Speed by Magic: Making the Exception the Rule

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Author"s note: *Speed by Magic* was written when I noticed that every company that sought help in reducing cycle time, always had a success story in their past.

As the heat of global competition continues to rise, the ability to operate in fast cycle time becomes increasingly important. Hewlett-Packard maintains leadership in the laser printer market by rapidly introducing innovations such as the network printer. General Electric's appliance division cut order-to-delivery from 18 weeks to just over 3 weeks and now targets 3 days. Wal-Mart became our nation's largest retailer using an action mindset that sends employees to the nearest sister store to get merchandise for restocking empty shelves rather than waiting for the next scheduled delivery. Each example clearly demonstrates that those who possess the capability to identify, satisfy and be paid for meeting customer needs faster than anyone else achieve market leadership, growth and profitability.

Traditionally, entrepreneurs have had a competitive edge over large corporations by their ability to move quickly. Yet, as the above examples clearly illustrate, large companies are learning how to move as quickly as small companies. What frequently triggers that learning is crisis.

Crisis suspends the difficult-to-change norms of large corporate cultures with the same power that an earthquake suspends our unconscious trust in the earth's stability. Under pressure, outdated attitudes and practices crack enabling the large firm to dramatically increase speed and quality *at the same time*. Once the crisis passes, most large companies retreat to their pre-crisis operating pace and procedures. The crisis is framed as an exception, inappropriate for ongoing operations.

An increasing number of giants, such as Hewlett-Packard and Motorola treat crisis differently. They know the dangers of becoming slow and inflexible and look to crisis as a way to teach them how to be flexible. Thus, H-P and Motorola have successfully kept their respective Japanese competitors at bay by using these competitive threats as a crisis that stimulates them to rapidly introduce new products, even at the expense of cannibalizing their existing revenue stream. By doing so, they challenge the traditional competitive advantage of the small entrepreneur --- speed.

The question then becomes, what can small companies learn from these successful giants in order to stay ahead? Can these lessons be leveraged through the innate advantage small firms possess? Let's examine five characteristics that have enabled some of these large companies to act small. As you read, ask yourself if you could outpace them.

First, large or small, fast cycle time competitors focus on defining, creating and delivering value to their customers. Several studies document that most tasks in any organization do not add value to revenue paying customers. Historically, smaller firms have been able to use their size advantage to stay focused whereas large firms required a crisis of some sort to re-focus.

How crisply can you define for yourself and your customers the value your products and service contribute? Do you know the key activities within your firm that generate that value? Have you targeted non-value activities for elimination. Remember, every large competitor out there was small and flexible before it got big and sluggish. Anything you can do to eliminate the build-up of organizational plaque from the veins of your small firm today, will serve it well in the future.

In that regard, are you leveraging the available technology as well as the big boys are? Here's a trivial example. Their computer networks can wisk a proposal from one employee to another anywhere in the world in seconds. Do you find yourself copying data onto floppies and carrying them to each other? The point is that the vast majority of information technologies can be appropriately sized and priced for use in any size firm. The question is how well you are prepared to do so.

Second, the large fast cycle time competitors realize that communications on multiple levels is essential. Thus they have internal newsletters, television networks, computer conferencing, etc. Each of these facilitates creating strategic alignment by continually informing everyone about what's important for the business.

By definition, smaller companies don't need the same tools but they still need to make sure people know what's important. The question for the entrepreneur is no different than it would be for the corporate executive: if you asked three people what are the most important things that this company should be concentrating on? -- would you get the same answer? Too often, small firms mistakenly rely on their smallness and underestimate the importance of communicating and testing priorities with all employees.

Third, the big boys use crisis as the time to demolish hierarchy. Be it through re-sizing, re-structuring or re-engineering (the new 3-R's of management!), crisis is used to flatten the organization.

The obvious corollary for the entrepreneur is staying flat. Young companies should measure revenue per employee from the start and use this to gauge overall productivity. Second, trash the traditional axioms about narrow span of control. Instead, hire bright, well-educated people, leverage their capabilities through advanced technology and let them manage themselves. Create non-hierarchical, work environments where people sit near those with whom they have to work. Let the work drive the organization structure; not the reverse.

Fourth, the large companies use crisis to get the plague out of their procedural arteries. The crisis is a like a mild heart attack and due to their mass and momentum, they often have a second change which the small entrepreneur may not.

As your company grows or merely grows older, has the percentage of time spent on administrivia increased disproportionately to the time spend adding value as defined by your customers? Many small firms get so focused on serving customers that they neglect creating a process infrastructure that keeps pace with the business' needs. The entrepreneur's intention is to be customer focused but the lack of attention to process efficiency means that simple administrative tasks become inordinately difficult and painful. Charge those who are handling these tasks to make them more time effective for themselves and those they support.

Fifth, when a crisis hits a big firm, it breaks down all the resistance to "we don't do that here," and opens the door for learning. The crisis environment enables the large firms to "unlearn" practices that have become inflexible barriers.

Speed is much more dependent on learning faster than doing faster. Doing faster simply takes what you already know and makes it available for sale, whereas learning faster increases what you have available to sell. Ask yourself how well your firm learns. Are you living off the original knowledge that's still housed in the heads of the founders? Have incremental additions been shared and discussed? Small firms provide an excellent context for learning yet everyone's always so busy they often don't take advantage of it. Remember, leverage comes from synthesized, organizational learning rather than simply aggregated, individual learning.

The challenge facing today's entrepreneur is quite formidable. Larger companies are *successfully* becoming as fast as smaller ones. The entrepreneur's traditional edge of speed, flexibility and customization is no longer guaranteed. Appropriately used, the same technology that the large firms are using to catch up, can also be used by the small firm to stay ahead and nimble.