

Virtual VM's for Small Business Enterprises Facilitating Success 'on the run'

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SUMMARY

A major weakness of many **Small Business Enterprise(SBE)** operators is the time (minimal) spent 'on' their business compared to working 'in' their business. This can leave little effort/funds to conduct formal Vision/Business Planning, Entrepreneurial Marketing exercises etc. Major strengths of SBE operators include (i) wide range of skills and experiences, (ii) vast knowledge of their field of business and related businesses, (iii) creative adaptability to situations, and (iv) diverse network of contacts.

By harnessing and focussing these strengths an SBE operator can be facilitated through a 'Virtual' value management (VM) study. After completing a Virtual VM in late 1995, a building company proceeded to increase its annual turnover five fold, with increased profits, and with a new achievable vision for its future.

This paper describes (i) how the essentials of AS/NZS 4183 were distilled and a Virtual VM process developed, and (ii) a case study of a Virtual VM applied to a Small Business Enterprise to sharpen the focus and accelerate its success.

1. INTRODUCTION

In Australia over 80% of Businesses fail in the first five years of operation. Why? Some say it is due to lack of experience, lack of vision & planning, lack of commitment & perseverance, spending far more time 'in' rather than 'on' the business etc To address this crisis many consulting organisations have emerged to assist the Business Operator succeed. Solutions offered range from prescriptive to heuristic, whilst others offer metaphysical directions. Some solution providers claim to address the 'whole of business' whilst others focus on its parts eg finance, marketing. Business Operating Systems & Strategies (BOSS) offers a heuristic 'whole of business' model. The Model incorporates the Australian Standard on Value Management, AS/NZS 4183 as a basis for critically evaluating the current & historical condition of a business as well as generating directions for accelerated business success. In the field of Small Business Enterprises(SBE), many operators are focussed 'in' their business and the opportunity to take 'time off' to review their business is considered a luxury rather than a sound business practice. AS/NZS 4183 was evaluated and distilled into a number of core requirements that could be applied to an SBE. At times the Business Operator would not be aware of the process being conducted ie a Virtual VM. The paper steps through the issues of AS/NZS 4183, describing how BOSS addressed the intent of the standard in a modern day electronic environment. The paper then describes how this was applied to a Building Company to focus its direction and accelerate its success.

2 THEORY: STANDARD - VALUE MANAGEMENT (AS/NZS 4183)

A Value Management (VM) study was conducted on the VM Standard. The outcomes relevant to this paper are described and compared against the Standard's three essential elements of:

1. Core Methodology
2. Commitment of participants, and
3. Management of the Process

Essential Element 1: Core Methodology

The core methodology comprises *five phases* of (i) Information, (ii) Analysis, (iii) Creativity, (iv) Judgement, and (v) Development. The Standard requires the VM team to *proceed systematically* through the five phases, in typically *1-5 days*.

five phases

The five phases described in the Standard comprise an effective heuristic model that has strong parallels in Physics R&D. No techniques are described for how each phase is to be conducted, though this is considered appropriate in a VM Body of Knowledge rather than in the VM Standard.

proceed systematically

The Standard does not describe how to ***proceed systematically***. The nature of Business Development is that progress can be forward though the direction at any one time can be erratic, cyclical etc. BOSS understands the intent of this requirement to mean the 'helicopter view' to be systematic, not necessarily the real work at the coal face.

This 'helicopter' perspective allows for some aspects of the business to proceed quickly to an outcome so as to feed into another aspect of the business process. This cyclical approach is particularly important when evaluating a business. The parts of the business are evaluated in isolation to identify how they work best, then combined and re evaluated from a 'whole of business' perspective to establish how the Business can work best. Such a practical approach addresses the Systems thinking view of 'When the parts of a system work as best they can the whole seldom works as best it can'.

1 -5 days

The Standard does not specify when the workshop days are to be conducted eg five contiguous days or spread out over a year etc. The nature of Business Development in SBE's is that time can be spent in 'snatches' of various durations rather than at fixed durations at nominated times. BOSS understands the intent of this requirement to mean the 'helicopter view' cumulation of time to be 1 -5 days.

