The Assessment Dilemma

Jonathan Narducci

Part IA – The Dilemma

"How do we grow our businesses?" Hot topic. The many ways to "growth" have been written about by a large number of business experts and analysts. A few examples are improving performance, customization, efficiently capturing customer needs, building more value around existing products, and moving customers up the "loyalty" ladder.

These experts and analysts may promote their methodologies as *the* way to grow but their combined discussions have a common thread: *execution and knowledge are two keys to success,* and in order to execute well the business has to *find out* what's working well, what isn't, what "new" (innovation) is needed and what they know about their enterprise and customers.

The way our businesses gain this information, believe it or not, is through *assessments*. Examples of assessments we already embrace are: when we buy software products we hope they are tested (i.e. *assessed* for "bugs" or meeting specifications), when we hire someone we *assess* their skills, critical thinking abilities, and their fit into the organization, and when we acquire or merge with another company we do our "due diligence" *assessment*. Assessments, in all three of these examples, provide us with information that tells us something about execution, and, combined with other facts, helps us develop knowledge we can use to make decisions.

Then, shouldn't we embrace the assessment of one of the most important aspects of our success? Shouldn't we assess our companies' *total ability* to provide the essential *value* our customers need? Shouldn't we assess for the information we need to make *decisions* on which strategic initiatives we develop and deploy to create that value? Shouldn't we do a due diligence on our company's value components, the real reasons our financial statements read like we want them to? Can we ignore this assessment knowing that the purchasing of our value is the foundation of our companies' growth?

To see why an assessment with this focus is valuable, consider the following:

Our strategies, transforming *our* value into the value customers buy and rely on, are implemented by using our *competitive assets* such as skills, process, tools, resources, knowledge, deliverables, and time. When these assets' characteristics and performance are *not* what we expect, need, or want (or an asset is missing), we have what is called a *critical issue*. Critical issues are what stop the business wide performance we need to produce a change in our competitive advantage – *a change in our value position in the market that leads to growth* – our strategies' intended goals!

An example of a critical issue: Our skills are part of our value but poor ones or the wrong ones are a critical issue. Another example: We need funding sources to run projects but the ones we rely on have dried up – revenues are down or our ability to borrow is weak. No projects means no new or improved value for sale. Which means revenues will continue the downward trend.   Funding is a critical issue.

What's a "Critical Issue?"

Basically, it's a value asset weakness (non-performing or missing) that stops the business from moving forward, i.e. it stops the success of the strategies we want to implement that changes our value position.

Value Position

Both examples mentioned in the main text illustrate how critical issues decrease a company's value position in the market.

This is because a company's *value position* equals the sum of all their needed, well performing value assets minus the sum of their critical issues,

…the "Performance Gap."

But wait! Is funding really the problem? Could it be related to other problems? Could it *be* other problems? Funding management skills? Or could it be poor processes, such as loan management or project prioritization? How about the lack of knowledge – e.g. project magnitude or "good enough" requirements?

This points out that it's hard to ***identify a critical issue's underlying problem*** without doing some kind of an ***across the board*** assessment of all value assets. Proper assessments will help separate the issues' real problems – root causes – from their symptoms, but only if all possible sources are explored! Proper assessments will help get the information needed for making high-quality decisions, helping take the guesswork out of the process.

This brings us to the benefits of doing value component assessments (details on each later on):

First, it's the need to precisely define ***performance improvement*** critical issues. We don't want to let the critical issues that stop the success of our strategies become – um – critical, whether we are starting a project – strategic initiative – or in the middle of completing crucial ones.

Second, assessments just might uncover *unknown* critical issues. In other words, we can use assessments as a "discovery" tool – the ***discovery*** of opportunities. Assessments help expose issues and needs that are opportunities to add value.

Third, we know that it's unusual – maybe impossible – for each asset to perform independently of other value components. Each has a ***relationship*** with others. More importantly, those who use each asset bring their perspective about how the relationship is supposed to work. Assessments, done well, will use this collaborative approach to find optimal asset performance.

Fourth, assessments ***provide proof*** our assumptions about our assets are correct – that what assets we thought were working well "were" and those we thought weren't working well "weren't." This information is very important to our management activities.

Finally, assessments will form a ***baseline*** of our entire asset group so we can easily see what's different after doing a future assessment. We use assessments to look for changes in what's important to our present day success and to help us determine the overall quality of the entire group we rely on for competitive advantage.

So, what's the **assessment dilemma**? In light of these benefits *companies have lots of excuses why they don't do them.* Notice I used the word "excuses" and not "reasons." Why? Because I believe the very good reasons to use assessments outweigh the most common excuses used to avoid them.

