KRAFT ASSOCIATES/ODA, INC.

Management Consultants

Building An Organization of Excellence

MANAGEMENT CONSULTANTS

Kraft Associates/ODA, Inc.

We believe: The most important asset of an organization is the human asset and the development of that asset is both a moral obligation and financial gain on the part of the ownership.

Our mission is to serve entrepreneurs in the achievement of their personal goals through their organizations. The entrepreneur is the force in our society that maintains a culture which will assist people in achieving their individual personal goals through their jobs. This mission is carried out in an atmosphere of honesty, trust and love for each other.

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Table of Contents

Chapter 1 The 75/25 Rule

MEASURING ORGANIZATIONAL EXCELLENCE

How do you measure the success of your organization? By the number of people in your organization? The number of products or services? Branch offices? We have learned that none of these gives a true measurement.

The real measuring device is the quality of the people in your organization. The quality of the people can be measured by the results each person produces. We measure this in terms of "per person production".

We have countless clients who, even though they may be Number One in their field, are not necessarily the largest in terms of people, branches, or products: a real estate company whose people produce four times the local average, a food retailer whose turn over is 10% of the industry average and a manufacturer who is experiencing 30% increase in business even though he is priced above all his competition.

Our work with hundreds of organizations in diverse fields shows one recurring fact: Quality organizations are not necessarily the largest. They are the most profitable because they have the most satisfied customers, the best company image, and the best qualified people working toward a common mission and vision.

During economic slumps, we find that marginal organizations suffer the greatest losses because of poor management and the inability of marginal people to perform well when performance is the difference between survival and disappearance.

Are 75% of your results produced by 25% of your people?

During market slumps, organizations with quality people not only survived but experienced growth. Even when interest rates were sky high, we found auto dealerships and real estate companies expanding their sales and profitability. Another fact that comes to the surface when we study organizations: Approximately 75% of the results are produced by 25% of the people. Think about this. If you take the top 25% of your people you will find they are producing 75% of your results. Try this 75/25 ratio on other parts of your business – your products, your customers…

Consider a typical case computed both ways. In the minds of some managers, 100 sales people who generate a total of $1 million in commission earnings work out to $10,000 per person.

Using our 75/25 ratio, the same $1 million figure means that 25 of the sales people are generating $750,000 in results - which equates to a per person production of $30,000. The remaining 75 people are producing only $250,000 in results – a per person production of $3,333.

What process is being used for the top 25 people to produce, and what would happen if the same process were used by the other 75 people? This is one way in which you can increase profits without increasing people, and possibly even decrease the number of people.

Finding Excellence in People

At a recent seminar we asked managers to evaluate their people against the job they were performing.

Choices were:

- Outstanding
- Good
- Average
- Marginal
- Unqualified

The majority were judged to be marginal or unqualified.

Studies in many other organizations show that, more times than not, organizations are heavy with people who cannot produce in their present jobs.

The tragedy of the 75/25 rule is the manager will invest time not with the producers, but with the 75% that are defined as marginal or unqualified. In addition, since the marginal people are consuming the manager's time, the premium producers are left unattended – ignored – since they aren't a "problem".

Think of it – right now, 75% of your manager's time may be spent trying to breathe life into people who do not have the capacity to produce. This is precious time, wasted forever. And the real producers who could benefit form the manager's attention are being penalized.

Now let's see what would happen if training, better management and motivation could improve the productivity of your top individuals by 10%.

Are marginal people consuming most of your time while top producers are penalized?

This is not an unrealistic goal. Countless interviews with these above – average producers reveal that, with some management help and attention, they would increase their results by 50% - 100%.

Which would you prefer - concentrating on marginal people who can increase their worth to you by 10%, or concentrating on the top people who can increase their worth to you by 50% to 100%?

Getting this additional 50% is not guaranteed. Your top producers often have ego needs and they may be prima donnas. They want attention and recognition. If they do not get it from you, they may seek it elsewhere. They may open their own businesses. The key is to build your organization around a system which allows them to grow and be successful in your company, not some other.

In another seminar, managers' opinions were sought on how their organizations differed from their competitors. The specific question was: "what does a person get when he or she joins your organization"?

"Compensation", "benefits," "security" and the usual answers came out. Finally a key answer came from a seasoned professional: "when a person joins my organization, he/she gets ME.

