

Business Process Improvement: Root Cause Analysis

Is your business suffering in the current economic climate?

It may feel like the correct and automatic response is to say yes. It is natural to feel negative when you are swamped by bad news but things may not actually be as bad as they feel. You don't have to feel like a victim, stay positive and condition yourself to believe that things will work out. It is forecast that 3% - 4% of businesses will fail in the next 12 months which means that at least 96% will not fail – **be one of the 96%! Now** is the time to endure, change, build muscle and grow stronger thus ensuring that you are ready to capitalise on the opportunities that will present themselves both during the economic turmoil and once we return to a new normality.

The starting point is to understand the real position in your business; analyse what is actually happening beneath the surface. It is only too easy to react to some small negative incidents and conclude that the whole business is in trouble. For example, if cash is tight and you are getting close to the borrowing levels agreed with your bank, you will of course feel under some pressure. However, cash flow issues are just as likely to be caused by a problem in someone else's business as they are to be caused by a problem in yours. This does not reduce the urgency of the problem but understanding the real cause might help you to make the correct decisions to rectify it.

A common response to cash flow problems is to cut costs and the sort of tactics used usually include; making sales staff redundant and cancelling things such as; training, recruitment and marketing spend. The trouble with this solution is that you are cutting out the things which seem easy and obvious but they are also all the things where you should be spending money to grow yourself away from the problems you have. Cutting costs as a means of solving a business problem, such as cash flow, can only ever be short-term and it is always damaging to the long-term potential of the business. You cannot cost cut your way to success.

Continuing with this example, a question which you need to address is, for example, if those sales people were failing to produce the goods, why didn't you let them go before you had problems? If they are effective at their jobs, then re-focus them to win business that will provide an immediate return that will help to solve your front-line cash flow problem. It is much easier to convince a bank to support you if you can demonstrate

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that you have a growing order book rather than offering them a short-term reduction in costs which will have a long term negative effect on the business.

There are many other examples of apparent business problems which are in fact just the symptoms of a real problem. To understand the real problems in your business, you need to do an analysis of the root causes, the symptoms are just the visible tip of the iceberg. Staying with the cash flow example, the real problem could be; not enough new orders or repeat business, manufacturing or delivery issues, poor quality, margins are too high resulting in some lost orders or paying suppliers too quickly while customers delay payments.

So, our message is to take a little time to really analyse what's happening underneath the covers of your business. It is likely that there will be many positive things which can be applied to better effect to progress the business. Equally, you will discover some things that are not working as well as you would like. There is nothing quite like an economic downturn for bringing things into sharp focus. Once you have a clear view of the good, the bad and the ugly, you can make rational decisions about what needs attention and how. We do this for our customers, providing an objective perspective and practical tools for solving the problems, but there is no reason why you cannot do this for yourself.

This is the first of a series of perspectives on Business Process Improvement, others in the series are:

- Fully understanding your proposition and why customers buy what you make or do. Once you have this understanding, you can be much more focused, targeting the right prospects and customers with the right part of your proposition.
- Analysing your current business model and changing it to meet the needs of the next chapter in the life of your business. We will discuss ways in which you can gain the insight of leading indicators to predict business some time into the future.
- Ensuring that you have the right management and leadership structure and capabilities for the business as it is now and as it is predicted to be for the next three to five years.

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- Leading on from the previous topic, we will look at the value to be gained from continuing to invest in training and development even during tough times. You can gain a real return from properly structured and delivered training.
- Using experts. This may sound like “*the butcher telling you to eat more meat*”. Economic turmoil throws up unusual problems which may well be new to many business people and now is not the time to try to become your own expert – you need to use appropriate experts to solve specific problems leaving you to run the normal business.

Finally, if you are concerned about specific problems right now, please feel free to contact us for a free, confidential discussion.

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