The Standard states a typical workshop duration of 1 - 5 days. BOSS considers the duration of a workshop to be dependent on the structure used to deliver the VM Core Methodology. Two key interrelated factors in the determination of duration is considered to be:

- Amount of information submitted for processing either brought to the workshop or created in the workshop.
A 2-day workshop could comfortably handle up to 200 ideas generated in the Creative phase but is unlikely to meet duration constraints if the workshop created 2,000 ideas.
- Number of persons participating in the workshop.
A 5-day workshop could comfortably handle up to 200 participants but is unlikely to meet its duration constraint if the workshop comprises 2,000 participants.

BOSS understands the intent of this requirement is to meet the completion of the Core Methodology, be it 1 - 5 days duration, or dramatically longer or even dramatically shorter in duration.

Essential Element 2: Commitment of Participants and Essential Element 3: Management of the Process

These two Essential Elements are grouped together as it is considered they describe the 'Delivery of the VM Study'. Issues covered are:

- Client - commitment
- Participants - commitment, number and contribution
- Facilitator - independent, manage the VM process, manage the VM group
- Workshop environment

Whilst the requirements in the Standard should ensure the best possible outcome of a VM study, variations to the requirements should also result in acceptable outcomes.

Client

Whilst Client commitment is good thing it is not considered essential. Provided a VM Study is completed against the Core Methodology, then it is considered to be a valid VM Study. The outcomes may not be implemented if the Client is against the VM Study.

Participants

Whilst having Participants at a workshop is a good thing it is not considered essential. The value of a participant is considered to be several:

- Individual Skill (specialist or generalist) and experience related to that skill
- Collective knowledge over many issues and experience related to that extensive knowledge
- Range of Thinking and Action Style
- Behaviour in group environments
- Influence of the group environment
- Contribution of ideas

If the participants were in attendance electronically ie tele/video conference rather than physically, their participation would be considered valid. This could lead to different Facilitation skills.

If the participants were one person wearing several 'thinking hats' their participation would be considered valid. This could lead to different Facilitation skills.

Facilitator

Whilst having a workshop facilitated is considered essential, having a Facilitator do it, is not considered essential. The value of a Facilitator is considered to be several:

- Manages the VM process
- Manages the Group
- Provides independence where considered appropriate

In an era of flatter management structures and greater empowerment to staff it is conceivable that the Facilitator role can be performed by the group or where the group comprises one participant, to be self Facilitated ie wear several hats.

Workshop environment

Whilst having a physical workshop is considered a good thing, it is not considered essential. The value of a workshop environment is considered to be several:

- allows for synergistic interaction between participants
- streamlines the management of the VM process where participants are physically in attendance

In an era of work commitments taking 'time out' to attend a workshop could be considered a luxury. If participants are encouraged to 'touch base' with their ideas, and pick up current thinking of other participants then the VM process can continue to completion. By analogy a Chess game can be played across continents and one player does not even need to be human (the Big Blue computer Chess competition).

Conclusion

BOSS considers the Value Management Standard's Core Methodology (Essential Element # 1) to have an extensive range of applicability whereas the Delivery of Methodology (Essential Elements # 2,3) to be limited.

The limits to the Delivery of Methodology can be expanded with (i) better technology eg electronic, (ii) new ways of creating/processing information eg De Bono thinking, and (iii) different perspectives on independent facilitation eg New Physics.

PRACTICE/CASE STUDY: BUSINESS - DANSHELL P/L (Building)

A Case Study was conducted to test the BOSS interpretation of the Value Management Standard. The Case Study was chosen to be Danshell P/L, a building company.

Pre Value Management Study

Danshell P/L commenced operations in 1987, working in the 'quality' alterations and additions market, domestic. Turnover in the three years preceding the VM averaged \$ 500,000 pa. The company comprised the Managing Director as on site builder and staff were engaged on an 'as needs' basis, mainly through sub-contracting. Work was won through advertising and by referrals from satisfied Clients and Architects.

Virtual Value Management Study

A Value Management Study was conducted by BOSS on the company Danshell P/L over a period of twelve months, to develop new directions and solutions for its future success.