Now put yourself in the picture. When someone joins your organization, he or she gets YOU. This person is investing his or her talents and ability in you. The reverse is just as true. So don't waste your time investing in people who do not have the capacity to produce.

Invest your best commodity – yourself – in those who do have the capacity. Spend the time and effort to bring out their best.

In one of our assignments, a businessman told us, "I want to build the most successful organization in my industry. Will you help me?"

The secret: hire only those with the ability to produce excellent results.

His comment clearly demonstrated his quest for excellence. Within a year his 140 person firm's output ranked in the top one-third in his industry. After 18 months, the firm's market share was 38%. His success was predicated largely on a process which allowed him to hire only people who would have job comfort, i.e. enjoy doing what they're supposed to do. He reduced his staff, closed one office and developed two new managers. Sales doubled the first year, tripled by the third year and have continued to increase ever since.

Sound impossible? Your business is different? The first step is for you to make a commitment to developing organizational excellence. The rewards are quality production, greater profit, fewer problems and the achievement of personal goals. Isn't that where you want to be?

Chapter 2 Building Strong Managers

SELECTING THE RIGHT MANAGER

"What makes a good manager?" We hear that question a lot. First, we have to consider three organization levels in your company:

- Executive
- Managerial
- Production

One of the keys to building organizational excellence is the quality of the line manager. This is the person who is working with the people who produce the goods and services – the supervisor, the sales manager, the crew leader, and the branch manager.

One common problem we hear from clients is how to fix this situation: The Company has taken a good producer – say a sales-person – and promoted this person to sales manager – resulting in job failure. A tragic manage-ment mistake – costly both to the the organization and the individual. How do these situations happen?

Organizations tend to select the right person for the wrong job.

First, organizations tend to select the right person for the wrong job. Take, for example, a manu-facturing company selecting a supervisor for the machining department. They tend to select the best lathe operator, not the person with the aptitude for supervising. A typical machine operator is a "things" person rather than a "people" person. In most instances, if a machine operator is made a supervisor, then the people being managed will be treated as "things". Interview subordinates and they will say their supervisor is "autocratic" and insensitive," that fear and discipline rather than team building and sensitivity are the management tools.

Secondly, if the producer does an outstanding job, spouse, family, friends and associates say, "You should be a manager." Yet the traits needed to succeed as a producer are not the traits needed to succeed in a management post.

People are usually promoted to management for one of two reasons: Productivity or loyalty. Both are important benefits to an organization. But neither is enough reason to place someone in a manager's slot. It can lead to a disaster. To be a top producer in some jobs, a person must be aggressive, action-oriented, and ego-centered. Yet too often we find that managerial posts do not require these same qualities. The result is poor performance, job dissatisfaction and high turnover.

These are basic qualities you need in a manager:

- A strong producer.
- Interested in other people's success.
- Knowledgeable about the job to be managed.
- Able to exhibit leadership by example.

These are basics. There are other "extra" qualities as well. You should remember that only 5% - 10% of your "producers" will exhibit these and other traits that qualify them to be managers. Here are the other needed qualities:

1. *The Need to Manage.*
Good managers must have a need to manage. They get satisfaction from seeing other people develop and succeed. They must want the people under them to succeed in the achievement of their personal goals, sometimes even beyond their own success. They must be able to check their ego and work well with other people to achieve a goal.

2. *The Need for Power.*
The best managers are strong people with a need to be in control. (This does not mean they cannot work well on a team, however.) Fundamental leadership and authority are essential. The basic need for power is where leadership and authority come from.

The best manager has an iron fist in a velvet glove.

3. *The Need for People.*
The successful manager likes to be involved with people, listening to their problems, helping them achieve their goals. He/she asks questions, and tries to understand special situations. In short, managers want to bring out the best in their people.

The best managers have "an iron fist in a velvet glove". They exhibit sensitivity and empathy when dealing with people. They are strong–willed but approachable and reasonable. They demonstrate understanding and flexibility.

We train your managers how to recognize the candidate's "success potential" and "level of job compatibility".

It is important to know if the job rewards match the applicant's personal goals. For example, if a high degree of job security is wanted, it's unlikely the person will be happy in a commission sales job.

