



The **4** Step Strategy for Diagnosing and Treating Organizational Problems



Successfully Manage
the
Fundamentals
of a
Healthy Enterprise

By Dr. Jac Fitz-enz
Human Capital Source

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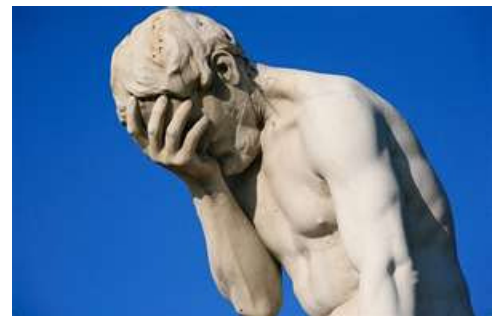
Introduction

I asked the doctor, “How is it that people sometimes die from seemingly simple health problems?” He said, “Someone makes a mistake.”

Somewhere in the process of diagnosis and treatment someone makes a mistake. Quite often it is in the diagnosis. The diagnostician misses a critical sign or misinterprets the symptom. The wrong treatment is prescribed and eventually a simple problem becomes life threatening. The other scenario is that the diagnosis and treatment prescribed are correct but the patient fails to follow the recommendations, like quitting smoking, until it is too late. This is how simple problems of any type devolve into fatal outcomes.

The Organizational Mistake

The word corporation comes from the Latin “corpus,” meaning a body. The human body is an electro-mechanical-chemical system whose processes must work together to insure health and ward off disease to sustain life. Similarly, a company is a large legal body consisting of many systems that must work together to sustain the enterprise. When the human body is threatened by internal decisions such as addictive behaviors, the solution is to stop the harmful action. When the corporation is threatened by self-induced actions



such as management mistakes, survival demands a change in its behavior. If the company is stricken by an outside force such as a competitor’s action, government regulation or unseen customer demand, the body must react in a way to overcome the threat. The parallel between the human and corporate body can be seen in actions such as addictive eating or drinking (spending), binging and purging (hiring and laying off) or ignoring the proper nutrition (misuse of resources). These often lead to losses that can devolve into bankruptcy. The most obvious recent examples are the mortgage lending decisions in the early 2000’s that led to the sickness and death of a number of financial institutions.

Only Human

We must keep in mind that a corporation's health and prosperity is dependent on human behavior. People are the only active asset of a company. All others, such as machinery, real property or material are passive. They have no effect until a person, usually a manager, makes a decision on how to deploy the resource. While there are many cases of intentional internal frauds that have killed companies, most often corporate illness is not intentional. It is brought on by lack of attention to the basics of good corporate health.

Over time poor decisions are made regarding resource investments. Equally, lack of decisions during times of stress can lead to competitive disadvantage. Sometimes well-meaning executives get caught up in their own human frailties of rationalization, fear, ignorance, unrealized biases, greed or stubbornness leading to unhealthy decisions.

Finally, in extreme situations the state of corporate health deteriorates to the point that top management just doesn't know what to do. Often this is brought about by changing market conditions: technology, customers, competitors or regulators. At this point the consultant is called in. He or she diagnoses the situation and prescribes one, or more often, several remedies. When appropriate these can be very helpful, if followed. On the other hand they can be predetermined patent medicines that are useless or even harmful for the case in hand. In either instance it is up to management to decide how to respond so that the small illness does not eventually kill the patient.



Evidence



reduction can be a false fix.

In my experience when something goes from bad to terrible it is a case of misdiagnosis leading to mistreatment. For example, when profitability drops due to overspending the typical solution is to dispose of or sell off assets. Expensive real property can be sold. People can be laid off. More often the layoff route is taken because it is the quickest and simplest action. Depending on how that treatment is carried out it might be a reasonable short term solution. But unless those people let go were truly not needed, staff

Problems often stem from lack of attention to the changing needs of the customer. Other common threats include evolving technology that is ignored. Competitor actions can leap frog the company with new products or better customer service. As I reflect on my four decades of business experience I realize that most of the major threats to corporate survival were found in management's misreading the market in one or several ways.

When operations reach a breaking point top management is usually replaced. An individual comes in and leads the company in a new, more healthful direction. Famous cases are Thomas Watson Jr.'s taking IBM into computers, Lee Iacocca leading Chrysler out of bankruptcy, Jack Welch reconfiguring General Electric. In each case they transformed the business and restored health to the corpus.

The Transformative Strategy

I submit that there is a four-step strategy that can lead a company in a new direction which is more suitable for the changing marketplace of the 21st century. This strategy has proven to be an effective way to manage the fundamentals of a healthy enterprise. It works with specific problems as well as corporate level illnesses. The steps include:

1. Knowing your marketplace
2. Knowing your capabilities
3. Knowing your processes
4. Knowing your future

Know Your Marketplace

Every executive will claim to know the fundamentals of the market within which the company operates. To some extent that is true. Yet, I have found in case after case, working with some of the most intelligent executives, they welcome help analyzing the rapidly evolving market. They want to lead their management team to see things masked by routine operations.



