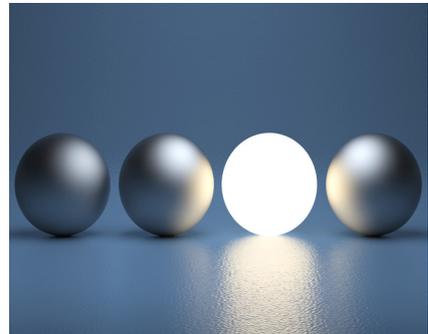


A GUIDE TO DIAGNOSE A BUSINESS AND ITS MANAGEMENT



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MANAGEMENT

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Study focusing on business diagnostics for improving competitiveness - introduces a business model and reviews the concept of diagnostic for businesses. The methodology for business diagnostics analyses business processes at strategic, marketing, production and resource management level using qualitative and quantitative indicators; aims to help SME managers and those business development service providers in the field of business management to overcome the difficulties associated with the identification and classification of business needs.

Descriptors: **Business Management; Competitiveness; SMEs.**

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English

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Foreword

Small and medium-sized enterprises (SMEs) are among the greatest assets for any economy around the world, not only because they constitute the largest segment of enterprises, but also because they are usually one of the largest employer groups and the source of many of the innovations that enter the market every year. Enterprises have to be profitable to sustain their business activities and fulfil other social mandates such as reducing poverty, contributing to gender equality and limiting their impact on the environment.

Enterprises have two broad categories of needs: management competencies and resources that the firm uses as input for its management, marketing and production processes, aimed at maximizing market share and profitability.

Management competencies include the capacity to define a business and design its strategy, as well as the capacity to plan the strategy and specify the resources that will be needed to make it happen. The latter involves identifying which resources to obtain and where to obtain them from, acquiring the right resources at the right time and at the right cost, allocating these resources to the business tasks at hand, and monitoring and controlling that the resources are producing the expected task results.

Within this context, resources include the information and know-how resource, the human resource, the physical assets and financial resource, and the networks and relationships resource.

This manual aims to help SME managers and those business development service providers in the field of business management to overcome the difficulties associated with the proper identification and classification of business needs. This module makes use of a framework developed by ITC to analyse a business that has been empirically tested and proven successful in organizing and structuring the thinking process when it comes to making strategic decisions in an enterprise.

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Acronyms

The following abbreviations are used:

ISO	International Organization for Standardization
ITC	International Trade Centre
R&D	Research and development
ROI	Return on investment
SME	Small and medium-sized enterprise

Executive summary

Business diagnostics is not possible without a conceptual model that identifies and explains all the constituent parts of a business and how they relate to each other. The first part of this publication briefly presents such a model to help the reader understand the diagnostic approach described here. For a complete explanation of the model the reader would have to refer to another ITC publication: '*The Business Management Model: A framework for international competitiveness*', ITC/P196.E/TSS/EMDS/05-XI.

Conducting a business diagnostic is a multistage process from diagnostic to practice that starts with the identification of symptoms of underperformance and establishes causal linkages between those symptoms and enterprise performance. The diagnostic process consists of four steps: Diagnosis, prognosis, treatment and practice. Diagnosis is associating unsatisfactory performance of business processes with poor managerial decisions. Prognosis is linking the management mistakes to the marketing objectives. Treatment is a decision about whether to address the problem, fix the symptom, or both. Practice is about the choice of the type of intervention: training, consulting, counselling or any combination of all three.

The first step in the diagnostic process is to determine whether the business is achieving its goal of becoming a competitive monopoly and making monopolistic rents. To do this, the professional in charge of the diagnostic would firstly look at a few well-selected indicators to check how much profit the business is actually making. He/she would then proceed to analyse the business strategy and the achievement of the marketing objectives.

If marketing objectives are not being achieved, then it is time to look at the production objectives and assess the business capabilities and the processes that support those capabilities. Only after careful assessment of the business strategic, marketing, production and resource management competences will the professional reach a conclusion which will be the basis of an intervention recommendation. This document provides the reader with the necessary tools to assess all the processes that constitute each of the business competences and determine the 'health' of the business.

1. Understanding the Business

Before embarking on the topic that concerns this module it is important for the reader to acquire basic notions of the framework that is used in this module to study and understand the business.

1.1. The business

Even though many people argue that they are in business for altruistic reasons such as to help their city, state or country, reality shows that businesses have one main goal: to make money. If the business is not making money it will not be able to fulfil the secondary goals that may have to do, for example, with helping the community in which it operates.

Let us think about making money as the ultimate goal of a business. Two questions immediately come to mind. First, how much money should an enterprise make? The answer, simple as it may be, is: as much as possible. Second, how can you make this amount of money? The answer seems obvious: by conducting business.

The obvious question that comes to everyone's mind is: what could be done to make as much money as possible? Charging as much as possible is not a valid answer as every manager knows that they cannot charge as much as they would like to. First, there is a limit to what people are willing to pay, and even if they could charge whatever they wanted, they cannot exceed what people can possibly pay for a product or a service. Second, if they charge too much, either their present competitors would kick them out of the market or they would encourage entrance of additional competition. So the only way to increase the money they are making is to become better than their competitors at conducting business.

This does not mean that if the business has competitors it cannot make money. A lot of enterprises with competitors make good money. However, if the business manages to become the preferred supplier of its clients, its bargaining power will increase. If an enterprise finds a market where there are no competitors, it will enjoy the same privileged bargaining position as one that has beaten its competitors.

In short, there are two ways of being the preferred supplier in a market: beating competition or finding a market with no competitors. An enterprise that becomes the only supplier in the market has absolute bargaining power. An enterprise that is a long way from becoming the preferred supplier will have reduced bargaining power.

If the business wants to make as much money as possible, then it needs to maximize its bargaining power and become the sole supplier in the market. Small entrepreneurs may think this is impossible for a small enterprise. However, the above argument suggests the business should become the sole supplier of a market. The size of this market need not be the entire world market, it just has to be big enough to justify the business opportunity and maximize bargaining power.

Thus, from this point of view, there is only one mission, one vision and one goal for a business and they are all the same: to become the preferred supplier of a market.

The role of the manager is to make as much money as possible for the enterprise. The means the manager will use is the business. A business is nothing but a unique combination of an offer and a client; therefore, an enterprise can have many businesses. Businesses exchange goods and services with their buyers and generate revenues (returns) from this exchange. Therefore, a business must have two components. One: something to exchange (goods and/or services), and two: somebody to exchange them with.

In other words, a business must have an offer and a market that accepts that offer. This leads to the conclusion that a business has only two functions. One makes the goods and services to be exchanged and the other finds the markets to exchange them with. The first function is called production and the second is called marketing.

Business functions are composed of different parts; those parts are what we call business tasks. The tasks of a business are those operational processes that need to be managed¹ in order to make the business succeed in the implementation of its strategy. These tasks need to be managed individually, simultaneously and as a group. That is, the manager must think about planning, executing and controlling the resource requirements of each one of these tasks one at a time and as a group.

An enterprise could have, and most of the time has, more than one business. A business can be loosely defined as a money-making machine that is composed of a unique combination of **a market and an offer** designed specifically for that market. This composition implies that in any business there are two and only two functions. A **marketing function** that is in charge of finding and keeping clients; and a **production function** that is in charge of producing the business's offer.

1.2. The business objectives

If any business consists of only two functions, then it is natural to assume that the objectives of a business must relate to either the marketing or the production function.

When attempting to make a first classification of the potential customers a business can sell its products to, we see that there are only three types of generic groups of buyers for a business: present buyers, competitors' buyers and those who do not buy from anybody.

Capturing new buyers without losing present customers is the role of the marketing function. This is why we say that the responsibility of the marketing function is to 'find and keep markets'. From this statement, we can derive three generic objectives for the marketing function that apply to any business:

1. Sell more frequently and more to present buyers, and/or avoid present users buying less frequently or less.
2. Induce brand switching from competitors, and/or avoid its users switching to competitors.
3. Convert non-users into users of its own products, and/or avoid its users becoming non-users.

Whether we are referring to a small or large enterprise, whether the business is making shoes or selling accounting services, these generic objectives do not change. They were valid in the past and they will stay valid in the future.

All three objectives could be achieved at a loss, i.e. the goods and services of the enterprise could be given away to increase the numbers of clients, but this would clearly not be the path that a business should follow if it wants to become competitive. To avoid this situation we need a fourth objective to complete all the objectives of the marketing function:

4. Secure medium- to long-term profitability.

We should shift our attention now to the production function. It is the responsibility of the production function to produce the offer of the business. This means delivering adequate quantities of products on time at an acceptable cost and quality.

Therefore, the generic objectives of the production function are:

1. Produce and deliver the desired quantities of goods and services (quantity includes all the physical properties of the product such as shape, weight, size and colour, or ingredients and ingredient characteristics, composition and even packaging).

¹ By 'managing' we mean making decisions concerning the planning, acquisition, allocation and controlling of the business resources.

2. Produce and deliver the goods and services at the desired level of quality.
3. Produce and deliver the goods and services at the desired time.
4. Produce and deliver the goods and services at an acceptable cost.

All businesses have the same objectives. Regardless of size, location or subject, they pursue these eight objectives. As the common mission of all businesses is to be the preferred supplier (hopefully the only supplier) and they have the same objectives, how then is the competitive enterprise defined?

If an enterprise can dictate terms on quantity, time and place, quality, price and features, and conditions of sale to its buyers this means either that the business is the only supplier or that its offer is so much better than that of its competitors, the buyers are willing to accept the terms without questioning. In either case, the result is the same. The buyers have no alternative but to buy from the business.

For a deeper understanding of how these business objectives could be measured, please refer to ITC's technical paper, *The Objectives of the Business Management System*.²

Any business, irrespective of its size, age or sector in which it operates, has eight generic objectives. These generic objectives are derived from the marketing and production functions that constitute the essence of the business. The achievements of these generic objectives will determine the extent to which the business could be considered competitive or not. Since all these objectives could be easily quantified they could also serve as performance indicators to guide the manager's work.

1.3. The business processes

The last fundamental component needed to understand any business is to know how it is organized internally in terms of the processes that allow the achievement of those eight generic objectives.

Business process could be classified in four broad groups:

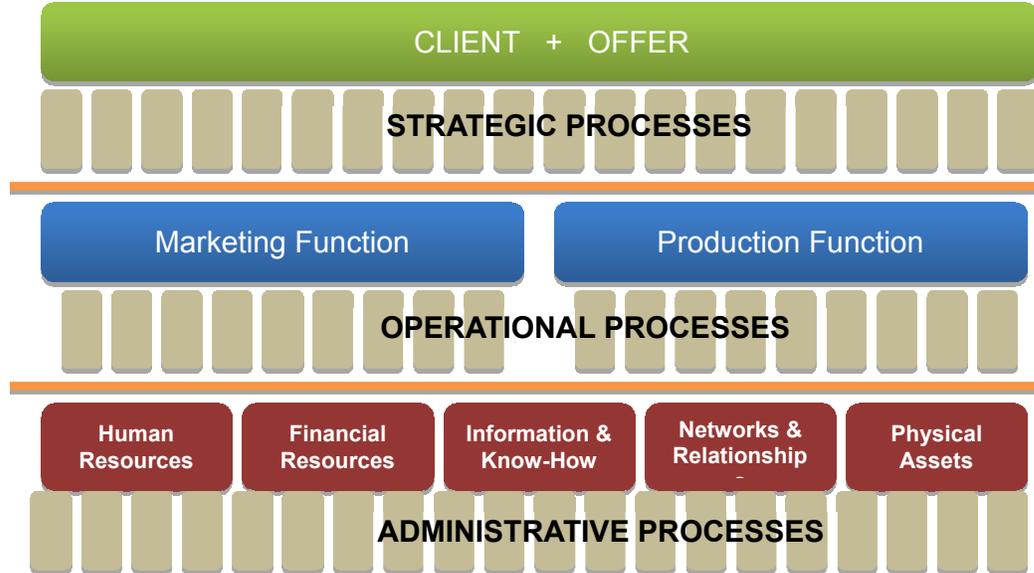
1. Processes that deal with the initial identification of a client and a suitable offer will be called 'strategic processes'.
2. Processes that deal with advertising, promotions, negotiation with clients and other tactical marketing processes will be called 'marketing processes'.
3. Processes that have to do with the production and delivery of the offer will be called 'production processes'.
4. Processes dealing with the planning, acquisition, allocation and monitoring of the business resources (human resources, financial resources, information and know-how, networks and alliances, physical assets) will be called 'administrative processes'.