Does the candidate like to travel? Then a desk in the home office won't be desirable. How important is it to live in a city where the arts flourish? Are there children involved that would attach importance to the quality of the public schools? All these factors can weigh heavily.

So you have to take into account personal traits and goals of the candidate and the candidate's family.

A manager has to be well grounded in these important leadership skills:

- Recruiting
- Selecting
- Training
- Managing
- Motivating
- Quality Improvement

This is vital since natural qualities do not alone assure success. Successful managers perform these 6 skills exceedingly well. Marginal or failing managers are missing one, if not all, of these skills.

It is also important that the executive charged with developing managers knows the art of management. "Good" teaches good practices; "bad" teaches bad practices.

The leader must first learn the art of management personally.

What happens if the managers are developed properly by outside firms and the leader is not? Disaster. Developed managers cannot work well with an undeveloped leader. In such a situation you have not advanced your cause one inch.

Our clients with the best line managers have top executives who study and practice the art of management and leadership. Any other combination dooms your programs. Here's such a case: We installed our management development program with its six key skills in a large client organization. The CEO vetoed our recommendation that he attend training seminars. There was no improvement after 90 days. We needed a commitment from the CEO to personally participate in the program. He agreed, and the program started showing the desired results.

If you want good managers, you must first become a good manager.

The message is simple: If you want good managers, you must first become a good manager. Pay this price and you will reap benefits many times over.

Here is another example: One of the candidates we evaluated for a sales position in an insurance company was out-standing in the sales sense.

After three months, the man's sales performance resulted in promotion to branch manager where he was in charge of four salespeople. He could not manage. Within six months, the branch office was a shambles. The four salespeople resigned and the office was closed. The new "manager" returned to sales. The lesson was costly for the company and for the people involved.

Other producers misplaced in managerial posts may respond by drinking, developing ulcers or hypertension, or suffering depression or burnout. What-ever the symptom, the organization suffers.

Chapter 3 Selecting Quality

DEMAND EXCELLENCE

In recruiting top people you have to avoid a critical pitfall. Since many of the people referred by agencies and headhunters, as well as the people who respond to ads, are people who failed in their previous employment…. there is every reason to believe they will fail with you as well.

If you are working with a search agency to select a key employee, you must determine whether the agency fits into the selection process to assure that you and not the agency are making the decision to hire quality people.

Then there are the successful people whom you would like to recruit but who are not currently seeking new employment.

We can show you how to successfully go after these desirable candidates, so you build your team with well qualified people.

Selecting the right people is the key to building your organization's effectiveness, growth, profitability and exceeding the expectations of the customer. Yet a truly superb selection process is of little value if you aren't recruiting enough qualified people to talk to in the first place.

THE COST OF ERRORS

Selection errors are common and their cost is staggering.

Selecting below-average individuals who lack the capacity to produce can cost dearly. You have made a poor investment. A selection error means tangible and intangible costs. We've seen cases where tangible costs exceeded $100,000 and intangible costs surpassed $400,000. That's for just one selection error.

Selection errors cost far more than you suspect.

Put another way, what would it be worth to you to reproduce your best producer? What would it be worth to you to reproduce your most skilled manager?

Just as the combined tangible and intangible costs of a bad selection can total hundreds of thousands of dollars, revenue through proper selection can transform these losses into even greater profits.

Over the long term, a proper selection will add even more revenue to the plus side, thus making a poor selection that much more costly.

Now you can see how critical the selection process can be to your organization's future.

We have asked hundreds of companies and their managers to explain to us their methods of selecting people. We then asked them to discuss how they selected their computer or their conference table. The amazing answer is that a typical company will put 4-5 times the investigation into a computer decision ($5,000-$75,000) versus a people decision ($50,000-300,000).

CHANGING PEOPLE

People can change but they usually don't. Basic behavior almost always remains unchanged. This is an important point to remember before you start your selection process.

Don't assume that training incentives or disciplinary action can turn unstable, lazy, irresponsible, disloyal, passive, submissive or behaviorally unqualified people into effective employees. It won't.

MATCH TRAITS TO JOB

Every job demands different behavior traits. The traits needed to fill an accountant's slot differ from those needed for a manager. Retail sales jobs require a different set of traits from an outside commission sales job. An office manager needs different traits from a sales manager. This is why someone can be marginal in one post and outstanding in another.