The market consists of external forces that affect strategy and competitive actions. These are often not recognized by line managers caught up in their daily struggles. As a result, unproductive and dysfunctional decisions are made. With some help in the form of market analysis their skills and experience can be redirected in a more healthy direction.

Application Companies and whole industries can be seriously wounded by disruptive technologies. A few examples of disruptives that upset their competitors and changed their industry are Sony Walkman, Nucor mini-steel mills, Swatch watches, Avon direct sales model and little David Apple that forced Giant Microsoft to reconfigure their computers. Knowing the marketplace is an exercise in competitive intelligence. Analyzing the market can assure you that your company will stay healthy no matter what germ may come along.

Know Your Capabilities

Health is dependent on recognition of one's habits. In companies people sometimes see internal factors that are not productive. Even when they do there may not be a mechanism for safely exposing them. These structural and relational problems inhibit their best efforts to improve operations. People, budgets, systems and equipment must be diagnosed collectively similar to a physical examination. Compartmentalized solutions can unbalance the health of the company.

Corporate health issues can encompass needs for new people skills, improved process efficiency, wiser resource investments, more supportive corporation culture, integrated brand management and more. It is natural to settle on our traditional way of looking at the business to the point where we cannot see a better method or solution. Internal analysis can expose opportunities to improve operations, satisfy customers and outflank the competition.

Application Constant change makes today's competence different from tomorrow's capability. Your talent needs are constantly evolving. This is true no matter what industry sector you occupy. The market's never ending evolution continually requires new aptitudes, skills, knowledge and continual learning. No matter if you are in retail, finance, health care, high tech or even service centers, tomorrow will be different from today. Capability analysis reveals the root causes of talent loss and exposes its negative effects. It opens new portals to effective leadership, employee engagement and talent retention.

Know Your Processes

The C-level usually leaves process management to the line functions. This is as it should be. In time, operations become routinized to promote efficiency. After a while everyone accepts "the way we do it." While continual improvement is a nice slogan, quite often it yields little in the way of dramatic improvements. Six Sigma is a good process management tool, but it needs a strategic front end analysis before application. Staff services are particularly susceptible to unexamined operations. Since hiring, training, paying and retaining talent are not seen as having a direct impact on profitability they are easily ignored. Processes in all staff functions such as HR, accounting, IT, facilities, marketing and purchasing can be converted into value adding activities.

Application Do you see processes that need upgrading or even extermination? Has your need to manage costs allowed operations to supersede customer service? It may be time to review a culture that has taken you away from customer focus. An input-throughput-output analysis always yields opportunities for process refocus and improved outcomes. Do you aspire to be as good as Wal-Mart in cost management, Nike in marketing, Southwest in customer relations or Apple in innovation? You not only need to shift your culture you need to remodel your processes because process design is an expression of cultural values.

Know Your Future

Of course everyone knows the financials of the company from the unit level up to corporate. What they don't know is what is likely to happen tomorrow. Almost all the data generated in a company deals with



the past. Only a few research and planning units deal with the future. Costs, sales and profits are all about yesterday and may bear no resemblance to tomorrow.

However, it is easy to manage tomorrow today when you know how. There are three sets of metrics that when linked can predict the future. They are strategic, operational and leading indicators. Note I said *linked*. Despite what management wants, corporate data is lagging and siloed thereby losing its predictive capability. When we tie together human capital, structural investments and market relationships with leading indicators we come out with financial forecasts and ROI predictions.

Application Predictive analytics introduces leading indicators. Leading indicators foretell what is most likely to happen at both tactical and strategic levels. Data on leadership, readiness, engagement and culture are unfailing indicators of future corporate health. Compartmentalized approaches that don't share data lead to disharmony and uncoordinated initiatives. These promote dysfunctional rivalries. In the end management energy and attention are sub-optimized. Scarce resources are wasted trying to corral the activity. By introducing leading indicators linked to operations and strategy, top management recognizes harmful trends early on and responds before infection gets out of control.

Summary

Corporate health and long life are the mandates of every manager. Just as we have a body of knowledge on how to prevent and treat human disease we also have knowledge on effective ways to avoid corporate ailments. The key to success is to analyze root causes using a methodology that is unbiased. Patent medicines don't work with systemic infections. The symptoms have to be diagnosed and specific remedies prescribed. And it doesn't take a clinic full of doctors to see what the pathology is, if an effective diagnostic technique is applied.

For more information on the **4 Step Strategy** please contact Human Capital Source, Dr. Jac Fitz-enz at source@netgate.net or call 408-223-7750.