

# STRATEGIC BUSINESS ASSESSMENT

## *A Capability-Enhancing Approach to Business Improvement*

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Strategic Business Assessment is a valuable addition to any company's business improvement toolbox. It provides a different perspective into a company that may open up significant opportunities to improve performance in areas of a company's operations that are often missed using other traditional consulting approaches. More important a Strategic Business Assessment is an approach to business improvement that enhances a company's capability to increase the synergies between practice areas in the company and use these synergies as a strategic weapon to compete and win in intensely competitive global markets.

**T**here are many avenues to improving performance, including:

- **Continuous Improvement** and/or **Business Process Reengineering**
- **Reorganizing the company** (workflows, hierarchy, management capability etc.)
- **Improving IT systems capability**, which leads to better and more timely information available for management (in theory).

Establishing the optimal balance among these and other strategies to enhance overall corporate performance obviously represents one of the more important decisions an organization faces. SatiStar's consulting experience across a wide range of business environments has led us to conclude that many organizations lack a balanced approach to performance improvement. For example an IT improvement project often simply implements a system to automate poor processes.

In this article, we would like to review an incredibly effective approach: a *Strategic Business Assessment* of the synergistic failures across various practice areas of the company. We will show, both conceptually and by example, how such an assessment simultaneously addresses overall performance and company effectiveness on seven fronts: vision, management practices, revenue generation, order fulfillment, IT and infrastructure, HR, and administrative processes.

We will also describe a demonstrated assessment methodology and those factors we believe are key to achieving breakthrough results.

### **The Practice Areas Approach**

Many organizations have seen their performance impacted by changes designed to improve cost reductions, or by large and powerful IT systems that fail to achieve

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significant increases in productivity and effectiveness. For example, most IT systems are “stove pipe” designs that map information to business functions rather than to information patterns such as events, services, customers, information and outcomes.

The resulting mismatch between the desired characteristics of a company’s behaviour (strategic intent) and how business and IT systems actually perform can lead to a tactical focus on how to correct perceived problems. Organizational restructuring (downsizing), or increased financial controls often lead to unanticipated results such as demoralized employees, or reduced customer satisfaction. Only by examining all practice areas in organizational, business, service and information terms can you produce a strategic model that improves overall corporate performance.

### **The Strategic Business Assessment Approach**

The Strategic Business Assessment approach is inherently different from traditional engineering approaches. *It enables rather than diminishes an organization’s ability to compete, by strengthening the synergies across a company’s core capabilities and by developing these organizational synergies as a new strategic weapon.* Improving the synergies between the various practice areas in a corporation is the fastest and most powerful approach to performance improvement, especially for companies who have already realized most of their core efficiency improvement opportunities. A strategic approach will directly impact almost every contributor to performance within your operations. As synergies between practice areas improve you could realize:

- Clearly implemented and consistently understood strategic vision.
- Improved management practices relating to management by information and closed loop management controls.
- Improved revenue generation and effective marketing with real sales visibility into production and customer communications.
- Reduced cycle time in manufacturing or services delivery combined with improved product development.
- Real IT support for improved and consistent business processes across operations, plus improved management reporting capabilities.
- Improved understanding of how HR and administrative practices impact sales and operations, and how to improve performance in these areas.

### **The Assessment Methodology**

The SatiStar method breaks an organization into 7 “practice” areas. Each of these practice areas is understood to impact all other practice areas positively or negatively as the case might be. These areas are:

1. Vision & Strategic Intent
2. Management Practice
3. Revenue Generation
4. Order Fulfillment
5. Information & Infrastructure
6. Human Resources

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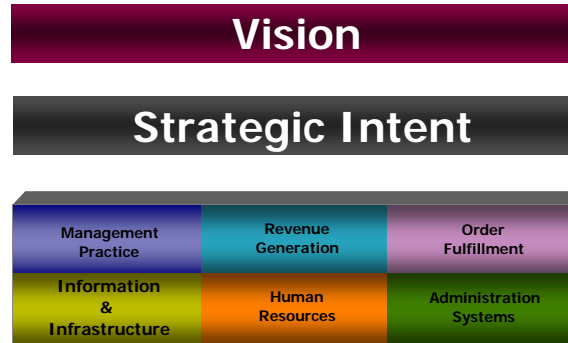
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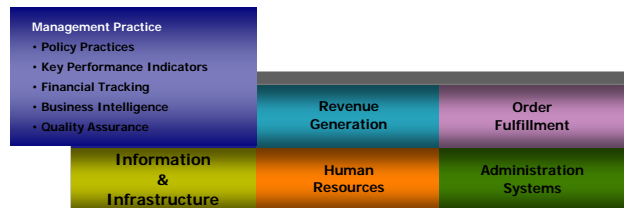
## 7. Administrative Systems

We present these as Visions/Strategic Intent via Management Practice, Revenue Generation and Order Fulfillment supported by Information, Human Resources and Administration.