Here's an example we found in one client organization: We rated a sales applicant highly on potential, but our client was concerned with the man's marginal success in his current non-sales post. However, his behavioral traits were ideal for sales prospecting. The client hired him on our recommendation and in nine months the man was his top sales producer. Our point: The man had not changed, but his challenges had.

This shows the importance of matching people to jobs.

The importance of matching the person to the job.

We have numerous examples of people achieving greater success by moving to other jobs within the same firms. An unsuccessful car salesperson uncomfortable with closing sales showed a strong talent for service work. Placed in a service writer's job, the person is now highly productive and doing work desperately needed by the organization.

Another example: A successful, aggressive attorney added a partner with seemingly excellent credentials. But the new partner was driving away business. Our behavioral study showed that the partner was better suited for research rather than direct client work. Since client contact was a major part of the partner's responsibilities, we recommended that the partnership secure another partner with the right behavioral traits. Since then, the firm's practice has expanded and several additional attorneys - all with the needed traits – have been added. This has led to the highest average per person revenue of any firm in the state.

EVALUATING BEHAVIOR

Prior to making an offer to someone to join your organization, you should check five specific areas:

1. Can Do. Does the person have the natural behavior to do the job?
2. Will Do. Does the person have real determination to do the job and do it well?
3. Fit. Is the person compatible with you, with other employees, with company values, with the customers and clients?
4. Achievement of personal Goals. Can the person achieve his/her personal goals through the company as a result of doing the job well?
5. Job Comfort. Does the person really enjoy doing what the job requires?

A miss in any area means you won't have a top producer.

The Individual Resource Analysis (IRA) helps evaluate the first three areas. An interview will help determine the personal goals, and see if they are achievable through the job. The IRA provides the best written assessment information anywhere. The selection system and the assessment tool, the IRA Profile, dramatically minimize hiring errors.

A SELECTION SYSTEM

Let's assume you want to build your organization with quality people. What's the key to your selection process? Should you test? Use a psychologist to evaluate individuals?

Both are expensive. Both take time.

Neither will work without something else being in place.

Success in the selection process is not inherent. It must be learned.

The most important element in the selection process is the manager making the selection decision.

Our recruiting and selection systems are directed toward one end: to enable your people to put the right person in the right job each and every time.

This is not an inherent talent. It is a skill that must be learned. It is a skill that we can teach your people.

EVALUATING BEHAVIOR

A manager needs three skills to select people.

1. *Objectivity.* The minute thinking becomes subjective, judgment is distorted.

2. *Recruitment Skills.* Quality candidates must be sought.

Managers must learn how to recruit successful people. If you have one qualified applicant, you don't have a choice. Your job becomes one of selling the person – not selecting.

3. *Interviewing Skills.* Your manager must know how and when to interview. It is essential to learn that listening is more important than talking. An in-depth interview too soon in the process is wasteful.

An interview less than 45 minutes is often cursory. Multiple interviews of over 45 minutes are necessary in order to verify information and gather additional information about the candidate.

We train managers to spend up to three hours interviewing in order to determine the aptitude of a potential employee and predict accurately the potential for success on the job.

We can train your managers to use these three skills. Sticking to them requires tremendous discipline, but the rewards are worth it. Most of the firms we work with have extremely low turnover. The new people produce faster, produce more, and cause fewer problems. You can translate these basic skills into more profits and greater efficiency.

If you would like to speed up this process by paying little heed to the actual recruiting phase, remember this: *the quality of your firm a year from today will depend largely on the quality of your recruiting today.*

How to reduce turnover through skillful selection.

MAKING A DECSION

Your first order of business in building a quality organization is making the DECISION that you want a quality organization.

Avoid the natural impulse to hire people who appear acceptable, who may work out. Be selective at the very beginning. It's the quickest way to gain your goals.

Chapter 4 Training Breeds Excellence

K.A.S.H.

There are two primary reasons why people fail in jobs. One, already covered, is poor selection. The other is the person has not been trained to do the job.

Educator Henry Spencer said: "The great aim of education is not knowledge, but action."

We all know people who take classes and acquire information they never use. You may have managers who run periodic training programs that do nothing but feed their own egos. The fact that the training is "periodic" should tell you volumes.

Training is not an event – it is a process.