These processes are the ones that allow the business to acquire the necessary capabilities to gain and sustain its bargaining power over time. Some processes are formal and repetitive, consisting of various routines that are performed over and over again. Other processes are flexible in nature and consist of simple guidelines for action without a formal and rigid sequence of activities. The degree of flexibility and formality would be determined by the nature of the business and the industry in which is operating.

² ITC (2005). *The Objectives of the Business Management System: Measuring the Rate of Achievement of Business Objectives*. Doc. No. EMDS-05-46.E. Geneva.

Processes will also vary in importance over time and processes that are important today given the situation of the business and the market may not be important in the future. The manager should look inside the business and in the market for information to determine what processes are critical at each point in time.

Figure 1: The business



In this guide we will be covering operational and administrative processes. For an understanding of strategic processes please refer to ITC’s technical paper, *Business Strategy Cycle*.³

1.3.1. Strategic processes

Strategy is sometimes difficult to define in just a few words, but in general terms we could say that the strategy is the direction and scope the manager chooses for the business over the long term. Strategy design consists of three sequential processes: segmentation, targeting and positioning. After these three processes have been completed the manager should be able to come up with a good strategy statement that would be the main input of the strategy planning and verification processes.

The model identifies five important strategic processes:

1. **Segmentation:** Market segmentation is the process of grouping similar customers together in a market where the customers exhibit similar requirements and buying characteristics.
2. **Targeting:** The manager should only focus his/her attention on segments of optimum size; all other segments should be discarded. Such a segment is the one that is big enough for the business to gain maximum bargaining power and ensure the achievement of the fourth marketing objective, and small enough not to attract competitors’ attention. The process of identifying a segment of optimum size is called targeting.
3. **Positioning:** Positioning is primarily inherent to the production and distribution capabilities of the business and the characteristics of the offer as it refers to the manipulation of the offer’s dimensions to create a product or service that is perceived by customers as unique.
4. **Strategy planning:** Strategy planning refers to the identification of the critical operational and administrative processes that the manager needs to put in place in order to ensure that the business

³ “ITC (2010). *Business Strategy Cycle*. Doc. No. EC-10-181.E. Geneva.

would be able to produce and market the business's offer, and it would have the necessary resources to do it.

5. **Strategy verification:** Verifying a strategy is nothing more than going over the elements of the strategy and testing the concepts and hypothesis used during the design of that strategy. Strategy verification could be seen as a circular process that encompasses the external validity and feasibility of the strategy as well as the impact assessment and the improvement mechanisms to ensure the strategy is adequate for the business before committing resources to its implementation.

1.3.2. Operational processes

As we have seen before, any business has two functions to be managed: marketing and production. Marketing is in charge of finding and keeping markets, production is in charge of preparing the goods in marketable form. These two functions have their respective operational processes associated with them, marketing processes and production processes.

An important characteristic of the operational processes listed below, that would prove critical when performing a business diagnostic, is that they are **mutually exclusive** and **collectively exhaustive**. This means that these processes cover the whole domain of the manufacturing business and do not duplicate or overlap with each other. This does not imply that the tasks are not related.

Now let us examine the 'parts' of a business (i.e. the operational processes associated with the marketing and production functions). These parts refer to the individual things that need to be managed.

Let us begin with marketing. Marketing is what the business uses to communicate with its buyers. Thus, most of the operational processes associated with marketing are related to communications. The others are related to managing sales transactions and distribution channels.

There are seven tasks assigned to the marketing function:

1. **Preparing sales literature:** Preparing price lists, catalogues, technical papers and instruction books for the buyers and dealers.
2. **Programming promotions:** Developing personnel sales competence and text, materials and demonstration equipment for a promotional programme. Includes determining the relative worth of different media for contacting specific groups in targeted markets or segments.
3. **Programming advertising:** Determining the schedules, themes, layout, text and media of advertising. Includes determining the relative worth of different media for reaching specific groups in targeted markets or segments.
4. **Setting up channels of distribution:** Selecting and developing the most effective and efficient network of intermediaries for flow of goods, services, information and money. If the channel decision is part of the strategy, this process is about implementing the strategic decision. If not, the process still needs to be undertaken to establish a capability to have access to the markets.
5. **Prompting and responding to sales enquiries:** Building procedures to answer enquiries and initiate contact with prospective buyers.
6. **Preparing specifications and negotiating:** Making sure that the products to be sold are clearly specified and that their sale is negotiated in accordance with the enterprise's policies and procedures. It enables all parties to have a clear understanding of the terms and allows the enterprise to secure favourable terms.
7. **Pricing and quoting:** Determining the final or tentative selling price of goods or services and preparing quotations.

There are 19 operational processes associated with the production function:

1. **Determining inventory requirements:** Setting up a system to determine and maintain the optimum quantities of material required for the business of the enterprise considering the existing conditions, such as production methods, product design, raw material specification, sales policies and plant layout.
2. **Handling materials:** Developing the most effective means of moving raw materials, parts, tools, supplies, work in process, finished goods and other materials required to produce goods or services.
3. **Purchasing and expediting:** Improving ways of buying, expediting, record keeping and supplier research to secure the required supplies and materials at the right quantity, quality, time and at minimum cost for the production process.
4. **Keeping stock:** Developing records and ordering procedures that will assure adequate operating supplies with a minimum of inventory cost. Includes storage considerations.
5. **Designing and installing plant:** Using engineering studies of the production process, demand for goods, equipment required and available plant site to develop specifications for a new plant or for alterations to the existing plant, or to install a complete plant or any of its major parts in conformity with prior plans and specifications.
6. **Engineering production processes:** Determining the nature and exact sequence of operations required for a given part or material in order to produce the finished product in the most efficient manner. Includes consideration of factors such as delivery dates, equipment, material flow, worker availability and capabilities.
7. **Locating and evaluating plant site:** Determining the best location for a plant, office or warehouse in order to meet the objectives of the enterprise or the needs of business functions.
8. **Tooling:** Determining and designing the tools, jigs and fixtures for the manufacture of a given product. Distinct from process engineering in that emphasis is placed on holding devices and cutting or forming tools which are accessories to the actual process itself.
9. **Balancing production or line systems:** Arranging manufacturing processes in the form of a continuous flow, so that a part or material moves continuously at a specified rate through the necessary operations towards its completion with all operations performed simultaneously at a balanced time interval.
10. **Developing maintenance systems:** Developing a system for maintaining the physical assets of an enterprise. Includes performing preventive maintenance and the periodic inspection of plant assets and equipment to uncover and correct conditions that might lead to production breakdowns or excessive wear.
11. **Improving methods:** A detailed analysis of specific manufacturing operations, in order to distinguish between those that are necessary and those that can be eliminated and determining the best way of performing those that are necessary.
12. **Installing cost reduction programmes:** Initiating a programme for reducing costs through improved methods, reduction of waste and more efficient use of all available resources. Includes appraisal of the products and processes with respect to material, appearance, performance and manufacturing requirements.
13. **Developing quality standards:** Analysing the product, its components and performance to develop an acceptable quality level based on requirements such as competition, customer acceptance, industry-standards and economy of manufacture.
14. **Developing quality control procedures:** Establishing procedures to keep quality within established limits through the use of accepted statistical or other techniques. Includes selection of the physical

means such as measuring instruments, equipment and facilities to be used in the measurement of product quality.

15. **Designing product service departments:** Developing the function, organization and operations of product service departments, for the purpose of improving total quality. This involves developing standard policies and procedures for merchandise return, warranty servicing, repair, recalls, updates, upgrades, support, etc., and may include designing and running test applications for diagnostic purposes, and developing and running related training programmes.
16. **Estimating production costs:** Estimating manufacturing costs in terms of projected manufacturing schedules and standard costs.
17. **Dispatching work:** Setting into motion production activities with job orders authorizing operations, material and tool movement orders from stores to processing departments or from process to process for a given order.
18. **Scheduling work and routing:** Prescribing when and where each operation necessary for the manufacture of a part or product is to be performed for a given order by determining the movement of a part or product through the required manufacturing processes or operations for a specific order.
19. **Fulfilling freight operations:** Scheduling freight operations to achieve distribution objectives.

For a more detailed explanation of each one of these operational processes please refer to ITC's technical paper, *The Tasks of the Business Management System: A Task Content Guide*.⁴

1.3.3. Administrative processes

While selecting the things to be done is crucial (i.e. identifying the operational processes that need to be put in place), if the resources required for the operational processes cannot be made available, this decision is irrelevant. The manager, while making decisions about what needs to be done, must calculate the quality and quantity of the resources needed. Each and every operational process selected will require human resources, information and know-how, financial and physical assets, and networking and relationships in different quantities and quality. In addition, the manager also needs and expends resources while making these decisions.

To summarize, the manager decides what needs to be done, how it should be done, when and by whom, and identifies the resources that will be required for implementation. In short, the manager plans. The manager then acquires the resources that are needed, in the desired quantities and at the desired level of quality, on time and at an acceptable cost, and allocates them to the things to be done. In short, managers execute. In competitive environments, managers also track the results of their process selection and resource allocation. At the end of the day, if business results are not satisfactory, either the process selection (things to do) or resource allocation or both are at fault. This means that the manager controls.

Planning, execution and control make up the management of the enterprise. In reality managers do not actually plan, execute and control. They engage in managerial activities which serve these ends. The performance of these managerial activities is nothing but the implementation of business administrative processes. Unlike operational processes, administrative processes are not mutually exclusive or collectively exhaustive.

Examples of those administrative processes managers undertake to plan, execute and control the information resource are described hereafter.

1. All managers undertake various activities, formally or informally, to collect and interpret pertinent internal and external information for effective and efficient management of the business. This process is called **Analysing business management requirements**.

⁴ ITC (2005). *The Tasks of the Business Management System: A Task Content Guide*. Doc. No. EMDS-05-49.E. Geneva.

2. Information concerning what the enterprise owns, owes, is owed, has earned and is worth is one of the oldest activities managers undertake both for management purposes and because it is a legal requirement. The process directed at generating this information is called **Designing general accounting systems**.
3. To be able to allocate expenses or costs to different end products produced, or to different services rendered or tasks performed, managers establish systems and procedures. The process directed at generating information concerning the costs of activities and tasks is called **Designing cost accounting systems**.
4. To determine whether or not the buyers receive the offers of the enterprise favourably, whether the communications from the enterprise are achieving their objectives, managers need information about consumer reactions. The process directed at generating this information is called **Appraising reactions**.
5. To be able to calculate the total cost of a product, managers need information on standards for each cost element. Associating the time necessary to do defined amounts of work with costs generates this information. The process concerning the generation of information on standards is called **Calculating and using standard costs**.
6. Managers need to know whether or not a prospective product, process or service can be developed and tested by their enterprises. The process to generate this information requires the building of conceptual or tangible operating models and includes designing and conducting experiments, field-testing and making modifications, and interpreting results, and is called **Conducting development experiments**.
7. Information about the ability of potential buyers from a designated market/segment to buy an offer is important for segmentation decisions. The process directed at generating this information is called **Conducting market potential studies**.
8. Information about the rate of achievement of the whole enterprise or one of its functions, departments or activities is essential for taking remedial action. This information is usually generated by the conduct of audits. This process is called **Conducting audits**.
9. Information concerning how much and when capital is required, including working capital and capital used to secure other resources, is important for the enterprise to make rational decisions and achieve its objectives. The process concerning this information is called **Conducting economic studies**.
10. Together with the information concerning the ability of a market to purchase a product, the willingness of potential buyers from a designated market/segment to buy that offer is extremely relevant to segmentation decisions. The process concerning this information is called **Evaluating markets**.
11. Information concerning estimates of the sales volume for a given offer within a specific period is critical for preparing operational plans and verification of strategies. The process concerning this information is called **Forecasting sales**.
12. Needless to say, information when not available to all concerned in an enterprise is useless. Communicating management policies to both the enterprise and internal/external stakeholders is also a way of generating information. The process including planning or preparing house publications, bulletins, etc., for this purpose is called **Preparing internal publications and handbooks**.
13. Information concerning whether or not an investment of money or effort in terms of other resources should be made in comparison with the expected return is critical for decision making. The process concerning the generation of this information is called **Preparing feasibility studies**.