**Vision/Strategic Intent** defines the company's raison d'être, and how this translates into policies and objectives for all employees. We examine the consistency and coherence of the vision as well as how well employees understand their individual roles in the company's ability to achieve its vision. We examine the overall strategy in terms of specific targets and objectives and how these are measured.

**Management Practice** defines how well management deploys its policies and the correctness and consistency of its Key Performance Indicators (KPI's) and how well these measures are used by management to make decisions.

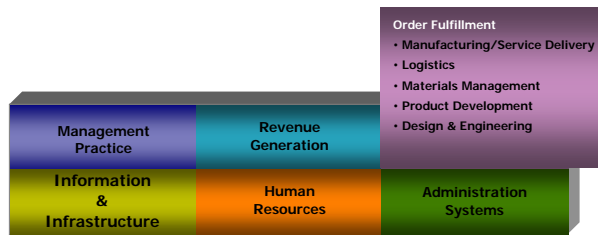


**Revenue Generation** examines sales processes, forecasting accuracy, and the effectiveness of sales and marketing as an integrated function combined with customer service.



We look at the synergies across all customer touch points.

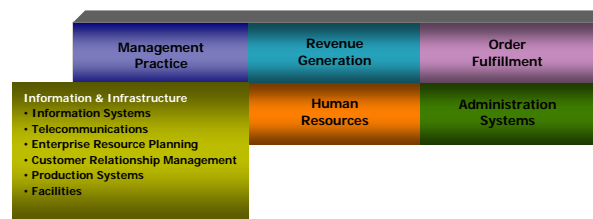
**Order Fulfillment** examines the manufacturing or service deliverables in terms of overall cycle time, logistics, materials management, product development and design.



We examine how each of these practices coordinates and supports the others. In particular we examine the cycle time for order fulfillment in the context of revenue generation activities and expectations as understood from a customer perspective.

**IT and Infrastructure** examines the role of IT in your organization. We consider that your IT processes are largely your business processes so it is critical that IT systems provide coherent and real support for your business. Moreover, IT systems collect data at the operational and management levels, and there must be adequate information provided in a timely manner to operations and management for the company to be managed effectively.

How the company is physically structured can also influence the effectiveness of operations and even customer interactions.



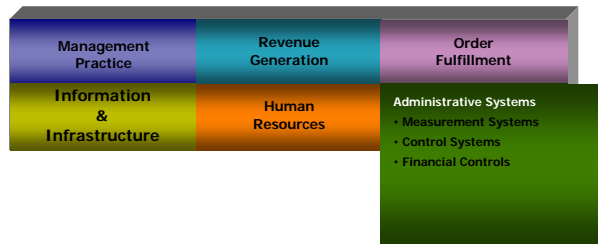
Again, we examine the synergies between IT and infrastructure in the context of how well Management Practices, Revenue Generation and Order Fulfillment are being supported.

The **Human Resources** practice area examines the skills and development programs in the context of performance improvement requirements for the company.



The objective here is not an exhaustive assessment of the HR department's capabilities, but an alignment of the synergies between company performance, vision, and the skills of the practice leaders and personnel in each practice area.

Finally, **Administration Systems** examines the management and measurement control systems in the context of the other practice areas to assess the performance of these systems in supporting operational and management objectives.



The goal is not to conduct a financial audit or even assess financial systems per se, but to understand how finance and administration supports operations and management in the context of overall corporate performance.

The method for assessment delivery comprises 3 steps:

1. Onsite data gathering: A team of senior experts representing each practice area (typically 4 – 6 people in total) will study their respective practice areas through observation and interviews with staff.
2. Offsite group assessment: The assessment team will meet to report and review findings and make recommendations

Presentation: The project leaders will present the findings and recommendations to the company. The company can then have their own internal review and decide on which recommendations make sense and how they would like to proceed.

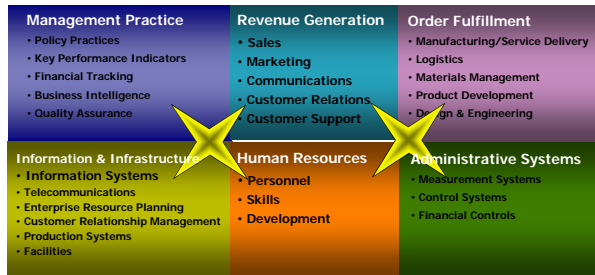
## Assessment Deliverables

The main goal of the assessment is to determine how well each of these practice areas supports the others. For example, is there a disconnection between sales and order fulfillment? Is Sales making delivery promises that the production processes are hard pressed to deliver? Is management happy with the quality of the reports from the IT systems? Does operations use the IT systems correctly? Are clerks and supervisors bypassing administrative policies? Is poor quality Assurance causing A/R problems? Does management manage by information or intuition? Are consistent KPI's understood with a coherent reporting scheme to identify and correct problems proactively rather than reactively?

By considering all practice areas and looking for the synergies or gaps between them, SatiStar consultants can determine specific areas of focus for improving overall business results.

The key deliverables are specific recommendations identifying key processes and how they should work together to gain real and sustained improvement for the company.