Remember that training should not be an "event." It is not some outsider giving a motivation injection to your people, nor is it the tapes and books sold after the speech. Training should be a continuous process with the person's immediate supervisor responsible for managing that process.

Industry spends hundreds of millions of dollars on training programs. Unfortunately, most of this money is wasted on either training capacity to produce in the first place or designing the training to appeal to these same people.

THE FOUR TRAINING NEEDS

An individual has four training needs:

1. *Knowledge*. This is the basis of enthusiasm and confidence. No one can function in a job without it. It is the fuel. Make sure that early in his or her career your employee knows what knowledge is needed in the job.

2 *Attitude*. A positive, enthusiastic attitude is important to a manager. It contributes to the attitude of others when he or she communicates with them. Proper programs and professional management will develop this attitude.

3. *Skills*. An individual needs certain fundamental job skills to perform with excellence. Skills cannot be learned only in a classroom. Training in skills also needs to include practical on-the-job experience. Both are essential; otherwise, people will forget the skill.

4. *Habits*. The dictionary defines habit as "an unconscious inclination to act or react in a consistent way developed through repetition". Successful habits are learned. Over 2,500 top producers demonstrate three habit patterns.

- Personal and time organization. (Starting with written daily objectives)
- Regular skill development.
- Planning their work, working their plan, and evaluating their results. (The closed loop)

THE SESAONED PRO

Does the pro need help? Certainly, as much help, in fact, as the new person.

Example: A young manager took over a department having ten "old" pros, each with at least seven years' experience. The manager hired three new people and began weekly workshops for them. The pros were invited – but not required – to attend.

The workshop stressed the four keys - knowledge, attitude, skills and habits – and the manager applied them to their jobs. The productivity jump after just six weeks prompted the pros to investigate. The manager explained how the training workshops were motivating the new employees. The pros began to attend the workshops. This increased overall productivity even more and boosted morale.

The lesson: Show your employees what they're missing and they'll want to take part.

Another case concerns a manager who asked a top producer to share the knowledge that had been acquired with newer employees in weekly workshops. After the third week, the pro told the manager the workshops had brought to mind how to do important tasks that had been forgotten over the years. So the trainer also became a more valuable employee.

How to get seasoned pros to participate.

BASIC FACT

Our work shows that most high producers have the knowledge and skills to work effectively, if they can be reminded of them. *Oddly, when people become successful, they often stop doing the things that made them successful.*

The case of the pro is typical and it has a strong message. The best way to accomplish results with pros is to create situations, in which they receive recognition while also reviewing the knowledge, attitude, skills and habits needed for success. One more note: We find workshops better for this than lectures or classroom instruction. People learn more – and have fun doing it.

SELF HELP

The result of good training in your organization is an attitude of self-help and growth. It is not easy. It takes time and effort by the manager. Once you've reached this plateau, the organization becomes highly productive.

Recently, we sat in on a manager's workshop and noticed how well the group was keyed to learning. There was a great amount of interaction and the manager's role (the workshop had been running for a year) had become simply guiding and facilitating.

Later, the manager explained that it took six months for the group to gel, then productivity increased, and problems decreased.

This example demonstrates the enthusiasm and excitement that comes from the process.

We have found that most job training programs are geared to teaching people who have strictly marginal capabilities, thereby wasting a great deal of a manager's time and effort.

Effective training programs must result in action.

People given training must have an opportunity to apply what they learn.

Avoid programs that require rigid actions or demand that people memorize certain words or phrases. Shun programs that stifle a person's individuality.

The strong will reject such a program; the weak will use it as a crutch.

Quality people respond to training that allows them to develop their own techniques and approaches to problems. You need to structure your training accordingly.

Here's an example of how well K.A.S.H. training worked for a family-owned radio station in a community of 20,000. (We include this case to show you that our programs work as well with modest-size firms as they do with larger corporations.)

The real goal of training is to exceed the expectations of the customer.

The overall firm was profitable, but the FM station had few listeners and was consistently losing money. Under our direction, the FM station hired a new manager who trained all employees in K.A.S.H. Within 18 months, the FM station was the top-rated station in the area with advertising, sales up 250% and profits at a new high. A bonus: The station's news department found the training useful in obtaining and con-ducting interviews. Em-ployee morale increased as a result.

