

Good or Great?

By Rick Pay

“We are so good at being good that we forget to be great!” This was a CFO’s opening remark at a management retreat where I spoke last week. As I thought about this it occurred to me that many businesses have taken shelter under the awning of “good.” To survive this economy, companies are looking at cost reduction, cash conservation, labor efficiency and stronger bank relationships to weather the storm. They focus every day on being good, but they forget that other companies, those that are preparing for the next wave of growth and striving to be great, will be the success of the future.

So what is great? Great is unwavering focus on the customer! This means, among other things, delivering what the customer wants when they want it.

Who defines quality? The customer.

What is the most important metric? Shipped on time.

Great is focusing on the customer. It is providing quality, service, and everything else your customers crave to build an advantage that others can’t copy. Good is using technology and cost reduction to gain temporary advantage. While technology and cost reduction may drive some markets, they offer only a fleeting advantage. Anyone can implement Lean (although most who do fail to reap lasting benefits) and anyone can buy technology. Many companies have tried to cost-cut their way to success, but growth is the best way to survive a poor economy.

One of my clients is making hay by providing reliable lead times and top quality. Even though customers could get lower prices from a competitor that has shifted their production to Mexico and China, the

competitor’s unpredictable deliveries hurt their customers’ overall profitability. My client has the opportunity to grow substantially even in this downturn by focusing on quality and shipped on time.

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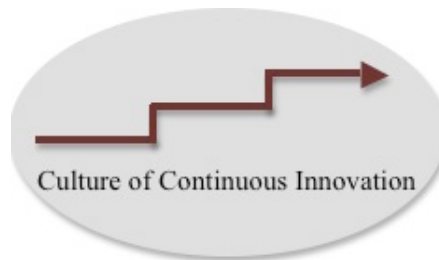
Rick Pay is president of The R. PAY COMPANY, LCC, a Portland-based management consulting firm that helps manufacturers and distributors achieve peak operational performance.

Great is constant process innovation through Change Management. Innovation can mean creating new products, but it can also mean constantly pushing the limits of growth, service, quality and cost. Process innovation is a function of Change Management and striving to improve in all aspects of the business.

Take Microsoft and Apple, for example. Microsoft, while offering a wide product range, lags behind Apple, whose products lead the market and energize customers. Apple is innovative and striving to be great, while Microsoft stays good. Apple's stock price has almost quadrupled over the past couple of years while Microsoft's has stayed flat.

Great companies find ways to capitalize on their improvements, sometimes in ways that weren't obvious at first glance. Here's an excellent example. A client is looking into materials recycling

as a process innovation in his business. Not only would it cut his materials costs by as much as 10%, but it positions him as a green company that helps its customers achieve sustainability in their supply streams. In turn, his customers can pass this added value on to *their* customers.



Great is continuous improvement, but not the way we understand it today. CI is a management approach of constant small improvements that lead to competitive advantage by giving the customer what they want, when they want it, at the lowest possible cost. Many companies see CI (also known as Lean or Toyota Production System) as a problem solving technique that uses various tools

to reduce costs and increase productivity. While CI can certainly do that, reactive problem solving tends to create a stifling atmosphere of cost-consciousness.

For a company to win new customers and keep them for life, those small, continuous changes need to create a dynamic environment of improvement, innovation, service and quality. Keeping employees engaged in the process, rather than relying on what someone once called "drive by Kaizen" to improve, is the most powerful way to increase competitiveness.

Great is hard to copy. Great is relentless innovative process improvement with a focus on the customer that provides long-term competitive advantage. Good might mean survival, but great means long-term success.