14. Information concerning scientific research on products, markets and technology can be generated internally by R&D (research and development) or by following such research done elsewhere in areas concerning one's business. The process concerning this information is called **Conducting basic research**.
15. The ability of the enterprise in determining the effectiveness of formal and informal information flows in all directions within the enterprise, as evidenced by the presence and effective use of communication systems and procedures, is necessary for recommending action for cases where such flow is not effective and efficient. The process concerning making information available in the enterprise is called **Communicating**.

Let us examine the administrative processes managers undertake concerning the planning, execution and control of the human resources.

16. Managers need to develop a practical organizational structure which details how individual authorities and responsibilities are related to one another to best meet the short- and long-range goals of the enterprise. This process is called **Developing organizational plans**.
17. It is important to be able to describe what each job in the enterprise entails and the skill, knowledge and attitudes required for the successful completion of the job. This is called **Describing and evaluating jobs**.
18. The process concerning the building of the ability of an enterprise to design, develop and sustain the management of new business tasks at the time it is needed is called **Installing activities**.
19. The process concerning the building of the ability of an enterprise to prepare and implement an equitable salary and wage plan which accomplishes the objectives of attracting and retaining competent employees and motivating them to perform to their fullest potential is called **Preparing wage and salary administration plans**.
20. Managers need to develop ways to anticipate future workforce needs. This process may include plans for upgrading, transfers and recruitment to fill vacancies and is called **Forecasting workforce**.
21. Making experienced and trained managers in the enterprise to serve as arbitrators, expert witnesses or as enterprise or union representatives in a dispute, and their potential to play a significant role in policy-related issues to be settled between an enterprise and a union, between an enterprise and an employee or between two unions is called **Arbitrating**.
22. The process of making skilled personnel who can represent management in union contract negotiations, handle employees' grievances and the day-by-day agreements reached with the union as well as the ability of the enterprise to handle negotiations with the union effectively and efficiently is called **Collective bargaining**.
23. Managers need to provide, if and when needed, advice to individuals on how to maximize personal assets and minimize liabilities while accomplishing stated enterprise and personal objectives. This process is called **Counselling personnel**.
24. Enterprises install ways and means for creating and/or improving information exchanges with employees and their immediate families. This process is called **Exchanging information with employees**.
25. Management needs to install ways and means for executing individual growth programmes that will provide the enterprise with trained and capable management when needed. The activity concerning this is called **Conducting management development programmes**.
26. Managers install the ways and means to determine enterprise policies and secure the adoption of such policies, in regard to enterprise views on credit unions, recreational activities, sponsorship of outside education, personal counselling, etc. This process is called **Providing employee services**.

27. The process concerning locating and hiring the best-qualified candidate to fill a technical or managerial position is called **Recruiting**.
28. The process concerning the building of the capability of management to work effectively as a team is called **Securing teamwork**.
29. The process concerning the design of the ways and means for establishing test batteries, developing new tests, implementing these tests and evaluating results for recruitment purposes is called **Testing personnel**.
30. Managers develop and execute programmes for purposes of allowing enterprise personnel to acquire knowledge, skills and attitudes to help them achieve enterprise and personal objectives. This process is called **Training**.
31. The process concerning the systems and procedures for using test results, educational background, work history and other data to prepare a report discussing the strengths and weaknesses of an individual to work on a specific job or in a work area is called **Appraising personnel**.
32. The process concerning the development, implementation and utilization of objective appraisal techniques, and use the result to tie pay to performance is called **Rating merit**.

Let us now examine the administrative processes that the manager undertakes to plan, execute and control the financial and physical assets.

33. The management of financial and physical assets of an enterprise requires the determination of general and operating policies concerning financial and physical assets. This process is called **Determining policies**.
34. The management of assets requires the development of effective methods of accomplishing paperwork to exercise control and facilitate planning or coordinating action. This is called **Developing systems and procedures**.
35. The process using effective and efficient processes to develop functional plans for its marketing and production functions is required to determine asset needs. This activity is called **Preparing functional plans**.
36. The process concerning the determination of especially financial and physical asset requirements of the enterprise for at least a three-year period is called **Preparing long-range plans**.
37. The process undertaken to assure that the enterprise has adequate cash at all times by managing funds temporarily invested in inventories (including work-in-process), in accounts receivable and short-term financing to facilitate production (pre/post shipment financing) is called **Maintaining an adequate level of working capital**.
38. The process undertaken to ensure that the enterprise has adequate funds for asset replacement as predicted by the long-range plans is called **Securing funds for asset replacement**.
39. The process undertaken to develop and control total operations by way of comparing predetermined financial plans or budgets (including budgets for sales and income) and all or parts of expenses is called **Controlling budgets**.
40. Managers develop targets for an enterprise or one of its functions or activities to enable management to take necessary control action in time if these targets are not met. This process is called **Conducting management controls**.
41. The process undertaken to install and use systems and procedures for regularly reviewing the effectiveness and efficiency of the processes it uses to select and position its offers is called **Reviewing product development processes**.

Finally let us have a quick look at the example administrative processes that concern the networks and relationships resource.

42. The process that managers undertake to seek, evaluate and engage in mutually profitable partnerships in order to increase its capabilities is called **Seeking and building strategic partnerships**.
43. The process that managers undertake to participate in the management and activities of industry, management, technical and professional organizations, to evaluate the benefits derived from such participation and make recommendations about the form and extent of enterprise participation is called **Establishing association and society relations**.
44. The process that the manager undertakes to evaluate, recommend, and plan the participation of the enterprise in public projects to benefit the nation, community or some segment of the population, including civic, social, educational and charitable organizations is called **Participating in civic affairs**.
45. The process that managers undertake to build relationships for the purpose of securing counsel and/or representation for management in legal matters relating to enterprise operations or relations against external parties on time, effectively and efficiently is called **Securing legal/secretarial assistance**.

For a more detailed explanation of each of these administrative processes, please refer to ITC's technical paper, *The Activities of the Business Management System: An Activity Content Guide*.⁵

Now that we have a clear idea of what a business is, how it is structured and what its objectives are, we can proceed to identify its needs.

1.4. Business needs

Enterprises have two broad categories of needs: management competencies and resources that the firm uses as input for its management, marketing and production processes, aimed at maximizing market share and profitability.

- **Management competencies** include the capacity to define a business and design its strategy, as well as the capacity to plan the strategy and specify the resources that will be needed to make it happen. The latter involves identifying which resource to obtain and where to obtain it from, acquiring the right resources at the right time and at the right cost, allocating these resources to the business tasks at hand, and monitoring and controlling that the resources are producing the expected task results.
- Within this context, **resources** include the information and know-how resource, the human resource, the physical assets and financial resource, and the networks and relationships resource.

Enterprise needs assessment can be done in two ways:

- Through the **diagnostic** of an existing business within the enterprise. This links symptoms to strategy, marketing and production problems, and identifies root causes, i.e. shortcomings in management competence or in the kinds of resources the business is using.
- Through the **design of a strategy** and the identification of the resources needed to make the strategy happen for a new or improved business within the enterprise.

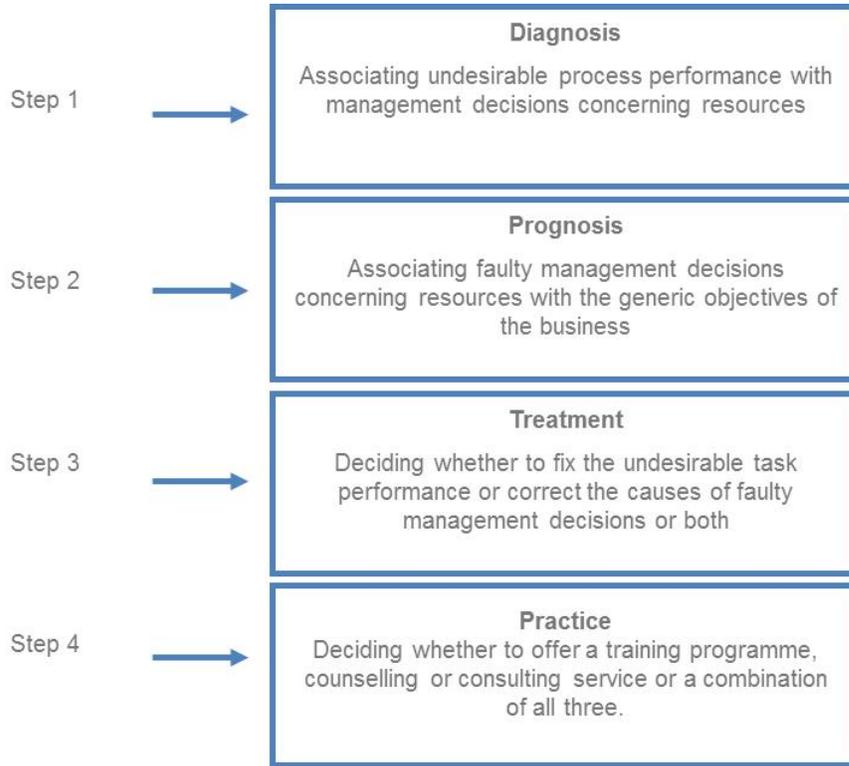
This guide aims at facilitating the work of the SME manager or the business consultant in his/her quest to identify what the business needs through a diagnostic intervention, and it could be used in conjunction with ITC's Snapshot decision support software tool.

⁵ ITC (2005). *The Activities of the Business Management System: An Activity Content Guide*. Doc. No. EMDS-05-45.E. Geneva.

2. The art and science of business diagnostics

Conducting a business diagnostic is the process of applying the model briefly described in the previous section to establish causal links. This is a multistage process from diagnosis to practice as shown below.

Figure 2: Business diagnostic process



2.1. Important definitions

The first thing to do is to clarify some important concepts in order to avoid confusion and misunderstandings. The first thing that a business adviser would do when performing a business diagnostic is to try to identify symptoms, and only then the adviser would try to create causal linkages to determine what are the causes of those symptoms (i.e. identifying the problem). These two very important concepts are sometimes misunderstood and confused.

A symptom is an observable or measurable deviation from the expected norm. A symptom is an indication of the existence of an underlying problem, but it is not a problem in itself. Symptoms refer to the underperformance of business processes (i.e. high employee turnover, high number of defective products reaching the market, delays in delivery, etc.) or the lack of achievement of business objectives (e.g. reduction in market share, lack of profitability, etc.).

A problem is what causes the symptoms to emerge. Problems are always associated with deficient management decisions (i.e. resource planning, execution and monitoring decisions) which originate deviations from the expected performance levels.

2.2. Diagnosis

Diagnosis is associating unsatisfactory performance of business processes with poor managerial decisions.

Writing a checklist is fairly straightforward. It can be done by almost anyone and can reveal relevant information. The accuracy of the diagnosis depends on the consultant's knowledge of the business model and his ability to ask questions, observe reality, interpret the findings and make a correct link between the performance levels of the business processes and the managerial decisions that originated the identified results.

Here is an example of a suitably stated diagnosis:

There is a weakness in the operational process 'quality standards', which points to a weakness in the capability to produce at the desired 'quality' level. Management, in calculating the quality and quantity of the required resources (planning), or in acquiring and allocating the resources (executing), or in monitoring the resources (control) has made some inaccurate decisions.