The goal of your training is growth of your employees, with the end result being their ability to exceed the customer's expectations. It is management's job to get training started. With it you'll find new confidence, enthusiasm and attitudes that spark your organization's success.

Chapter 5 Motivation: The Driving Force

MOTIVATION: PLUS OR MINUS?

Businesses strive to motivate their people with outside speakers, sales contests and motivational media. The out-side "stemwinder" comes in, delivers a rousing speech, collects a fee and leaves. When we survey the audience a week later, we find that there is actually a reverse attitude that sets in. The problem is worse than before the motivation. Along with it, there is wasted money that could be better used elsewhere.

WHAT IS MOTIVATION?

For one thing, it is elusive. Why are people up one day and down the next? Why do contests turn on some people and turn off others? Why does one person of average ability outperform another with greater ability?

Motivation is "the reason someone does something." It is a driving force. As a manager, however, you cannot directly motivate people. They must motivate themselves.

The manager's job is not to motivate people, but to create the atmosphere in which motivation can take place. The manager does this by recruiting, selecting and training the right people. The manager works with his or her people to develop their skills and then manages them with sensitivity. All these points contribute to creating the needed atmosphere.

Another key role of the manager is to communicate to people how their efforts within the organization will help them achieve their personal goals.

People respond to their own goals - not yours.

A manager or business owner may have a goal of capturing "a certain percent of the market" or retaining "a profit increase over last year". People tend not to respond to such a goal. They will aim for their own target, not someone else's. If you have the right people, they will even set their goals higher than you will set for them.

Managers must be sensitive to an individual's goals and know how to help the individual reach those goals. That demands a degree of intimacy between the manager and the individual. This relationship takes time to develop. The manager has to create an atmosphere in which the individual feels understood and needed. It means a moti-vated employee, and a motivated employee is a productive one.

DEVELOPING RAPPORT

We work with managers to help them develop Motivation Interviewing skills. Managers must be counselors able to sit with their people, discuss their dreams and goals and help them develop plans to reach those goals. Here's proof of the rewards you can reap from a Motivational Interview.

An engineering client felt that an associate never performed to his potential. The senior partner made several attempts to talk to the associate about the latter's goals before he was able to open a line of communication.

Talk with your people.

The conversation that broke through was three hours long, confidential, understanding and sensitive. The manager realized that his associate had a feeling of not being understood or appreciated. The associate ended the interview with "I've been waiting a long time for the opportunity to tell you these things; I feel good about the future.

In a short time, the associate made a complete turn-about, became a leader and enthusiastic supporter of company policy. The manager does not attribute the motivation to anything he did or said, but to his willingness to help, the employee set and reaches his own goals.

MOTIVATION VS. DEMOTIVATION

Why is the outside motivator really a demotivator?

A fact of business life is that anyone other than the direct manager is usually perceived as an outsider and often is demotivational.

In our client firms, the producers view their managers as the people who best understand them and their problems. An outside motivator, regardless of skill or credentials, is perceived differently. An individual will tend to turn to his or her manager with a problem, not to an outside source; a stranger cannot possibly have knowledge or understanding of this person's world.

People usually perceive nearly all outsiders as detractive or suspect.

REALITY VS. PERCEPTION

Keep in mind that reality is not what things really are: reality is what we *think* things are. It is perception.

After working with quality organizations in the U.S. and Canada, we have learned one fact that is set in concrete:

The best way to motivate people is through a competent manager.

Professional sports teams that fire managers are not altogether wrong. The same players, who couldn't win under one coach or manager, could perform admirably under the next.

Think of Vince Lombardi, Lee Iacocca, and Walt Disney. Consider the impact as managers and "motivators".

The records of these people prove again that your money, time and effort should be invested in developing the skills of managers to understand their people and motivate them to want to perform excellently for their own reasons. The learned skills of managers can move the organization to great heights.

People do not perceive the outside motivator as understanding their goals.

THE WINNING ATTITUDE

The key to a productive, motivated organization starts with the selection of the individual, and proceeds through the training and development of the ability to relate to the manager on a personal, intimate basis.

The motivation is not noisy enthusiasm but quiet confidence. It is an attitude that says: *the organization is going to win.* This can only come about when your manager is equipped to recruit, select, train and manage people.

