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“Protect Your Business Against Four Operational Disasters”

Introduction

In a report from 2011, Pew Research Center stated that 10,000 baby boomers reach retirement age each day[†]. Further, The Integrity Group released a white paper detailing the projected loss of intellectual property in the Energy industry as legions of industry professionals move on to retirement. ^{††} The projected loss of undocumented intellectual capital from retiring energy engineers is inestimably large.

No matter the source of attrition, any business is susceptible to intellectual property loss due to lack of documentation. Following are four examples of businesses that faced the reality of these losses.

Disaster #1: Loss of intellectual capital

A manufacturing company in the field of industrial coatings had distinguished itself from its competition through its elite technical service support group. The technical service group consisted of six seasoned professionals who blanketed the country, traveling from customer to customer, advising the customers on technical matters related to applying the company's coatings to the client's product. Each of these tech service representatives had earned the respect and trust of his/her many clients over months and years.

In a highly competitive industry such as industrial coatings, the coatings manufacturer in this example earned market share and customer retention because of the exquisite service of its tech support team. As that team aged, the company's risk of losing that competitive advantaged increased daily.

Before disaster could strike, the executive leadership of the company sponsored a project to collect, document, and preserve the vast technical knowledge of its tech service team. The value of this effort was easily hundreds of millions of dollars in future revenue annually.

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Disaster #2: Inconsistent product quality

A company experienced seasonal highs and lows in its normal business cycle. When a high season was a few weeks off, the company would take on new hourly employees and train them in time for the extra demand in production. Unfortunately, the processes on which the new employees were to be trained were not properly documented. As a result, new employees were trained in an inefficient and inconsistent manner, and production during the high season suffered due to the poor performance of the new employees.

The plant manager sponsored an effort to create an effective training program for new hires. The project included updating the documentation for the work processes for which the new employees were hired. As a result, the plant enjoyed increased revenues due to improved productivity rates and decreased defect rates.

Disaster #3: Decreased company value

A small family-owned retail business had weathered the storms that are typical of the business startup phase, and had gone from being a money-loser to a money-maker over a period of seven years. The family patriarch managed all aspects of daily operations, and was fully engaged in day-to-day tasks of running the business. Those tasks were never documented.

The unfortunate day came when the patriarch passed away, and the remaining family members faced a difficult set of choices: operate the business themselves, or sell the business, or simply shut it down. Even though the accounting records showed the business had been profitable of late, no one in the family had the knowledge necessary to run the business at the same level of profitability. The family tested the waters and tried to find a buyer for the business, but any prospective buyers backed out because the primary operations knowledge had died along with the family patriarch. The buyers wanted a knowledgeable member of the family to stay on during the transition, but no surviving family member could fill that request. In time, the family simply shut the business down. A small business that once grossed \$750K annually, and could have sold for over \$5 million, left the family with little more than a bitter memory. The legacy of hard work and success generated by the family patriarch was lost for all time.

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Disaster #4: Poor market penetration

A US-based company seeking to expand its reach onto the global stage was faced with a problem. The sales and marketing tactics that it used to penetrate deeply into the US market were well-known to the executive leadership of the company, but not fully documented. In order to capture even a fraction of the market share in China, for example, the company needed to transfer sales and operations knowledge from its US operations to its newly formed division in China.

The revenue potential for the company was staggering. While the company was dominant in the US market, realistically it could not achieve the same percentage in China. However, even winning a 5% market-share meant tens of millions of dollars of new revenue for the company.

Executive leadership called for a focused effort to capture and document the technical knowledge of its sales and marketing force in the US, and turn that knowledge into a training program that could be translated and transferred to its sales forces around the globe. This effort was integrated into the overall business strategy to build market share across the globe.

Characteristics of Properly Documented Business Processes

So how do you know if your company's critical business processes are properly documented? Here are four quick characteristics to look for:

- Examine your process documentation to ensure the documents are up-to-date and accurately reflect your current operational practices. Documents should be labeled with version numbers and dates, as well as a unique document label. If your company has a document control protocol, make sure the protocol is being applied to these documents.
- Your company ought to have a Management of Change (MoC) policy that applies to your process documentation. In other words, you should clearly state what sorts of events would trigger a review or revision of your business process documents. Triggers may be based on time, or based on changes in operations, or even changes in the external business climate.
- Business processes are seldom static and unchanging, so your process documents ought not be static, either. Adopt a philosophy that process documents are “living documents,” and assign responsibility for those documents to the appropriate personnel.

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- Your process documentation ought to be so sound that your business operations can continued even when key personnel are away or leave your company. If the documentation is so clear that someone unfamiliar with the process could step in and continue the process, you're probably on the right track.

Document Your Critical Business Processes

Each business must face the reality of loss of intellectual capital at some point in its evolution. Sadly, many business owners wait until there is a crisis situation to take action. Each of the disasters described above can be mitigated or eliminated through careful planning and action.

Contact Learning Meets Quality if you are ready to take action. Ask us about any of the following services:

- Risk Assessment: Determine the current state of your business process documentation, and identify the major risks you face.
- Existing Process Documentation: Review and update your existing business process documentation.
- New Process Documentation: Create new business process documentation, and a system for maintaining it.

Call or email Learning Meets Quality. Initial consultations are free, so take action today.



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† <http://www.pewsocialtrends.org/2010/12/20/baby-boomers-approach-65-glumly/>

†† http://www.go-integrity.com/downloads/TIG0175_1112_BabyBoomer_white_paper.pdf