The well-informed consultant will use his/her judgement and insight based on his/her interviews with the manager to detect what areas of management the problem most likely lies in. For example, in the above situation it may be that management used someone unqualified for the job. This could have happened for a number of reasons: they were unaware of the needed qualifications of the person responsible for choosing the standards (planning); they didn't get the right person for the job (execution); they didn't monitor his/her work (control). In this situation a reasonable opinion could be made in that attention needs to be given in the area of human resources. Alternatively, management may have failed to study the standards required (planning), or failed to acquire them (execution), or did not control which standards were actually used (control). In this situation the consultant may make an assertion that attention needs to be given to the area of information.

Having said this, this process is not as simple as it at first appears, as there are rarely only one or two undesirable results or symptoms. As the operational processes are mutually exclusive it is possible to write a clear statement for each, linking the undesirable performance to a possible mistake or mistakes in management decision. Yet, unlike operational processes, administrative processes are neither mutually exclusive nor collectively exhaustive, and as such, overlap. Therefore, it is not so easy to find the most appropriate culprit. To help this situation the consultants can look to each diagnostic statement they have written for each operational process that is 'underperforming' which may reveal one or more common, inadequate resource decisions; e.g. in planning, executing, and/or controlling of a specific resource.

2.3. Prognosis

Prognosis is linking the management mistakes to the marketing objectives.

Once a diagnosis is made the consultant needs to say what is likely to occur if the current circumstances continue as they are. This is the stage where the consultant links the current situation to one or more of the identified management mistakes, which will indeed hinder the achievement of the production objectives, and result in a failure to reach the marketing objectives.

Continuing from the illustration used above in the diagnosis description, the prognosis would go something like this:

If this issue is not effectively and efficiently addressed, then the production objective of producing at the desired quality will not be achieved and consequently the marketing objectives of selling more to present buyers will suffer.

Combined with the diagnostic statement, a prognosis may read like this:

There is a weakness in the operational process 'quality standards', which points to a weakness in the capability to produce at the desired 'quality' level. Management, in calculating the quality and quantity of the required resources (planning), has made some inaccurate decisions. If this issue is not effectively and efficiently addressed then the production objective of producing at the desired quality will not be achieved and consequently the marketing objective of selling more to present buyers will suffer.

2.4. Treatment

Treatment is a decision about whether to address the problem, fix the symptom, or both.

At this stage a professional conclusion needs to be drawn concerning treatment. Three options now face the consultant, which are not mutually exclusive, so he/she will need to apply their professional acumen to make the most appropriate decision.

These options are: solve the problem; treat the symptom; or apply a combination of both. All three point in very different directions. The first would lead to suggesting taking steps in certain areas of resource decisions to improve the capability of the managers to make informed and rational decisions (training). The second would lead directly to remedying the task situation (consulting), while the third would lead to remedying the task situation but doing it with the manager, helping him understand how it came about in the first place and how to prevent such problems from occurring in the future (counselling).

2.5. Practice

Practice is about the choice of the type of intervention: training, consulting, counselling or any combination of all three.

Typically training programmes are more conducive for tackling and solving managerial problems. Consulting services are most helpful to treat the symptoms thereby correcting the underperformance of operational processes. Once again these are not mutually exclusive and the consultant needs to make a professional decision.

3. Is the business achieving its goal?

Businesses all over the world, irrespective of their size and the sector in which they are active, have only and only one goal: to make as much money as possible. To do so they aim at becoming a competitive monopoly and obtain monopolistic rents. In order for the business to make money the business needs to sell, in order to sell the business has to distribute its products and communicate with its clients. In order to have clients the business has needs to produce something of value to customers. These things have to be assessed at a later stage, but the initial assessment should be on whether the business is managing to achieve its goal.

The first step in a proper diagnostic is to assess whether the business is moving towards the achievement of its one and only goal. To do this the professional in charge of the diagnostic would get a relatively good idea by looking at a few well selected indicators.

1. Market share and recent market share evolution, to see how close the business is to its goal of becoming a competitive monopoly. Market share refers to a business's portion of sales within the entire market in which it operates.
2. Net profit, which is an absolute measurement of how profitable business is. Net profit is calculated by taking revenues and adjusting for the operating expenses, depreciation, interest, taxes and other expenses. This number is found on a company's income statement and is an important measure of how profitable the company is over a period of time. Net profit is not a measure of how much money a business earned during a given period, as the income statement includes a lot of non-cash expenses such as depreciation and amortization. Net profit varies greatly from company to company and from industry to industry.
3. Return on investment (ROI), which is a relative measurement showing the relative amount of money the business is making vis-à-vis the amount of money it invested.
4. Free cash flow, as businesses with good net profit and good ROI figures could still go bankrupt due to a poor cash flow management which causes problems of liquidity. The presence of free cash flow indicates that a company has cash to expand, develop new products, buy back stock, pay dividends, or reduce its debt. High or rising free cash flow is often a sign of a healthy company. Advisers should be aware that businesses can influence their free cash flow by lengthening the time they take to pay the bills, shortening the time it takes to collect what's owed to them, and putting off buying inventory. Free cash flow is a measure of survival.
5. The evolution of competitors in the above four indicators as we are interested in understanding whether the business is in the process of becoming the preferred supplier of the market and obtaining monopolistic rents.
6. The degree to which the business has been able to maintain and/or increase its resource endowment as you are interested in sustainable business growth.

You would expect that a healthy business that is moving towards the achievement of its goal would have the first four indicators (i.e. market share, net profit, ROI and cash flow) improving over time; while those of competitors would be deteriorating over time. At the same time you would expect that in its efforts to become a competitive monopoly the business has been able to maintain and/or increase its resource endowment.

After getting a feeling of the degree of success in making as much money as possible, the professional in charge of the diagnostic could proceed to analyse the business strategy and the achievement of the marketing objectives. If marketing objectives are not being achieved, then it is time to look at the production objectives and assess the business capabilities and the processes that support those capabilities. First, the adviser would have to identify symptoms in operational processes, and identify root causes in administrative processes.

4. Diagnosing strategic competence

4.1. Knowledge of competitors

An ongoing business needs to identify, analyse and keep track of its present domestic and international competitors in order to enter into or remain in a competitive position. Specifically, when the business's offer is an innovation, knowledge of potential competitors would also be necessary. Knowledge of competitors' strategies is essential in order to make a competitive offer to target buyers. Knowledge of the strategies of competitors and their retaliatory capacities is essential to design effective strategies.

Symptoms

When knowledge of the competition is inadequate the business will exhibit one or all of the following symptoms among others:

- The business will not have adequate knowledge of what specific needs and wants of the buyers its competitors are addressing.
- The business will be lacking established procedures to track qualitative and quantitative information on reactions of the buyers to the strategies of the competitors exhibited by their switching behaviour from and to brands.
- The business will be lacking established procedures to track qualitative and quantitative information on the retaliatory capacities of its competitors.

Questions

1. Does the manager have a clear knowledge of the strategies of his/her competitors?
2. Is the manager able to find out who is going after his/her customers with similar or same offers?
3. Some managers claim that the strategies and tactics of their competitors are usually difficult to follow as they keep changing. Is your client able to keep track of changes in competitor's strategy?
4. Some businesses only track changes in competitor's average prices since they believe that for most practical purposes this is enough. Is this true for your client?
5. Is your client able to determine who has just entered or just left the market, and therefore find out who she will be competing with or not competing anymore?
6. Can the manager specify which needs and wants the competitors are targeting?
7. Has the manager researched reactions of the buyers to the different strategies of the competitors? (Brand switching behaviour)
8. Is your client gathering information or intelligence about his/her competitors?
9. Can the manager tell you which of his/her competitors is doing better (or worse) than the rest and give you a list of reasons why that is happening?
10. Does your client know what is giving its competitors their competitive advantage?

4.2. Segmentation

Focusing on a market or segment is essential for designing competitive strategies. Identification of the unmet needs or wants of a group of potential buyers whose numbers are sufficiently large to make the business profitable but at the same time small enough (optimum size) not to attract competition is the most important undertaking for management in the strategy design process. Segmentation and positioning are two components of strategy that need to be simultaneously defined. One without the other is meaningless. (It should be kept in mind that an optimum size market can even consist of just one buyer. Segmentation has nothing to do with the number of buyers it has to do with needs of the buyer(s).

Symptoms

Businesses that lack the competencies required to segment the market exhibit one or all of the following symptoms among others:

- The business is not able to provide a clear definition of its market(s) and segments using measurable descriptors concerning clients' needs or wants.
- The business has not been able to identify specific descriptors about its potential buyers that would enable the business to identify potential customers.
- The business does not have any formal or informal mechanisms for interacting with buyer networks, industry associations etc. to collect information about competitors' offers and buyers' needs.

Questions

1. Has the business identified a market/segment of optimum size that has needs or wants not adequately met by the offers of the competitor?
2. Is the business focusing on a particular customer group rather than targeting every prospective buyer?
3. Does the business have a procedure in place that allows it to recognize the unmet needs of the buyers (those that are not obvious)?
4. Can the business clearly determine what the clients' wants are and how those wants change over time?
5. Can the manager give a clear description of the market to be targeted employing the specific needs and wants that the offer aims to satisfy?
6. Can the manager describe what steps he/she has taken to ensure market sustainability?
7. Can the manager satisfactorily describe the mechanisms he/she employed to collect information about competitors and buyers?
8. Is the business focusing on specific buyers with special offers?
9. Would it be correct to assert that the business's clients have very distinct needs and wants that only specially designed offers can meet?

4.3. Targeting

The process of selecting one segment among the many identified is called targeting in the business literature. Targeting rests not only on an adequate analysis of the segment in question but also on an adequate identification of the segment undertaken at the previous stage of the business strategy cycle.

When selecting what segment to target the first step should be to ensure that segments identified are of optimum size. Segments of non-optimum size should be discarded as they do not ensure maximum bargaining power; therefore, business competitiveness cannot be achieved.

For a segment to be said to have an optimum size it should be big enough for the business to gain maximum bargaining power and ensure the achievement of the fourth marketing objective, and small enough not to attract competitors' attention. These two criteria should be fulfilled not only at the time the segment selection is made, but also in the foreseeable future since the business is interested in sustainable competitiveness.

Symptoms

Businesses that lack the competencies required for targeting exhibit one or all of the following symptoms among others:

- The manager cannot give a clear justification for the selection of the target segment.
- The business is having difficulties in expanding its market share as competition is fierce and new competitors are entering the market.
- The business is not making as much money as expected in the target market.

Questions

1. Has the business been able to identify the factors that make a segment attractive vis-à-vis the market?
2. Does the selection of factors seem to be reasonable given the current market situation?
3. Is the business able to accurately assess those previously identified factors in order to reach an unbiased conclusion?
4. Is the manager able to determine the expected sales volume of each segment?
5. Is the manager able to conduct an internal assessment of the business in order to determine the attractiveness of each segment vis-à-vis the business's capabilities?

4.4. Positioning

The products and services of a business are said to be offers once they are positioned. Positioning is done by mixing product features, its quality, price and delivery in such a way as to meet the unmet needs and wants of the target market or segment. Positioning and segmentation are two components of strategy that need to be simultaneously defined. One without the other is meaningless. It should be kept in mind that the purpose of positioning is a deliberate attempt of the business to defeat the competition in such a way that it deters retaliation.

Symptoms

Businesses that lack the competency to position its offer would exhibit one or all of the following symptoms among others:

- The business does not seem to have clear positioning, or the positioning of its offers does not differentiate its products and services from the offers of competitors.
- The positioning of the products and services of the business does not seem to be based on a careful analysis of the unmet needs and wants of present and prospective buyers.
- The business did not evaluate the reactions of its present and prospective buyers to the positioning of its products and services before finalizing its decision.