Example: 88 people in a client firm attended a clinic conducted by a famous speaker who wished them to attend a one-day motivational program. At the end of the outstanding 90-minute presentation, only five people responded. The shocked promoter asked one woman about her rejection and she answered: "I get that kind of motivation in my office. I don't need to go outside the company to find it." She did not see a need for outside motivation. It shows that motivation, like charity, begins at home.

Chapter 6 Customer Satisfaction: Quality and Productivity

DOING THE RIGHT THINGS

What does it mean to be productive? To some, that means working hard, to others putting in a full day, and to others, getting a lot of things done.

Is it possible to be productive and not profit? Of course it is. Just ask former owners of companies. Ask anyone if they profited personally from working hard but not very smart, or putting in a full day waiting around, or spending much of their time producing defects or correcting others mistakes, or producing products that were not needed, or selling record numbers of items one year and being out of business the next.

We have found that successful owners develop the right people to be the best they can be, capable of improving systems of people, materials and machines that can produce the right things in better ways.

HOW DO YOU KNOW?

We all measure productivity and quality in different ways. Most owners relate to profits and their own sense of quality. The excellent companies develop systems to measure in order to be *confident* of what is happening. When you can document that you're doing the right things that result in better prices, products and services, you have the baseline data in which to continue to improve and increase your success.

All processes include variables of people, materials, plant and equipment, and methods of doing things. All processes have suppliers and customers. The key to quality and productivity is *involving all your people* in focusing in on those internal and external customer requirements. Get the feedback and find where in the system you have the greatest opportunity to make improvements and reduce costs associated with waste.

Process Improvement, Not Final Inspection

One owner working with us early in this process lamented about all the frustration of not knowing soon enough when something is wrong or how to prevent its happening again. Past problems focused on people, never on processes. "Who can we blame?' was the question! When the owner started to focus on the process, the level of frustration was decreased; the company became more stable.

Quality IS your job, not a part of it. Sounds simple, but it is not easy to implement. Not everyone knows where or how to best apply Statistical Process Control and other tools of process improvement. Think of all the companies who are "installing" quality control. First there has to be the Quality Control Department, and the Chief Inspector, and the Inspectors, No. 1-57, etc. You can't inspect quality in – it is something that is part of every process. Final inspection is too late. Improvements in life, as well, begin early in life.

Chapter 7 Excellence in Your Organization

MONEY HERE, MONEY THERE, MONEY EVERYWHERE.

Customers will demand and at times be willing to pay a higher price for quality goods and evidence of better services, product innovations and more needed features. Profits come from sales, but they also are a function of your ability to implement a system to reduce the costs of waste associated with systems of people, plant and equipment, and materials. *The quality and productivity of these systems begin with the development of the people who will design and work on those systems.*

The development of that resource, your people, is both a moral and financial obligation, and will result in a financial gain.

QUALITY AND PRODUCTION IN ALL PLACES TO DEVELOP:

People:	- Leadership and Team Development
	- Communication
	- Total Quality Leadership – **TQL**
Materials:	- Customer/Supplier Quality Assurance
	- Just-in-Time Manufacturing - **JIT**
	- Statistical Process Control – **SPC**
Machines	- Total Productive Maintenance – **TPM**
	- Just-in-Time Manufacturing – **JIT**
	- Statistical Process Control – **SPC**
	- Group Technology
Methods:	- Quality Function Development – **QFD**
	- Just-in-Time Manufacturing – **JIT**
	- Total Quality Improvement – **TQI**
Environment:	- Respect, Recognition, Trust and Faith

Chapter 7 Excellence in Your Organization

YOUR ORGANIZATION'S UNIVERSE

Our world needs energy from the sun. Your people need energy from you! Think of your firm's leader as the center of your business universe, the source of company energy. Your organization's style, philosophy and tempo are set by the leader. Whatever the leader does, feels, or thinks is projected down through the organization.

In a Harvard Business Review article Thomas Levitt writes: "No organization can achieve greatness without a vigorous leader who is driven onward by a pulsating will to succeed. This leader must set the company's style, its direction and its goals".

The leader must create and share with the people a vision which will point the company toward the future.

We believe in the business universe concept so strongly we only work with organizations that let us deal directly with the top person. This is the center of the firm's business universe and our most important contact. (But each manager in turn is the energy source of his or her group and each group a collective energy source.)