Part IB – The Excuses (plus rebuttals)

Common excuses as to why companies tend not to use assessments to search for critical issues and evaluate competitive asset quality are:

- **Assessments are hard and *results* rarely get the attention necessary for action.**
  Assessments are hard. They need to be properly defined, ask the right questions, keep an audience's attention, and be connected to everyone's everyday work and its results. Plus, they require people to look hard at themselves and their relationships with others (professionally, of course).

  The value of an assessment's results is only tied to the decisions they help and the actions they spawn. If the results of the effort sit in someone's desk drawer then there is no value. Action plans need to be part of the assessment with a *commitment* from management to implement them. This includes reviews that monitor their progress.

- **There's not enough time and there's no money for it. Assessments delay action! Management believes assessments are a delaying tactic (waste time) to "trying things."**
  I have always been amazed how it was always easier to "wheel spin" – redo work, sometimes over and over – than to understand what could go wrong before it went wrong. Re-work costs time, money and (sometimes?) customer loyalty.

Jonathan@NarducciEnterprises.com ♦ 10 Marty Drive ♦ Merrimack, NH 03054 ♦ 603.424.3685

And as far as "trying things" go, isn't it better to be trying things that have the *best chance* of succeeding? The time and money to do the **"post project analysis first"** (assessment) will pay off even though it looks like a delay.

A major benefit to performing "post project analysis first" is that, as with a post mortem analysis, you get the "critical thinking" of other company representatives about the assets you use. An asset that you or I think is working well could be someone else's issue or, at the very least, they would bring a different perspective on its performance.

- **There are too many important deadlines to make.**
  Isn't it better to know about delays, and what could cause them, before they become critical? Delays in hiring people (didn't know the resource requirements), in getting the right training at the right time (new skills needed for new markets), or understanding the customers' real needs (I can't count the times customers wanted something other than what was provided or they wanted additional bells and whistles near the end of projects).

  By the way, see the previous item about rework!

- **There's no staff for it because people need to do their jobs uninterrupted by something that's not their "real" work.**
  Everyone's real job is to fully understand how their job quality affects the final value for sale – how it affects the results customers expect to experience. It's everyone's job to understand how their assets affect the value chain, to make sure a link isn't missing, or broken. It's not just management's responsibility.

- **Everything is working fine and the products and services are "good as they can get."**
  I have never been in an organization where *everything* was working fine (admittedly, by my set of criteria). When a company decides that their value is "good as it can get" then they have come to some important conclusions (e.g.): *not* to be their market's leader (for the long term), *not* to keep up with change, *not* to monitor the effects and results of implemented initiatives, *not* to acquire new customers, and *not* to develop "most valued customers." There are more examples but in order to avoid each of these "*nots*" just mentioned, companies have to **know** where their assets position them at all times. Assessments help acquire this knowledge.

- **We know the issues and we are working on them one at a time.**
  Treating symptoms can be time consuming and otherwise costly. How many times has management tried to fix problems, like sales by providing sales training or improving quality by hiring more quality techs or adding more testing time? And how many times have the initiatives failed because they were working on the wrong problem or ignoring related issues. Too many, I'm afraid. And working on issues "one at a time" could *create* problems with other related assets if the effects of the relationships aren't included in the problem analysis and developed solution.

- **Processes and operations are so complex that too much time will be wasted understanding them. So by the time people get to the evaluation itself, it will be either "moot" or "overcome by events."**
  If operations are this complex, it requires assessments of all assets because it requires common and up-to-date knowledge by all involved! We need an attentive watch by the entire company on how well our assets are performing. We don't want the "events" to be lost markets, lost customers, or lost opportunities. We want our processes and operations to be changed by *anticipating* events and identifying the optimum set of assets to focus on them, applying the assets to our value creation system with proper care.

- **People are afraid of what the results might be – they don't want to face, what they think is, the bad news. People don't like preparing for danger, being inflicted with "head in the sand" syndrome.**
  If there is a problem(s), by ignoring it, will it will go away or fix itself? I haven't seen that happen often. Whenever problems fixed themselves it was usually a temporary fix to get a process "working" so a project wouldn't be delayed. So it looked like the problem fixed itself. But the temporary fix became permanent. Because the fix was situational, things usually got worse, not better.

By the way, why wait for a problem to happen in the first place! Fixing a problem in the middle of project doesn't sound cost effective to me.

Bottom line on this excuse: *there is no bad news* from the results of an assessment, only good. Knowledge about the customer, company operations and assets can only lead to a better market position if the knowledge is used to improve company value.

<u>Threats: Excuses or Opportunities?</u>

Some might say that, for example, political unrest, monetary rates, or technological change are threats that have nothing to do with our company's value components since we have no control over them. Wrong! If these *threats* are important to the welfare of the company, then we need to have the skills, process, tools, knowledge, and resources – value assets – to make sure they don't become critical issues. Plus, the fact that they are important to our well being, creating assets to manage them only enhances our competitive position. Proper assessments will point out threats as opportunities or leave them as risks we are willing to take.