Questions

1. Does the business have a clear positioning of its products and services?
2. Is the business designing offers in terms of their characteristics, quality, price and delivery terms?
3. Is the business investing in differentiating its offers in terms of the characteristics, quality, price and delivery terms?
4. Is the business's offer fairly differentiated compared to that of the competitors?
5. Has the business evaluated the reactions of its present and prospective buyers to the positioning of its products and services before finalizing its decision?
6. Is the positioning of the product(s) and service(s) of the business based on a careful analysis of the unmet needs and wants of present and prospective buyers?
7. Is the business tailoring its offers to meet the different needs of the buyers?
8. Does the manager feel that the business needs to be innovative if it wants to survive?
9. Can the manager prepare a list of important differences between his/her products and his/her competitors' products?

4.5. Strategy planning

The strategy planning process allows the business to identify and understand what things need to be done and what resources (human, physical and financial resources, information and networks) are required in order to be able to implement the strategy that has been previously designed. The discipline that the planning process provides helps the manager to assess the nature of the opportunity and explore ways to execute that opportunity. The business plan is not just a tool to raise capital; it is a process that helps managers gain deep knowledge about their ideas. Business planning will help the manager identify what skills are necessary to implement the business strategy successfully.

Symptoms

Businesses that lack the competency to plan their strategy would exhibit one or all of the following symptoms among others:

- The manager would not be able to clearly identify the most important processes that need to be in place for the strategy to succeed; nor to justify how those processes impact the business objectives and the strategy.
- The business is unable to make a realistic assessment of the performance of existing business processes to identify performance gaps.
- The business is not able to accurately determine how resources should be allocated among critical processes.

Questions

1. What are the capabilities that need to be developed in order to accomplish the objectives set in the strategy?
2. What is the level of performance required for this specific critical process to develop those capabilities?
3. What is the existing level of performance of each critical process?
4. How are the gaps in performance going to be minimized or eliminated?
5. What are the associated resources necessary to do so?

4.6. Strategy verification

Verifying a strategy is nothing more than going over the elements of a strategy and testing the concepts and hypothesis used during the design of that strategy. Erroneous strategic decisions based on unverified suppositions can be fatal or have severe negative impact on SMEs. Throughout the strategy cycle any assumptions made should be backed with sufficient factual information. This process is continuous and necessary for building and maintaining the competitive advantage of the enterprise.

Strategy verification is not an exercise that the manager does once and then forgets about it. On the contrary, the first time the strategy should be verified is right before proceeding to prepare the strategic plan; as time goes by and the business starts engaging in commercial transactions the manager will gather vital information not available before that would serve to assess the adequacy of the strategy. This means that strategy should be verified continuously because the business and the market are living entities that change and evolve over time and what is valid today may not be valid tomorrow.

Symptoms

Businesses that lack the competency to verify their strategy would exhibit one or all of the following symptoms among others:

- The manager would not be able to clearly identify the sources of information used for the design of the strategy, nor give a justification why those sources of information were used and what was their relative importance in the process.
- The strategy seems to require the development of too many new capabilities and/or processes, and the business does not seem to have sufficient resources to do so.
- It is not clear that once implemented the strategy as it was designed by the manager the business will be able to maximize its bargaining power and become the preferred suppliers of the market.

Questions

1. Is the strategy consistent with the market reality and existing and foreseeable environmental conditions?
2. Is the strategy appropriate for the enterprise considering its resources and capabilities?
3. Is the enterprise meeting its objectives and is the strategy providing the intended results?
4. Have the external and/or internal conditions changed in a way that might invalidate the selected strategy?

4.7. Motivation to export

If the business is hoping to export, make sure the business has the right motivation for entering or expanding its presence in international markets

A business is said to have the right reasons to export if it profitably increases its sales to its present buyers (if it has been exporting), and/or gets the buyers of competing products to switch to the enterprise and/or attracts the new comers into the market away from its competitors.

Symptoms

Businesses that do not have the right motivation for exporting will exhibit one or all of the following symptoms among others:

- The greater dynamicity of international markets has increased operational difficulties as the business does not have the necessary flexibility to continuously adapt to international market requirements.
- International market requirements have originated disruptions or increased difficulties in production and marketing operations that used to run smoothly before, affecting delivery to local markets.
- The business is following the market leader and it does not have a well-defined export strategy that ensures maximum bargaining power.

Questions

1. Considering the different variables involved (i.e. international terms of payment, export incentives, capacity utilization, etc.): does it seem that the business would increase its long-term profitability by expanding its activities to export market(s)?
2. Does the business have the potential to steal market share from its competitors?
3. Does the business have the potential to develop a favourable image among the competition's customers and other players in order to sustain its position in export markets?
4. Does it seem that the business's present production capacity exceeds what its domestic market can absorb and it has idle capacity to utilize to spread (and thereby reduce) its costs, or it has excess inventories to dispose of?
5. Do present domestic markets have serious seasonal or other fluctuations and the business wishes to smooth its sales by stabilizing these fluctuations?

5. Diagnosing production competence

5.1. Capability group: Cost

5.1.1. Balancing production or line systems

Arranging manufacturing processes in the form of a continuous line, so that a part or material moves continuously at a specified rate through the necessary operations towards its completion with all operations performed simultaneously at a balanced time interval is important for efficiency. Substantial cost savings can be enjoyed if the business utilizes proper line balancing techniques.

Symptoms

Businesses that do not have the capability to manage this production process effectively will exhibit one or all of the following symptoms among others:

- There will be an accumulation of material between operations or between workstations possibly due to poor decisions concerning physical assets/infrastructure and lack of information about production processes.
- There will be a failure in fully utilizing the workforce and there may be a prevalence of idle personnel.
- There will be erratic machine usage and utilization even during regular manufacturing operations possibly due to poor knowledge about production processes and/or poor decisions concerning the physical assets/infrastructure.
- The combination of delays in delivery and the accumulation of work in process inventories may hint the existence of production bottlenecks.

Questions

1. Does your client have large accumulations of material between operations or between workstations?
2. Is the business's workforce optimally utilized and rarely idle?
3. Based on your visit to the business, do you have the impression that the machine utilization is erratic during regular manufacturing operations?
4. Does the business have systems in place to handle problems of excess labour and machine capacity during low demand?
5. Does the production line uses multipurpose machines to allow for production sequences of varying models at negligible set-up costs?
6. Is the business able to reconfigure its production line in a short period of time and at low costs if needed?
7. Is the line flexible enough to allow for changes?
8. Does the business have the personnel to plan and implement the required changes?

5.1.2. Developing maintenance systems

Developing a system for maintaining the physical assets of a business includes performing preventive maintenance for the periodic inspection of plant assets and equipment to uncover and correct conditions that might lead to production breakdowns or excessive wear. A well-planned preventive maintenance system covering all physical assets of a business will increase productivity, reduce prospective investment needs and result in cost savings.

Symptoms

Businesses that do not have the capability to manage this process effectively will exhibit one or all of the following symptoms among others:

- There will be signs of overuse of machines.
- There will be a high incidence of replacement parts for machines.
- There will be an inadequate, or no existing, budget, records of equipment maintenance or an organized schedule for maintenance. This could be due to a lack of information about the importance of maintaining machinery to reduce long-term financial problems.

Questions

1. Based on the information you gathered, do you believe that the machine down time is adequate?
2. Does the business have a very low incidence of machine parts replacement?
3. Does your client have a budget and an organized schedule for maintenance and keep accurate records on maintenance of equipment?
4. Does the business have built back-up systems to deal with machine breakdowns and avoid work stoppages?

5.1.3. Improving methods

This process entails a detailed analysis of specific manufacturing operations in order to distinguish between those that are necessary and those that can be eliminated and determining the best way of performing those that are necessary. Breaking down operations into their parts to identify unnecessary movements, operations, and eliminate them can reduce costs substantially.

Symptoms

Businesses that do not have the capability to manage this process effectively will exhibit one or all of the following symptoms among others:

- Different methods are used for performing similar operations.
- Competitive businesses are performing similar operations at a lower cost.
- There are unnecessary operations or parts of operations being performed.

These symptoms could arise due to lack of information about production processes and/or poor decisions concerning human resources.

Questions

1. Do the business operators use the same methods for performing similar operations?
2. Based on your observations, do you believe that the jigs, fixtures and tools used by your client in manufacturing are adequate and holding or handling of parts by hand is optimum?
3. Are there obvious unnecessary operations or parts of operations?
4. Can competing enterprises perform similar operations at a lower cost?
5. Are your client's production operations standard and efficient?
6. Has your client carried out a study of production methods for each part or order?

5.1.4. Installing cost reduction programmes

Initiating a programme for reducing costs through improved methods, reduction of waste and more efficient use of all available resources. Includes appraising of the products and processes with respect to material, appearance, performance and manufacturing requirements. Competitive businesses track their costs in detail and also install programmes that will help generate, evaluate and implement cost reduction.

Symptoms

Businesses that do not have the capability to manage this process effectively will exhibit one or all of the following symptoms among others:

- Products or the production processes costs are comparatively higher than those of competitors.
- Managers are not aware of the cost structure.
- The specific impact of inputs, manufacturing and delivery on costs are not known.

These symptoms can arise from lack of information on cost centres and programmes that would enable more efficient use of all the resources.

Questions

1. Are products or the production processes unnecessarily complicated?
2. Is the business suffering from declining market share due to its high prices?
3. Is there excessive waste, inadequate raw and direct material yield, excessive product rejects, higher than necessary quality standards and high product service costs?
4. Are the production processes used by the business more complex than those of its competitors?

5.2. Capability group: Time

5.2.1. Determining inventory requirements

Setting up a system to determine and maintain the optimum quantities of material required for the business considering the existing conditions, such as production methods, product design, raw material specification, sales policies and plant layout. Production must be supported by adequate stocks of raw materials, components and packaging materials. This can lower costs substantially.

Symptoms

Businesses that do not have the capability to manage this process effectively will exhibit one or all of the following symptoms among others:

- Excessive amounts of money are tied up in raw materials and work-in-process or inventories of finished goods. This could be due to lack of information.
- There are frequent bottlenecks in production processes caused by raw material not being available.
- Materials kept in inventories tend to become obsolete.
- Inventory planning is based on a backorder report. (A backorder is demand – immediate or past due – against an item whose current stock level is insufficient to satisfy demand.)
- The manager emphasizes buying over planning. Buyers make purchases; planners make strategic decisions to meet goals.

- All items in the inventory have the same inventory goal (this implies that all items are consumed in the same quantity at the same rate, which is never true).
- Past records indicate that inventory requirement decisions were often incorrect

Questions

1. Does the business tie excessive monies in raw materials and work-in-process or inventories of finished goods?
2. Does the business have production bottlenecks caused by raw material not being available?
3. Does the business have adequately prepared staff with the time, background or ability to determine inventory requirements?
4. Does the business keep inventories in excess of what it needs despite its cost in order to keep buyers satisfied and avoid problems in meeting client demands?

5.2.2. Handling materials

Developing the most effective means of moving stocks, parts, tools, supplies and other materials required to produce goods or services. Lack of proper materials, handling methods or equipment may create increased costs and adversely affect the production process due to frequent loading and unloading.

Symptoms

Businesses that do not have the capability to manage this process effectively will exhibit one or all of the following symptoms among others:

- Handling methods of material and equipment that allow the movement of the materials between operations and between destinations quickly are inadequate. There are high levels of in-process damage to the product or people.
- The production personnel frequently complain about the late arrival of stocks, parts, tools, supplies and other materials caused by inadequate materials handling procedures.
- Stocks, parts, tools, supplies and other materials are not moved when necessary.

These symptoms suggest a lack of information and/or inadequate physical asset decisions needed to develop effective means to move material for production.

Questions

1. Does the business have proper material handling methods and equipment leading to movement of materials between operations and between destinations quickly, low levels of in-process damages to the product or people?
2. Are there complains from the production personnel about late arrival of stocks, parts, tools, supplies and other materials due to bad materials handling procedures?
3. Can the business easily move stocks, parts, tools, supplies and other materials when it is necessary?
4. Can the business's production be considered efficient in terms of movement of stocks, parts, supplies and tools manually?