THE AUTONOMOUS MANAGER

A manager must be autonomous and able to build a team. The manager must be able to recruit, select, train, manage and motivate the people supervised for continuous quality improvement. He or she must be given the opportunity to succeed or fail under constraints of budget, policies and procedures, definition of job authority and responsibility.

The manager must look at the group as his/her own business and be customer and profit-oriented.

WHAT BENEFITS CAN YOU DERIVE?

Your managers will take on shared responsibility. They will demonstrate a new degree of leadership and effectiveness. Some people argue, "Why train my competitors?" Our answer: Because if you create the right atmosphere, the people you train will find new satisfaction in their jobs, they won't want to leave, they won't become competitors.

They will become so involved in their jobs, in satisfying internal and external customers, that the thought of going some other place is frightening. They will lose interest in leaving because you are satisfying their needs.

THE DANGER OF OVEREXTENSION

The president of a Midwest wholesaler with 83 people in six branches was a classic case of "overextension." At our initial meeting, both desk phones rang constantly. He explained that he averaged 20 daily problem calls from his branches. His branch managers were simply caretakers, unable to manage. The president was the center of their business universe, but too much so.

The president recognized the problem and asked us to solve it. Our 30-day research uncovered only nine employees with the capacity to manage.

They were asked to attend weekly meetings to develop their management skills. At the end of 90 days, six individuals were selected to manage the branches. The caretaker managers were moved out of their posts into jobs more aligned with their aptitude.

Initially, some people refused to work with the new managers and insisted on contacting the president. The president referred decisions to the new managers. After 90 days, the situation turned around. Employees began to relate to the new managers, and productivity and sales quickly zoomed.

Before our program, annual sales were $22 million. After six months, sales reached $30 million. The president was free of all these problems and the company's growth continues today, plus he now has the time to pursue some of his personal goals.

TOTAL COMMITMENT

The key to success is the commitment made by the president. It must be total. The truth of it can be seen in the example of over extension. Had the president caved in and returned to his daily contact with the branches, the program would have been doomed. But he stayed with our plan and is now reaping the rewards. Most organizations cannot grow larger than the founder's shadow. The reasons are many: the founder's ego, desire to retain direct control over everyone and to be the most important individual in the organization. It is sad. Too many entrepreneurial organizations do not have the talent to reproduce themselves – and survive beyond the owner's interest and life span.

HOW LONG WILL IT TAKE?

Our experience shows that it usually takes about two years to establish itself and function smoothly. After that it must continue to grow and become more refined and self generating. And with it comes growth, profits and fewer problems.

Do you want the benefits of this concept? Put another way, can you afford not to have them? If you begin now, a year from today you can have a better organization, better equipped to compete in the marketplace.

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It depends on several factors, of course. The initial step is to determine your goal, study those factors that prevent you from reaching it, and prepare a plan to over come those factors. Here is what happened to some of our clients:

- Using our plan, a realtor moved to full-time managers and sales associates. By getting the right people in the right slots, the company went from $30 million to $140 million in sales with only a moderate increase in personnel.

- A leading producer and retailer asked for help. After assessing the organization and then training the entire management staff, the owner was able to reduce his time on the job from over 70 hours a week to fewer than 55, plus taking additional vacation time with his family. All this plus additional bottom line profit, and further more he says, "It's fun working here now."

What is your goal?

- The cost of lawyers is high, even for law firms. Generally, firms recruit attorneys based on law school grades. But there's little correlation between law school and the practice of law. The behavioral traits that qualify an attorney for litigation are different from those needed by a partner; the requirements of a tax attorney are different than those needed by an attorney engaged in research. Since a law firm client of ours spends approximately $200,000 to add an attorney (salary, moving expenses, business costs, perks, etc.); it is obvious that getting the right person is vital. Our work with this law firm avoids costly placement errors that mean lost money, lost time and lost business.

- It's tough to turn over a going business to new management, even tougher when the turnover is from parent to child. However, when the values of each generation can be stated and agreed upon and then a plan put in action for a smooth turnover, great things can happen. Parent and child become closer; managers show greater respect for the family and want to continue on for the remainder of their career, because they see stability in the company.

Aren't these the kinds of results you would like to see in your organization? As a matter of fact, you are the one who is completely in charge of what these ideas will do for you and your organization.

Take the next step now…

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