BOSS specialises in tailoring a company's business operating systems and strategies to the vision of the company. The Company leader had certain views on how his 'ideal' business ought to operate, including:

Business Operating System

- able to withstand/adapt quickly to changes in the market place ie, Client, Suppliers and Staff
- able to be 'picked up' with minimal training, by new and existing staff
- able to encourage healthy and cooperative participation/feedback by staff, clients and suppliers and that it reflects the actual work performed.
- should encourage the practice of 'individually working together'.
- Work to be stable to allow strong team networks to be built.

Staff

- to be rewarded for their efforts over and above their fixed rate of pay
- to be acknowledged and rewarded for innovations they submit to the company
- to be encouraged to stay for the long term, not to move on ie minimise turnover
- to be able to work from their own office eg home office, car office.
- to be able to combine personal activities with their actual job.

Clients & Suppliers

- develop a partnering approach to doing business
- ability to influence/control the performance of and relationship with the Client and Suppliers

All the above issues were reviewed and where appropriate methodologies developed to address them. An example follows

- to be acknowledged and rewarded for innovations they (staff) submit to the company

To address this issue the Georgist theory of Land Economics was adapted to the wealth of organisations, teams and individuals. The Innovations Program implemented rewards the Innovator, and provides for a cumulative benefit to the team and the Organisation.

Post Value Management Study

An opportunity emerged for Danshell to tender for a five year project in Sydney comprising a large number (5,000) of small value (\$ 50,000) renovations to domestic dwellings. Danshell was ready to embark on this paradigm business shift and was successful in its tender. Work commenced January 1996 and in the next 21 months the company has achieved the following:

- Turnover has averaged \$ 2,500,000 pa (a five times increase) at an increased profit margin (compared to pre VM)
- A remuneration Structure has been established that combines a fixed rate of pay plus bonus
- A Business Operating System incorporating Quality Assurance has been implemented (developed by staff)
- An Innovations Program has been created and implemented. The Innovations Program comprises an Innovations Register and an Innovations Fund where Danshell contributes according to the worthiness of the Innovation.
- Staff turnover is less than 10% (an exceptionally good figure for this style of work)
- Structured meetings have been established at four levels in the organisations: Directors (weekly), Line Managers (weekly), Site Managers (alternate months), Site workers (alternate months). In addition there are quarterly meetings of all staff.
- Fun Team building activities are promoted eg Paintball
- Some staff have elected to work from their own home office and maintain electronic connectivity eg Internet.
- Clients and Suppliers have been issued with Work Improvement Requests. Suppliers who did not respond to positive encouragement, were then issued with penalties. Suppliers who did not respond to penalties, were replaced with more responsive Suppliers.
- Work programs have been developed and Time Cost Quality Planning/Control and monitoring processes have been developed and implemented.
- New work directions have been identified and pursued eg Building Maintenance, Energy retrofits & new to buildings, Building and Pest Inspections
- 'Zero Defects' has been achieved on construction.

4. CONCLUSION

Every business has its profit formula. In new industries or those experiencing/choosing paradigm business shifts, this formula must be created from scratch.

The Value Management Standard AS/NZS 4183 has been evaluated by BOSS and found to be powerful in the Core Methodology (essential element # 1), though limited in its Delivery of Methodology (essential elements # 2,3). BOSS considers the limits to the Delivery of Methodology can be expanded with (i) better technology eg electronic, (ii) new ways of creating/processing information eg De Bono thinking, and (iii) different perspectives on independent facilitation eg New Physics.

Danshell P/L has chosen a paradigm business shift. It has paved a new, exciting and bold business path with its high volume, high quality, low value projects. It has developed a powerful and robust Business Operating System that is both effective in winning work, and efficient in its delivery of work. Implementation of the Business Operating System has resulted in an increase of happiness of staff, suppliers and clients. Danshell has taken a leadership role in developing improved work practices by involving Clients, Suppliers and Staff as well as implementing an effective Innovations Program.

Danshell's success is reflected through a high loyalty and commitment of staff, increased turnover and profits, high regard by clients and suppliers, and dramatically reduced work stress and frustration.

A 'Virtual' Value Management process has been successfully developed by BOSS. It has been applied to Danshell P/L. Outcomes include the consolidation and categorisation of key issues, a clear Action Plan, new business directions, and development of a successful Business Operating System.

The Virtual VM process can be applied to other businesses or projects.

5. REFERENCES

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