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a newsletter on practical strategic planning and action
issue #6: don't ignore the symptoms

editor's message

We have seen many troubled companies over the years. Each one has a distinct story. But each story always includes a phrase, like "We didn't react fast enough to [a challenge or problem]." Mind you, "fast enough" usually would have been defined as months and years, not days. Most companies could have solved the problem if they had only focused earlier on the symptoms.

This month, we look at how to be proactive and recognize a problem early enough to do something about it. We also provide some hints on turnaround action plans. Our Industry Snapshot gives some background on the turnaround management industry, and our Reading List examines Women Don't Ask, by Linda Babcock and writer Sara Laschever.

strategic planning

Get to the Root of the Problem

Whether or not you have a formal planning process, you have a set of expectations about what your company will achieve in the near future. It is inevitable that your results will not turn out the way you expected all the time. All companies face unexpected results. The difference between more and less successful companies is what they do about it. Here are a few tips on how to deal with unexpected results:

Don't Confuse Symptoms with Problems. Most people know they have a problem, they just haven't defined it correctly and therefore don't know what to do next. If you have had key employees leave, borrowings under your bank lines increase, or sales decline, you are seeing a symptom, an indication that a problem may exist. If you react to the symptom rather than the underlying problem you may not get the results you want. A quick reaction to sales declines, for example, may be to lean on your sales people. If the problem is with their performance, that may do the trick. But you may be missing the point. You should dig deeper, get to a specific cause—a problem that has a clear solution. Which leads to the next tip...

Ask the "5 Why's." This simple tool is part of the highly respected Toyota Production System. It basically says to keep asking follow-up questions. To continue with the previous example: Why are sales declining? Because add-on sales are way down. Why? Because our long-time customers aren't buying. Why? Because they have another problem they are focusing on. Why? Because their business has changed...and so on.

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Embrace the Answer, “I Don’t Know.” If you reach the point that your answer is “I don’t know,” you may be on to something. Do some more homework. Go back to the dependable sources of fresh information: your customers, employees, and industry research. You may learn something completely new and truly get to the root of your problem.

When you finally identify a specific fact such as, “Because we don’t have that feature,” you have probably gotten to a root of your problem. Now you have something concrete you can deal with. But remember that symptoms and problems often come in bunches. You need to weigh this against the other issues and data you examine. If you see problems that should be addressed, move forward using Michael’s tips below.

-Mary Adams (adams@trekconsulting.com)

strategic action

Be Deliberate

If you have gotten to the root of a problem, you need to decide what to do next. Even in a crisis, you are better off being deliberate and thinking through your solution before jumping in. Mistakes become more and more expensive as the crisis deepens. Here are some tips to getting to the right solution:

Evaluate Your Options – Once you have identified the problem, try to develop a number of options to solve it. Options can include throwing more people or money at a problem or using staff and resources more efficiently. These options should be evaluated in light of their potential effectiveness and where they could fall short.

Set Concrete Objectives – As with any new action, it only makes sense if the objectives are clear and concrete. The objectives should not overreach the available resources of the company. And the objectives should be specific with tangible targets. An objective of “improving response times”, for example, is useless. Much more valuable is an objective of “decreasing customer service email response time from 48 to 24 hours within a 90-day period.”

Develop Specific Action Plans – You should remember that if you do everything the same way as before, you will probably get the same (presumably substandard) results. To correct a problem, you need to break out of your past practices and do something different, incorporating the findings of your research, interviews and experience. Plans need to be specific—define who is responsible for the execution of the plan. For example, to meet the response time objectives above, action plans could include, “Mary Jones to create templates for the top 10 most frequent customer questions by December 31”—now we are talking clearly and specifically!

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Identify and Track Metrics – New objectives and action should have clear metrics. Knowing what you are trying to accomplish and by what date is only half the battle. How are the results measuring against the tangible targets you set? If you don't meet your targets, do you need to adjust your plans?

By being deliberate and following a problem-solving process focused on concrete results, you can act quickly, decisively and, most of all, effectively.

- *Michael Oleksak (oleksak@trekconsulting.com)*

industry snapshot

Turnaround Management Industry

Since we are talking this month about identifying and dealing with problems in your business, we thought it would be appropriate to talk about the turnaround industry. The identity and visibility of this industry has been created and promoted by the Turnaround Management Association. Some of the members of TMA have specific expertise in the unique challenges of companies in or close to bankruptcy. However, many other members focus on what is sometimes called "corporate renewal." This broader term is used to describe those of us who work with companies facing serious challenges well before bankruptcy is at hand. Information about the very active local chapter of TMA can be found at www.tmanortheast.org.

In our experience, every company hopes to achieve breakthrough performance, which is the essence of turnaround management. Many are "turnarounds" in that they are facing serious challenges such as declining sales, insufficient cash flow, or troubled lending relationships. Still others are successful companies facing the equally serious challenges of creating and maintaining a high growth company. Corporate renewal for both kinds of companies starts through effective problem-solving such as that described above.

reading list

Women Don't Ask: Negotiation and the Gender Divide

By Linda Babcock and writer Sara Laschever

This thought-provoking book should be on every manager's reading list. It helps put into context the differences between men and women when it comes to negotiation and the bottom line consequences of these differences.

Citing an extensive array of studies, the authors lay out the fact that the differences start with the decision to negotiate, which men are more likely to make. Just one

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of the startling facts: men are four times more likely to negotiate their first job offer (women don't ask). This negotiation generally yields an increased starting salary. This one simple difference compounded over the course of a career makes a huge difference, not to mention the effect of many subsequent negotiations that women may avoid over the course of their careers.

So whose problem is this? The authors also do a great service by demonstrating that there is a significant economic cost to the corporation of the inequality of compensation and treatment of women. Hiring and training workers is a very expensive proposition. There is a real bottom line penalty for attrition of dissatisfied female employees. One of the cases examined in the book was Deloitte and Touche. In the early 1990's, this firm had an annual turnover of women managers of 33%, versus 18% for men. Very few women stayed long enough to become candidates for partner. Deloitte estimated that every percentage point of turnover of staff at this level cost the firm \$13 million. Through a series of workshops and organizational changes, Deloitte had nearly tripled its number of female partners (from 5 to 14%) and eliminated the gender gap in turnover rates.

Negotiation skills are only part of the differences between men and women in the workplace. Nevertheless, this book goes a long way to helping us understand the data behind the story as well as the fact that the ultimate penalty for this inequality is paid from the bottom line of America's corporations.

announcements

The Handbook of Business Strategy 2005 includes a Trek examination of, "Strategic Conversations with Your Customers."

Our article, "Strategic Planning is a Must—Make it a Habit" has been published in the *IndUS Business Journal*.

Watch for Trekking 7 on breakthrough strategies coming on November 9.

about trek consulting

Since 1999, Trek Consulting has helped CEO's of early stage and middle market companies to face challenges of growth, change and succession. Our hallmarks are fresh information, disciplined analysis and practicality. We help you create specific action plans with metrics tied to revenues, costs or corporate value. Then we follow up to help you keep on track and/or adjust your plans as circumstances change.

Our clients report improved market focus, increased revenues, better margins and lowered costs. To learn more about Trek Consulting and how we can help you improve your company's results, visit us on the web at www.trekconsulting.com or call us at 781-729-1008.

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