These recommendations focus follow up activities to those short term and long term actions that get the best results.



## The Strategic Business Assessment

1. **Makes recommendations to address those improvement opportunities** that will have the maximum return. Suggested actions address opportunities from the perspective of the overall high-level processes, to avoid sub-optimizing your business.
2. **Develop a suggested implementation roadmap** for the improvement opportunities based on the conceptual design. In particular, we will align each practice with business requirements to ensure that each supports the business at both the operational and management levels.
3. **Provide implementation coaching and guidance** for the designed solutions.

### A Common Sense Approach to IT

The fastest way to misalign IT from the business support model is for management to fail to be specific and consistent in its business processes and KPI measures. When management has variable processes across departments, with managers who spend most of their time “putting out fires” rather than consistent processes with proactive KPI metrics and scorecards, IT cannot deliver superior performance. How does one create a “standard” report in an environment that has no such “standards”?

This situation is often made worse by an IT approach that is based on technology rather than business models. IT either delivers haphazard and ad hoc systems capabilities or defines these standards based on a particular application’s version of what the company should look like. In the first case systems support is sporadic, and in the latter case IT ends up defining how the company should work (rather than how the leadership team thinks it should work).

In these situations management and operations come to believe, rightly, that the IT systems don’t work. Moreover, employees develop manual and work around techniques to bypass the system thus unnecessarily increasing workload and stress on the processes.

Similar remarks could be made about Revenue Generation and Order Fulfillment processes. With the pressure on sales to grow revenues and profits in a world where service delivery is a major competitive advantage, Order Fulfillment can provide significant failure points to meet customer demands. For example, late deliveries or poor product quality can cost sales opportunities or repeat business. How sales sets expectations with customers must coordinate well with Order Fulfillment activities to have and maintain high customer satisfaction.

## The Importance of An Outside View

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Experienced performance experts who are brought in from outside the client organization, as well as from outside the industry in which the client competes, are best able to achieve dramatic performance improvements.

Outside expertise is needed to assure that the methodology used is first class, and that a wealth of pertinent experience and examples are provided to the improvement team. An outsider status helps to assure that everyone's needs and interests will be fairly considered. It will also signal that even the company's most sacred cows will be challenged. An internal employee, whether an expert facilitator or not, would find it much more difficult to maintain a stance of total impartiality and political neutrality, while standing in front of senior managers and seriously challenging policies to which individual egos and careers are attached.

Even if your internal facilitator has no fear of his/her involvement becoming a career-limiting move, s/he still must face another huge hurdle that an external consultant does not face. Rejection of self-imposed and obsolete constraints is exceptionally difficult if you have worked within those same constraints for any period of time. Constraints are so pervasive and powerful, that we often don't even realize when we are facing a real constraint, or a constraint that is self-imposed.

Process improvement consultants must not have preconceived ideas of what the final result will look like. They must be prepared to challenge everything—including company and industry accepted wisdoms and constraints. When constraints are not thoroughly challenged, the creative process becomes little more than thinking within a slightly bigger box instead of 'out of the box' thinking. Marginal improvement results are usually the result.

Consider the example of a successful manufacturing company seeking to establish dominance in their industry to capitalize on changing market conditions. The assessment process revealed that sales and marketing functions did not work together, and the information flow from production systems was not visible to sales. The President, sales and marketing executives all had different visions for the growth of the company. Their IT systems provided an abundance of data, but little real and useful information. Management had been so unclear about its key performance indicators that the IT department basically made up what senior managers needed to know and in what form and what timeliness. Needless to say, management complained about the poor reporting capabilities of their automated systems.

While many of these issues were obvious to those inside the company, Management perceived that they needed a continuous improvement program to fix the issues. However they failed to relate this program to specific sales, marketing or IT initiatives. In general their internal responses were tactical rather than strategic. SatiStar recommended an Integrated Strategic Activities Deployment exercise to align the vision with the management activities and processes that focus on clear improvement opportunities with clear and consistent KPI's and management measures. A specific focus on aligning sales and marketing and creating a customer focused product development methodology presented the best return on investment to improve those processes.

## Summary

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Performance improvements are most often found by focusing on the bigger picture: at process interconnections, or in the sequencing and use of information at critical steps, rather than in the nuts and bolts of a specific process. If your consultant is accustomed to counting trees, he may not have the vision to see the whole forest. Performance improvement, if well done, routinely provides rapid and dramatic breakthroughs in building synergies between the various practice areas in your company. Strategic disconnections between practice areas are routinely identified and eliminated.

**William Carruthers, Ph.D** is the Senior Business Information Systems Specialist of SatiStar Management Consulting, and has over 18 years of experience in Enterprise Systems Architecture, and automating business processes in a broad range of industries. He has assisted companies worldwide in implementing IT systems that map to real business requirements. William is an expert in taking a strategic business approach and using business criteria to measure IT performance. He is one of the world's leading experts in Virtually Integrated Technical Lifecycle Management, especially in the relationship between operational systems and Business Intelligence.

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