affect them even more. The best approach is to implement strategy-led improvements in the front section of the order processing chain and then to ensure that changes are being followed and become permanent.

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