5.2.3. Purchasing and expediting

Improving ways of buying, expediting, record keeping and supplier research to secure the required supplies and materials at the right quantity, quality, time and at minimum cost for the production process.

The most successful manufacturing organizations are those which endeavour to manage materials and services upstream in the hands of suppliers and downstream in distribution or the presence of customers.

Symptoms

Businesses that do not have the capability to manage this process effectively will exhibit one or all of the following symptoms among others:

- Frequently face production delays due to material shortages or due to the poor quality of purchased materials.
- The quantity and cost of purchases is worse than those of the business's competitors.
- There are frequent delays of delivery from the supplier.

These symptoms may be caused by a lack of information about suppliers and channels and/or inadequate networking to build business alliances.

Questions

1. Does the business face production delays due to material shortages or the poor quality of purchased materials?
2. Are the costs of purchases of this business better or the same compared to those of its competitors?
3. Does the business have adequate records of its suppliers showing supply capabilities and continuing purchasing relationship, enabling it to make a rational choice?
4. Is the business actively working on the development of new vendor relationships?
5. Is the business finding problems when securing timely supplies in appropriate quality?
6. Is it clear who initiates a purchase request?
7. Has the business identified the necessary approvals for particular types of items and amounts in terms of either quantities or dollar value?
8. How are supplementary approvals handled when actual purchase cost exceeds original estimates?
9. Does the business have clear provisions for changes in specifications or quantities?
10. Where there are unusual authorizations in terms of types of products, quantities, source restrictions, and the like, does it appear that these are questioned and discussed?
11. Are purchasing forms properly safeguarded and controlled?
12. Is the total purchase cycle adequately controlled as to receipt of authorization, assignment to buyer, making of purchase, follow up, and completion – so that the status of individual procurements can be easily determined?

5.2.4. Keeping stock

Developing records and ordering procedures that will assure adequate operating supplies with a minimum of inventory cost. It includes storage considerations. Inadequate procedures of ordering supplies may mean delays and may create other adverse conditions. Inventory and hidden costs can increase unit production costs.

Symptoms

Businesses that do not have the capability to manage this process effectively exhibit one or all of the following symptoms among others:

- In-process inventory (work unfinished and still on the shop floor) is inappropriate by industry standards.
- The businesses finished stock inventories conflict with the market demand.
- The inventory levels frequently fluctuate.
- There high cost of excess inventory does not seem to be compensated by the savings generated due to economies of scale (bulk order).

Questions

1. Are in-process inventories (work unfinished and still on the shop floor) appropriate by industry standards?
2. Do finished stock inventories conflict with what the market would demand?
3. Do inventory levels fluctuate frequently?
4. Does the business carry out frequent analyses of how much finished and unfinished goods should keep in the inventories?
5. Are records properly maintained?
6. Are abnormal book record developments adequately investigated?
7. Are low-stock developments used as alerts for checking on new supplies?
8. Is the count and condition of the physical stock verified?

5.3. Capability group: Quantity

5.3.1. Designing and installing plant

Using engineering studies of the production process, demand for goods, equipment required and available plant site to develop specifications for new plant or for alterations of the existing plant and for installation of a complete plant or any of its major parts in conformity with prior plans and specifications. When attention is not paid to the design of the plant facilities the flow of work through the plant becomes inefficient and chaotic. Proper plant layout can yield substantial cost savings.

Symptoms

Businesses that do not have the capability to manage this process effectively exhibit one or all of the following symptoms among others:

- The installation of plant facilities or supervision or coordination seems to have been done by unqualified staff.
- The existing buildings or other physical facilities and service equipment (e.g. cranes, heating systems, etc.) are inadequate.
- Space utilization is inefficient and handling of materials is complicated due to an ineffective plant layout.

These symptoms are usually due to inadequate financing and lack of information as well as ill -prepared human resources.

Questions

1. Does the business have qualified personnel to install plant facilities or supervise or coordinate such work?
2. Are the business's existing buildings, other physical facilities and service equipment (e.g. cranes, heating systems, etc.) adequately designed?
3. Is space utilization efficient?
4. Is the handling of materials easy due to effective plant layout?
5. Is the business facing production difficulties due to constraints given by the way the manufacturing facilities were designed?

5.3.2. Engineering production processes

Determining the nature and exact sequence of operations required for a given part or material in order to produce the finished product in the most efficient manner. This includes consideration of factors such as delivery schedules, equipment, material flow and worker availability and capabilities. Substantial cost savings can be gained by a careful study of the operations required to produce the goods and services of the business

Symptoms

Businesses that do not have the capability to manage this process effectively exhibit one or all of the following symptoms among others:

- The specific sequence and processes used in the manufacture of a given part seems arbitrary.
- There is too much variation in manufacturing costs for different lots of the same part.
- The processing methods used in manufacturing are out-of-date and there is a high rate of scrap losses and/or damaged parts.

Poor physical asset decisions that may result from lack of financing and lack of information may have caused these symptoms.

Questions

1. Has the business determined the specific sequence and process used in the manufacture of a given part scientifically?
2. Do manufacturing costs often vary for different lots of the same part?
3. Are processing methods used in manufacturing up to date?
4. Is there a very low rate of scrap losses or damaged parts?
5. Are manufacturing processes at least as effective and efficient as those of competitors?
6. Is the business aware of the different production processes used by competitors?

5.3.3. Locating and evaluating plant site

Determining the best location for a plant, office or warehouse in order to meet the objectives of the business. Plant location is clearly relevant to a start-up. Periodic evaluation of the plant location for existing businesses is relevant as the business can gain substantial savings by relocating.

Symptoms

Businesses that do not have the capability to manage this process effectively exhibit one or all of the following symptoms among others:

- The manager is not aware that the present location has become unnecessarily expensive.
- The manager may be aware of the inadequacy of the present location but lacks the knowledge to decide on whether it would be more expensive to rebuild or to expand in the present location or move elsewhere.
- An analysis of the location of the plant or warehouse facilities does not exist.

These symptoms are mainly due to lack of information.

Questions

1. Does the business feel it needs to move to a more cost-effective production site?
2. Does the business have the means to determine whether it would be more expensive to rebuild or expand in the present location or move elsewhere?
3. Has the business conducted an economic analysis of the location of the plant or warehouse facilities to determine its adequacy?
4. Is the plant location putting any unnecessary constraint due to excessive distance from markets, suppliers and the required infrastructure?

5.3.4. Tooling

Determining and designing the tools, jigs and fixtures for the manufacturing of a given product. It is distinct from the task process engineering in that this task's emphasis is placed on holding devices and cutting or forming tools (accessories to the actual process). Tools, jigs and fixtures used in the manufacturing process to hold and handle parts can affect productivity and therefore significantly affect production costs.

Symptoms

Businesses that do not have the capability to manage this process effectively exhibit one or all of the following symptoms among others:

- The tools, jigs and fixtures are inadequate.
- The quality of other small parts used in manufacturing is low.
- The handling of parts in and out of jigs is difficult and no measures are being taken to change this.

These symptoms are often due to lack of information and poor decisions concerning the physical assets.

Questions

1. Are tools, jigs and fixtures adequate and the qualities of other small parts used in manufacturing good?
2. Has the business taken measures to make handling of parts in and out of jigs easy?

3. Is the business's manufacturing personnel properly trained in the use of tools?
4. Is the business planning to update and upgrade its manufacturing tools and small parts in the short term?

5.4. Capability group: Quality

5.4.1. Developing quality standards

Analysing the product, its components and performance to develop an acceptable quality level based on requirements such as competition, customer acceptance, industry standards and economy of manufacturing. Standards, especially in international markets, can be very different compared to national ones. These standards can refer to any or all the physical, generic and extended (including packaging) characteristics of the product and are not necessarily confined to the published international standards. They may include norms based on customer expectation.

Symptoms

Businesses that do not have the capability to manage this process effectively exhibit one or all of the following symptoms among others:

- The business doesn't apply standard national and international regulations.
- There may be inconsistent views on which standards apply.
- There is a prevalence of outdated standards being applied.

These symptoms would normally occur due to a lack of information of market requirements and applicable standards.

Questions

1. Does your client have a written standards manual for its products that reflect the national and international regulations concerning quality standards?
2. Does the business apply the same standards to similar products?
3. Does the business track the events related to standards development in national and international organizations?

5.4.2. Developing quality control procedures

Establishing procedures to keep quality within established limits through the use of accepted statistical or other techniques. Includes selection of the physical means such as measuring instruments, equipment and facilities to be used in the measurement of product quality. Keeping quality at a consistent level is important. International certification of procedures (such as ISO certification) has become an expected norm for conducting international business.

Symptoms

Businesses that do not have the capability to manage this process effectively exhibit one or all of the following symptoms among others:

- Quality inspection costs are high as there are production bottlenecks and instruments, equipment or facilities for quality inspection are inadequate.
- Quality control procedures show variations depending on who is doing the inspection and when it is carried out etc.

- Substandard products our found in the finished goods inventory.

These symptoms are due to inadequate equipment for testing and lack of information.

Questions

1. Are quality inspection costs low as the business has no production bottlenecks caused by it and instruments, equipment or facilities for quality inspection are adequate and proper?
2. Are quality inspectors properly trained and aware of national and international regulations concerning quality control procedures?
3. Does the business have a written standardized procedures manual for its products (not necessarily ISO related)?
4. Is the business using statistical quality control techniques?

5.4.3. Designing product service departments

Developing the function, organization and operations of product service departments is an integral part of the quality of the products and services of the business. This involves conducting experiments, developing standard procedures, making trial applications, validating and developing and presenting related training programmes. The purpose of product service is to cater to customer satisfaction until the intended use of the product is complete and as such it is an integral part of quality.

Symptoms

Businesses that do not have the capability to manage this process effectively exhibit one or all of the following symptoms among others:

- There is no product service.
- The service quality is low.
- Consumer complaints about the products performance often go unanswered.

These symptoms are usually attributed to poor decisions concerning human resources, physical assets and finance. If in the case of subcontracting the service it could be related to poor decisions about network resources.

Questions

1. Do managers have all the facts or additional information about product performance for sound decision-making about service requirements?
2. Is the hiring and training of those who service the business's products adequate?
3. Do consumers' complaints about product performance ever go unanswered?

5.5. Capability group: Fulfilling orders

5.5.1. Estimating production costs

Estimating manufacturing costs in terms of projected manufacturing schedules and standard costs. Estimating direct costs and overheads may or may not be the basis of pricing; however, they must be known for the business to accurately calculate the expected profits.

Symptoms

Businesses that do not have the capability to manage this process effectively exhibit one or all of the following symptoms among others:

- Standard costing schemes and procedures for calculating costs are inadequate.
- Cost calculations of similar offers vary without explanation.
- Records indicate frequent cases of excessive gain or loss on specific orders.

These symptoms occur due to poor decisions concerning information and human resources.

Questions

1. Does the business have a standard costing scheme and a detailed procedure for calculating costs?
2. Do cost calculations for similar products vary from one order to another without solid reasons?
3. Can the business generate information on costs flow quickly and accurately when needed for quoting?
4. Is the business able to estimate the cost of producing an order quickly and accurately?

5.5.2. Dispatching work

Setting into motion production activities for a job order authorizing operations, material and tool movement orders from stores to processing departments or from process to process. Even though the production facilities are adequate to produce any or all orders lack of procedures for dispatching work for one specific order may lead to confusion and waste.

Symptoms

Businesses that do not have the capability to manage this process effectively exhibit one or all of the following symptoms among others:

- While fulfilling an order the business frequently faces shop floor delays, waste and consequently increased manufacturing costs.
- Machine operators are obliged to look for parts and supplies themselves to proceed with the order.
- Clear procedures do not exist to determine how and where a specific order should be produced.

These symptoms arise when poor decisions concerning human resources have been made and/or there is a lack of information.