Because a company's competitive value components, the source of critical issues, are the building blocks of the *benefits* that customers buy (don't forget, they expect *results* from their purchase), and since "if you want to manage something, you have to measure it," evaluating competitive value on a regular basis is essential to the success of a company's ability to compete effectively and grow! We shouldn't let our companies fail to reach their goals because we neglected obtaining a profound understanding of our customers needs – **knowledge** – and of our **abilities –** execution **–** both important to growing our markets! *If we use an excuse mentioned above to avoid gaining this understanding, we need to make sure that it's a valid reason.*

Part II – The Benefits

Assessments, done properly, can provide at least one of the following five basic benefits, as mentioned earlier:

1. **Provide information that can be used to <u>improve performance</u>,**
2. **Facilitate the <u>discovery</u> of "hidden" assets and opportunities,**
3. **Identify working <u>relationships</u> to other assets and those who use them,**
4. **<u>Prove</u> that what's working is working as expected (or not),**
5. **Define a <u>baseline</u> for future benchmarking activities.**

The following explanations of each benefit should help allay any questions about how valuable a competitive value assessment can be to a company:

Performance Improvements - Assessments provide information about how well - or poorly - business components are working. If they are performing well then they can be applied to other business lines, current projects, or be considered for new projects – note that the components may have to be altered to fit the project's goals.

If components are performing poorly, we may have *critical issues* that impact the implementation of present strategies and could cause false starts or failure of future ones. Once identified as critical issues then corrections can be developed and implemented before the assets become liabilities and cause real damage. Evaluations are also used to draw attention to potential problems, which offers the ultimate "damage avoidance method" if they are taken care of promptly.

In addition to asset performance information, the results of evaluations will uncover the *reasons* used to drive necessary improvements. Reasons such as underperforming customer accounts, poor service, and communication glitches will be uncovered during an assessment. These "reasons" are the pointers to poor performing assets. They will first come up during evaluation discussions.

Assessments are also an essential part of a continuous improvement program. For example, sometimes businesses work at light speed and neglect improving the processes they are using to perform at that speed. An evaluation will point out improvement areas – critical issues – that will, if taken care of, enable the

Jonathan@NarducciEnterprises.com ♦ 10 Marty Drive ♦ Merrimack, NH 03054 ♦ 603.424.3685

organization to either continue activities or prepare for future operations at the necessary performance levels needed to compete.

Discovery – Well-defined and implemented assessments will discover the company's "unknown or hidden" strengths and weaknesses and make them public. If strengths are discovered, they can be communicated to other organizations for possible use. If weaknesses or critical issues are discovered, the related assets can then be strengthened according to strategic needs. We call these "added-value" opportunities.

An assessment process will not only uncover what improvements need to be done and what strengths need to be more widely exploited but also uncovers what activities should be stopped and what "improvements" aren't worth pursuing. Evaluations will help eliminate some of the "good ideas" that really aren't.

This process of uncovering "hidden" opportunities can also be applied to customers. Assessments can help a company or business line discover opportunities by identifying what their customers value and what they need for success, leading the business to know what to focus on and prioritize. By understanding customer needs and wants, the company can then develop product and service standards that are driven by the market. In other words, companies produce the value their customers want as opposed to what they think their customers want. Using this information helps point to the "right stuff" to grow.

Note: This doesn't mean we can't lead our customers using new technologies, insight to industry changes, and business trends as the foundation for developing new value. But knowing what the customer needs and wants is still an integral part of creating the "right value," even when using our "non-customer" insights. Assessments will help discover our companies' abilities to gather and understand this foundational knowledge and whether we can effectively apply it.

Relationships – There are two components to this benefit: 1) the relationships of the people involved in making the asset perform well, and 2) the relationship of an asset to other assets.

Looking at the first component, consider the following: when I went to my boss and told him that there was a problem with a particular process or operation he would ask a few questions, ponder a bit and say that he hadn't heard about the issue from any other groups, therefore it wasn't a problem. But when I brought the problem up in a group wide meeting – call it a mini-assessment – and others chimed in that it was a problem, only then did it became "real."

This illustrates that in order for a competitive asset to be declared strong or weak you need to make it visible – *effectively highlight it* – and public – get the enterprise to participate in the assessment – and acknowledge the asset's condition. If neither happens, getting enterprise wide action on fixing a critical issue will be difficult.

Properly run assessments use the enterprise, especially individuals – e.g. users, management, and customers – with a vested interest in an asset's performance, to determine an asset's "real" condition. Collaboration, using the insight, skills, knowledge, experience, and judgment of all an assessment's participants, can be brought to bear on making the asset what it needs to be for the business' plans. It's this collaboration – benefiting from what has been previously "learned" by all participating individuals – that increases the probability of successfully improving the company's value position.