Questions

1. Does the business have standard procedures to determine workloads for work sections, departments or machines for each order such that decisions about the sequence of operations necessary to finish an order are not made from scratch each time?
2. Does the business usually need to ask employees to work overtime to meet order delivery schedules, and/or refinish defective parts?
3. Does the business have a shop floor schedule for a foreseeable future?
4. Is the business able to determine the sequence of operations required to manufacture a specific order quickly?

5.5.3. Scheduling work and routing

Prescribing when and where each operation necessary for the manufacture of a part or product is to be performed for a given order by determining the movement of a part or product through the required manufacturing processes or operations for a specific order. The lack of a clear sequence of operation for one order can lead to misuse of machine and labour time causing chaos, delays, unbalanced workloads and an increase in scrap rates.

Symptoms

Businesses that do not have the capability to manage this process effectively exhibit one or all of the following symptoms among others:

- Procedures to determine workloads for work sections, departments or machines for each order are non-existent, unclear or not communicated.
- For one order the sequence of operations is difficult to determine.
- Staff are often working overtime to meet order delivery schedules or to refinish defective parts.

Questions

1. Has the business set up a system for the operators to get their own material and/or tools delivered to them?
2. Does the business have procedures to determine how and where each good would be produced for each order?
3. Has the manager selected specific employees to be involved in determining the sequence of operations to produce an order?
4. Is the business able to quickly and efficiently determine the sequence of operations that are needed to produce a specific order?

5.5.4. Fulfilling freight operations

Scheduling freight operations to achieve distribution objectives. This task is often complicated due to its documentation requirements and multimodal transport requirements. It is common for a business to use freight forwarders or arrange for their customers to take possession of the goods at the factory gate (ex-factory).

Symptoms

Businesses that do not have the capability to manage this process effectively exhibit one or all of the following symptoms among others:

- There is no justification for excessive spending on freight compared to the competitors.
- Records show a high level of misdirected or lost shipments.
- There is inadequate use of freight forwarders.

These symptoms are usually attributed to poor decisions concerning networking, information and physical resources.

Questions

1. Have present freight personnel (employees charged with moving the products from the company to its customers) been formally trained in their work?

2. Does the business keep records of misdirected or lost shipments?
3. Are managers aware of what freight forwarders are doing or have in depth knowledge of their freight procedures?
4. Have customers complained about the timeliness, accuracy and cost of the freight services?
5. Are the business's shipping costs sometimes higher than that of its competitors?

6. Diagnosing marketing competence

6.1. Capability group: Communication

6.1.1. Preparing sales literature

Preparing price lists, catalogues, technical papers and instruction books for the buyers and dealers.

Symptoms

Businesses that do not have the capability to manage this process effectively exhibit one or all of the following symptoms among others:

- The benefits of the products are either missing or are not clearly explained in the present sales literature.
- The sales literature does not seem to reach the target markets.
- Product information is not fully detailed.

Questions

1. Are the benefits of the products clearly stated and explained in the business's present sales literature?
2. Is the sales literature reaching the target markets?
3. Is the business making use of price lists and is not fearful of competition and transparency, etc.?

6.1.2. Programming advertising

Determining the schedules, themes, layout, text and media of advertising. Includes determining the relative worth of different media for reaching specific groups in targeted markets or segments. Advertising can be very expensive but costs may be justified if the target audience is the general public (or large segments of it).

Symptoms

Businesses that do not have the capability to manage this process effectively exhibit one or all of the following symptoms among others:

- Effort put towards advertising is not based on any rational calculation.
- The advertising message is unclear.
- Advertising is not reaching the target markets.

Questions

1. Does the business have an integrated programme about how much and where to spend its money for advertising?
2. Does the business have a coherent advertising message destined to potential buyers?
3. Does the business have full knowledge of the different types of advertising communications media available?

6.1.3. Programming promotions

Developing personal sales competence and text, materials and demonstration equipment for a promotional programme. Includes determining the relative worth of different media for contacting specific groups in targeted markets or segments. A business can communicate with its potential buyers through the use of the product, branding, by using demonstration products or samples, by way of publicity, electronically, personally or by distributing printed promotional materials.

Symptoms

Businesses that do not have the capability to manage this process effectively exhibit one or all of the following symptoms among others:

- The competitors put more and higher quality resources towards promotional programmes.
- The present promotional programme of the business is not integrated.
- Promotional materials are inadequate, unprofessionally prepared and consist of an unclear message.

Questions

1. Is the business at least as successful as its competitors in conducting promotional programmes?
2. Does the business seem to have an integrated promotional programme?
3. Are promotional materials adequate, professionally prepared with a coherent message?
4. Does the business have the expertise and the experience to design its own promotional materials and to evaluate promotional proposals from third parties?

6.2. Capability group: Distribution

6.2.1. Setting up the channels of distribution

Selecting and developing the most effective and efficient network of intermediaries for flow of goods, services, information and money. If the channel decision is part of the strategy, this task is about implementing the strategic decision. If not, the task still needs to be undertaken to establish a capability to have access to the markets. Not all channels of distribution are adequate for all products. Selecting appropriate channels will entail consequences for market coverage, efficiency and sales profit.

Symptoms

Businesses that do not have the capability to manage this process effectively exhibit one or all of the following symptoms among others:

- The businesses' successful competitors are using new channels that meet the target markets needs better.
- The flow of money, goods and information in the distribution channels both ways is chaotic or frequently blocked.
- The channel is ineffective and inefficient in reaching the target market.

These symptoms are often due to poor decisions concerning networking and information resources.

Questions

1. Are successful competitors using different channels of distribution?

2. Is the flow of money, goods and information in the business's distribution channels (both ways, to and from the business) effective and efficient?
3. Are the channels selected for distributing products appropriate?
4. If possible, would the manager consider changing its current distribution channels?
5. Is the business meeting the needs of the distribution channel?

6.3. Capability group: Getting orders

6.3.1. Prompting and responding to sales inquiries

Building procedures to initiate contact with prospective buyers, prompt inquiries and respond to them. Resources need to be allocated to soliciting inquiries and in turn responding to them such that there are no delays or wrong responses leading to lost sales.

Symptoms

Businesses that do not have the capability to manage this process effectively exhibit one or all of the following symptoms among others:

- The business does not seem to be taking advantage of all available means to solicit inquiries.
- Response to inquiries is inadequate or inappropriate.
- Standard procedures to monitor the process of prompting and responding sales inquiries do not exist or are not fully developed.

These symptoms would be mainly due to poor human resource decisions.

Questions

1. Are available telecommunication facilities to solicit business being used effectively by trained staff?
2. Has the business developed standard procedures to monitor the process of prompting and responding sales inquiries?
3. Has the business clearly allocated responsibility concerning sales contacts among its employees?
4. Are most sales the result of unsolicited customer requests?

6.3.2. Preparing specifications and negotiating

Assuring that the products to be sold are clearly specified and their sales are negotiated in accordance with the business's policies and procedures. This is done in such a way as to enable all parties to have a clear understanding of the terms and secures favourable terms for the business. Detailed knowledge of national, international and company-specific product features is required for preparing specifications and negotiations.

Symptoms

Businesses that do not have the capability to manage this process effectively one or all of the following symptoms among others:

- Buyers gain advantage in negotiations due to their better understanding of the product specifications.

- Past business deals indicate that the consequences of the negotiated specifications are not accurately foreseen by the business.
- Quoted product specifications fluctuate without reason.

These symptoms are linked to information and human resource decisions.

Questions

1. When negotiating, does the business achieve 'win-win' solutions?
2. Is the business capable of easily recognizing who the real stakeholders and decision-makers are and ensure that the consequences of the negotiated terms are clearly understood by all?
3. Does the business have sufficient information from national and international sources to prepare acceptable product specifications?
4. Does the business have standard procedures for setting specifications and negotiations?
5. Is the business being forced to accept the terms and conditions of its buyers?

6.3.3. Pricing and quoting

Determining the final or negotiable selling price of goods or services and preparing quotations.

Symptoms

Businesses that do not have the capability to manage this process effectively exhibit one or all of the following symptoms among others:

- Past records indicate that erroneous quotes have been made without reason.
- Prices quoted to buyers for similar offers fluctuate without reason.
- Pricing and quoting practices of competitors are better received by buyers.

These symptoms are often due to lack of information or poor human resource decisions.

Questions

1. Does the business have standard procedure for pricing and quoting?
2. Does the business consider the buyer's business, competition and strategy while calculating prices?
3. Does the business have sufficient information on costs to make an accurate estimate of the cost of producing an offer?
4. Does the business always tailor its prices to meet customer needs?
5. Is it common that the business negotiates by providing the lowest possible price?

7. Diagnosing resource management competence

This section evaluates how well managers engage in managerial activities in order to plan, execute and control the use of resources. Planning, execution and control make up the management of the enterprise. What administrative process is undertaken and the way it is executed is a function of the need to manage the business but also of the personality of the managers, politics and power in the enterprise. Because of all these, it is very unlikely that two managers plan, execute and control their resources in the same way.

The enterprise operates in a national and international environment. It is from this environment that the enterprise acquires its resources to start and continue its operations.

The enterprise requires information about markets, economic and legal environment, and money to hire the place of business, buy machinery and technology, recruit employees and communicate with buyers at the start-up. The enterprise expends resources to acquire resources. Machinery, equipment and tools require financial resources, the networks and relationships require effort to be set up, information acquisition requires systems to be built for surveying, collection and dissemination – all of which costs money.

One may argue that at the end of the day it all boils down to the availability of financial resources and that only one kind of input is required for an enterprise. However, while availability of financial resources is a necessary condition for acquisition of other resources, it is rarely sufficient. There are many examples where enterprises have failed to acquire the needed human, information and physical resources even with adequate financial resources.

While resources are presented and discussed individually, it should be kept in mind that they are interdependent and therefore overlap. For example, a newly hired human resource usually brings information and know-how into the enterprise, while another may be hired because it brings in valuable networks and relationships.

7.1. Information and know-how

Information and know-how ranges from simple to complex. It may be in the form of an address of a prospective buyer, information about legal requirements, knowledge about manufacturing technologies, etc. Once formed, the enterprise generates information as well.

7.1.1. Analysing business management requirements

All managers undertake various activities, formally or informally, to collect and interpret pertinent internal and external information for effective and efficient management of the business.

Symptoms

1. There is nobody in the enterprise who has the knowledge and skill to determine what kind of information is needed for effective and efficient management of operational processes.
2. The enterprise generally lacks the facilities to collect data.
3. The managers of the enterprise seem to have very little concern about collecting data for generating pertinent information.
4. The managers of the enterprise do not seem to be informed about political, economic, social and technological developments that may affect their business.
5. There are too many (unnecessary) or too few reports.
6. There seems to be a lot of irrelevant information floating around the enterprise.
7. The enterprise seems to have failed to prioritize its objectives and business processes and therefore cannot decide what information is pertinent for effective and efficient management.

7.1.2. Designing general accounting systems

Information concerning what the enterprise owns, owes, is owed, has earned and is worth is one of the oldest activities managers undertake both for management purposes and because it is a legal requirement.

Symptoms

1. This enterprise seems not to have formal procedures for recording its transactions.
2. Management seems not to have accurate and timely information about the financial standing of the firm.
3. Monitoring of the receivables and payables of this enterprise seem to be done erratically and in a disorganized manner.
4. Accounts do not accurately describe the worth of the enterprise.
5. Managers (not only the owner or manager) seem not to be well informed about financial matters.
6. The enterprise seems to face frequent financial mishaps due to poor record keeping.
7. The enterprise does not use financial and managerial accounting procedures and principles effectively.

7.1.3. Designing cost accounting systems

To be able to allocate expenses or costs to different end products produced, or to different services rendered or tasks performed, managers establish systems and procedures.