Concerning the second component, when we do assessments of what we think are problem performance areas, we tend to focus on a particular function such as sales, marketing, support, or product development. But functions do not operate independently of one another. A good assessment will help uncover these relationships so, first, the real problem areas are identified, and second, solutions to pending problems are focused on all the appropriate functional areas.

Provide Proof - Sometimes business components – e.g. processes, tools, and skills – are brought into question as to their effectiveness. Assessments are used gather information to prove or disprove the assertion that they are operating as expected. The information gathered can be used by management to make adjustments to current plans, tactics, and activities.

Companies are constantly implementing either changed or new strategic initiatives or programs. Assessments provide the information we need to prove that they are working as intended and providing the impact expected by both our customers and our company.

Similarly, assessments are used to check the satisfaction levels of employees, customers, stockholders, suppliers, partners, and other stakeholders have with specific company programs – from those that set company direction to those that change processes. We can use the information to "prove" that they provide the expected impact, negative or positive.

Define a Baseline – Assessments provide a comparison "baseline" for future assessments. Developing a baseline is the first step in satisfying the "you can't figure out where to go if you don't know where you've been" principle. Creating a baseline is the initial step needed to follow a basic rule in making decisions and setting direction: Knowing where we are compared to where we've been, using the same terms and criteria, helps guide where we should go.

Comparing baselines, through performing multiple assessments, also provides the evaluators with information about how the assessment focal point (project, business line, or the entire company) is either progressing to or digressing from a performance goal or an intended outcome.

We can use baseline assessments to help determine if changes and trends occur in, for example, our company's and our customers' specific industries and operations.

Part III – A Good Methodology…

Since an assessment process is in itself a strategic initiative, it has to be designed and implemented carefully to fit the goal that each benefit can provide. It may be possible to use the same evaluation to gain multiple benefits but it must be designed to do so.

Any methodology has to be designed to assess the business' "competitive value assets" that are important to effectively implement a business' strategies; assets such as those used to understand customer needs and turn them into knowledge, those used to create value, and those needed to deliver value.

In other words, it should be designed with this in mind: Successful businesses know that it takes more than product and price to create loyal, successful customers.

A good competitive asset assessment methodology will have the following traits:

- A **champion** – someone who has a vested interest in gathering information about the enterprises' competitive assets – to sponsor and promote each assessment undertaken.
- It's **fast and efficient** to implement. It asks the right questions of the right people about the right assets.
- Someone with no agenda with respect to the results **facilitates** or monitors the process; someone who can ask probing questions, and who can keep the process from going down the proverbial "rat hole."
- The methodology has a **framework** that makes it easy to understand, implement and highlights the direction the business is taking. It reminds the participants about what assets exist and need to exist.
- It's **focused** on getting information in order to answer specific questions. Questions like: "What are my critical issues? What's should be on my worry list?" "Will the strategies I want to implement work?" "Is my company's vision and mission on target?" "What do I know and don't know about the entire enterprise?" "Can I uncover and take advantage of new value opportunities?" "How can my company be different?" and "What do I need to change?"
- The **people in the organization** – management, employees, partners, and customers – will be *primarily* responsible for identifying the strong and weak assets. The assessment is a **collaborative effort.**
- The **participants** will **excel at collaboration and critical thinking**. The process supports the effective collection of participants' comments.
- Methodology **implementation** takes into account, for example, time, people availability, and geographic **constraints**.

- As much of the **subjectivity** as possible is **taken out** of the evaluation.
- Assessments help **uncover and highlight asset and people relationships**, as well as the **relationship** implementing the assets have **to customers' results.**
- Properly designed assessments help **minimize emotion and politics** and help put anecdotal evidence in perspective.
- Results are **easy to interpret** and are supported with appropriate statistics and visual aids, leading to the **root causes of problems** and, for example, helps identify what to stop doing and what to say no to.
- **"Brainstorming"** sessions helps lead the participants to identify future asset improvements and needs for company/customer success.
- It helps **uncover "unconventional" customer needs** – **value opportunities**, those that are not necessarily related to existing products and services.
- Assessments have five **distinct steps**: **Setup, Evaluation**, **Analysis, Initiative Development and Planning, and Initiative Implementation.**

Remember, the assessment can only be called successful if it results in initiatives and action plans that are *implemented* to produce solutions and value for our companies' and, *more importantly, our customers'* problems and needs.

Our businesses *grow* because we are successful at constantly *looking for and finding out what we know* about our companies and our customers and, based on what we learn, improve our ability to effectively *execute* our strategies – creating value for our customers.

Competitive value asset assessments are the best way to find out what we need to know.