Symptoms

1. Accounting records do not show exactly how costs are allocated to the different goods and services produced by the company.
2. Assignment of costs to the different goods and services produced by the company does not appear realistic or accurate.
3. The enterprise seems to be able to differentiate direct, indirect costs accurately enabling them to calculate margins
4. There are no accurate estimates of overheads.
5. The enterprise failed to developed realistic overhead allocation schemes.
6. There is no historical cost data available.
7. The enterprise has not been able to install procedures and forms for timely and accurate flow of information from shop floor to accounting concerning costs (time, material, etc.).

7.1.4. Appraising reactions

To determine whether or not the buyers receive the offers of the enterprise favourably, whether the communications from the enterprise are achieving their objectives, managers need information about consumer reactions.

Symptoms

1. The enterprise does not know what is liked and disliked about its products.
2. The enterprise has no information about what the buyer likes and dislikes are about competitive and substitute products.

3. The enterprise has no information about buyer likes and dislikes about its practices, policies and communications.
4. The enterprise recognizes the need to make changes in its product positioning strategy but does not have sufficient information to start.
5. No one in the enterprise has the time, background or ability to carry out an attitude survey.
6. The enterprise has no access to studies and surveys in its market or product carried out by outside independent agencies.
7. The managers of the enterprise seem to have no understanding of what positioning is all about and thus its products have no distinguishing attributes to provide the enterprise with a competitive edge.

7.1.5. Calculating and using standard costs

To be able to calculate the total cost of a product, managers need information on standards for each cost element. Associating the time necessary to do defined amounts of work with costs generates this information.

Symptoms

1. There are no accounting standards to use in controlling the effectiveness of different manufacturing operations.
2. There are no accounting standards to use in valuing inventory of finished goods or of semi-finished goods.
3. Productivity (the ratio of the quantity of output to the quantity of input) per person-hour is lower than industry standards.
4. Production planning or scheduling methods seem ineffective.
5. Effort levels by machine operators seem low as they have no cost targets.
6. Workflow seems to be frequently interrupted with no regard to cost standards.
7. Old or outmoded standards are used for deciding wage incentives.

7.1.6. Conducting development experiments

Managers need to know whether or not a prospective product, process or service can be developed and tested by their enterprises. The activity to generate this information requires the building of conceptual or tangible operating models and includes designing and conducting experiments, field-testing and making modifications, and interpreting results.

Symptoms

1. There are new products, processes or services, but the enterprise does not seem to be able to develop the models needed to test their soundness.
2. There are promising new products, processes or services, but top management of this enterprise is reluctant to invest further in them.
3. There are promising new products, processes or services, but the company fails to secure financing to develop models.
4. The company is missing public relations opportunities to show the company's progress by means of displaying models new products, processes or services

5. The enterprise does not seem to have any interest in searching for new products, processes or services for which models could be developed to test their soundness.
6. The enterprise does not have any facilities to design and develop models of new products, processes or services.
7. The enterprise does not have the skilled workforce needed to design and develop models of new products, processes or services.

7.1.7. Conducting market potential studies

Information about the ability of potential buyers from a designated market or segment to buy an offer is important for segmentation decisions.

Symptoms

1. No one in the enterprise has the time, background, or ability to carry out a study to determine the potential of a segment or market.
2. The enterprise is considering possibilities of offering its existing products to new markets but cannot act on it as it does not know whether the market has the potential to buy the product.
3. The enterprise is considering possibilities of modifying its offers or offering new products to its existing markets but cannot act on it as it does not know whether the market has the potential to buy the product.
4. The enterprise is considering possibilities of adding a new business to its existing portfolio but cannot act on it as it does not know whether the market has the potential to buy the envisaged product.
5. The enterprise has no way of identifying concealed potential to buy.
6. The enterprise is considering alternative payment and collection schemes but cannot act on it as it does not have sufficient information about how it will affect the ability of potential buyers to buy its offers.
7. The enterprise targets the markets with high income without really examining them.

7.1.8. Conducting audits

Information about the rate of achievement of the whole enterprise or one of its functions, departments or activities is essential for taking remedial action. This information is usually generated by the conduct of audits.

Symptoms

1. Management's knowledge about effectiveness of individual and group performance is insufficient.
2. Available data about items such as costs, utilization, production and profit are insufficient.
3. Control reports and procedures seem too complicated.
4. Performance reports are prepared too late to be of value for remedial action.
5. Management members seem to question the value of several control reports.
6. Individual targets or goals are used infrequently, suggesting inability to set such targets.
7. Control and evaluation are confined to informal and sporadic checks

7.1.9. Conducting economic studies

Information concerning how much and when capital is required, including working capital and capital used to secure other resources, is important for the enterprise to make rational decisions and achieve its objectives.

Symptoms

1. The enterprise does not have a feasibility plan.
2. The enterprise has not revised or checked the accuracy of its feasibility plan in the area of capital requirements.
3. There are frequent complaints about the inadequacy of physical facilities but the enterprise has no money to replace capital equipment.
4. The enterprise does not seem to have a systematic way of calculating working capital requirements.
5. There is no one in the enterprise with the time, background or ability to carry out studies to calculate capital requirements or working capital.
6. The enterprise's business is growing but there are no plans or funds for expansion of facilities.
7. The enterprise's capabilities seem to have grown out of proportion with its business or the enterprise seems to have invested unnecessarily in plant and facilities.

7.1.10. Evaluating markets

Together with the information concerning the ability of a market to purchase a product, the willingness of potential buyers from a designated market or segment to buy that offer is extremely relevant to segmentation decisions.

Symptoms

1. No one in the enterprise has the time, background or ability to carry out a study to determine the willingness of a segment or market.
2. The enterprise is considering possibilities of offering its existing products to new markets but cannot act on it as it does not know whether the market is willing to buy the product.
3. The enterprise is considering possibilities of modifying its offers or offering new products to its existing markets but cannot act on it as it does not know whether the market is willing to buy the product.
4. The enterprise is considering possibilities of adding a new business to its existing portfolio but cannot act on it as it does not know whether the market is willing to buy the envisaged product.
5. The enterprise does not know much about how its buyers decide to buy.
6. The enterprise is considering alternative positioning strategies but cannot act on it as it does not have sufficient information about how it will affect the willingness of potential buyers to buy its offers.
7. The enterprise seems to fail to track changes in buyer preferences.

7.1.11. Forecasting sales

Information concerning estimates of the sales volume for a given offer within a specific period is critical for preparing operational plans and verification of strategies.

Symptoms

1. The enterprise is using sales quotas or is planning to do so but does not know how or where to start.
2. The enterprise does not have a cash budget as they do not know what sales revenues would be.
3. The enterprise cannot prepare a purchasing-production-delivery plan as it does not have an estimate of sales.
4. Personnel needs of the enterprise cannot be calculated as the enterprise does not know the future volume of business.
5. There is no one in the enterprise with the time, background or ability to carry out sales forecasting studies.
6. The enterprise often needs to adjust its production programmes causing hectic work schedules due to erratic, seasonal or unexpected orders.
7. The enterprise feels the need for operational planning but does not know where to start.

7.1.12. Preparing internal publications and handbooks

Needless to say, information when not available to all concerned in an enterprise is useless. Communicating management policies to both the enterprise and the internal and external stakeholders is also a way of generating information. The activity includes planning or preparing house publications, bulletins, etc.

Symptoms

1. The enterprise has no newsletter, employees' handbook, safety booklet or similar publications.
2. The enterprise is too large for direct verbal communication and written communications are inadequate.
3. The enterprise fails to communicate its policies, rules and regulations, etc., to its personnel.
4. There is a high incident of accidents due to ignorance of policies and rules.
5. Management of the enterprise does not seem to believe in explaining its actions to its employees.
6. Management does not seem to believe that effective communications is a way to build morale and increase productivity.
7. The enterprise has no long-standing policies about most of its business.

7.1.13. Preparing feasibility studies

Information concerning whether or not an investment of money or effort in terms of other resources should be made in comparison with the expected return is critical for decision-making.

Symptoms

1. The enterprise did not have a feasibility study as a start-up or its study has never been examined for accuracy.
2. There is no one in the enterprise with the time, background or ability to carry out studies to complete a feasibility study
3. The enterprise's business is growing but there are no plans about how this can be realized.
4. The enterprise's capabilities seem to have grown out of proportion with its business.

5. The enterprise seems to have invested unnecessarily.
6. The enterprise seems to be losing money but there is no clear explanation about how much and why.
7. The managers of the enterprise seem to undertake new investments, go into new ventures without carefully studying the expected returns and costs.

7.1.14. Conducting basic research

Information concerning scientific research on products, markets and technology can be generated internally by R&D or by following such research done elsewhere in areas concerning one's business.

Symptoms

1. Management does not feel responsible for contributing to the general field of knowledge.
2. The company is not effectively using its qualified staff to conduct basic research and apply new scientific knowledge.
3. Competitors are more intensely engaged in basic research.
4. Foreign countries are making basic discoveries in this product class, making international competition difficult.
5. Organizations such as universities are making too few or inadequate contributions to basic scientific knowledge in this industry.
6. The company executives do not recognize that the long-term survival of the company is ultimately dependent upon continuing basic research.
7. There is very little recent information about products, markets and technology in the enterprise

7.1.15. Communicating

The ability of the enterprise in determining the effectiveness of formal and informal information flows in all directions within the enterprise, as evidenced by the presence and effective use of communication systems and procedures, is necessary for recommending action for cases where such flow is not effective and efficient.

Symptoms

1. Employees are complaining that they do not know what is going on in the enterprise.
2. Staff and management seem to waste time solving problems that were already solved by others in the enterprise.
3. The enterprise does not disseminate information about enterprise affairs to its employees or is doing a bad job at it.
4. There is little emphasis on good human relations in the enterprise.
5. There seem too few or too many memoranda or other forms of written communication.
6. Communications are almost always top-down.
7. Due to lack of clear and orderly communications in the enterprise, there are too many, too frequent meetings.

7.2. Human resources

Human resources in terms of both quantity and quality are essential to undertake any organizational activity. Human resources are not just production inputs but bring information and know-how to the enterprise.

7.2.1. Developing organizational plans

Managers need to develop a practical organizational structure which details how individual authorities and responsibilities are related to one another to best meet the short- and long-range goals of the enterprise.

Symptoms

1. Management personnel avoid taking personal responsibility concerning problems.
2. Employees are being held accountable for conditions over which they have no control.
3. Different employees have authority or responsibility for the same operation or it is common to find employees responsible for more than one superior.
4. The enterprise does not have an enterprise chart or position descriptions that are currently enforced.
5. The enterprise has too many layers of authority or has too few or too many departments or functional activities.
6. The feeling that 'accomplishing anything in this enterprise is always difficult' seems common.
7. The enterprise lacks team effort.

7.2.2. Describing and evaluating jobs

It is important to be able to describe what each job in the enterprise entails and the skill, knowledge and attitudes required for the successful completion of the job.

Symptoms

1. Written job descriptions are either non-existent or inadequate.
2. Written job evaluations are either non-existent or inadequate.
3. Many job rates (pay) seem out of line with industry standards.
4. The enterprise has too few or too many job titles and rates.
5. The wage scale seems badly out of line with industry norms
6. The wage scale prescribes insufficient pay to sustain adequate living standards.
7. Instead of demanding raises by comparing the value of knowledge and skills required by jobs, employees or union use job rate (pay) for one job to raise another.

7.2.3. Installing activities

The activity concerning the building of the ability of an enterprise to design, develop and sustain the management of new business tasks at the time it is needed is called 'installing activities'.

Symptoms

1. Based on a study of its business, the enterprise seems to undertake new processes, but does not know how to manage them.

2. Managers are directly undertaking operational processes due to a lack of skilled staff.
3. The enterprise seems to need new management techniques or skills, but cannot make use of them even if they were available.
4. Management of present processes seem chaotic and without established procedures.
5. There is evidence that the enterprise has missed opportunities in the past due to its inability to install and manage new business tasks.
6. Assignments of process management seem arbitrary.
7. There has been too few or too much new process installation in the past with no apparent rationale.

7.2.4. Preparing wage and salary administration plans

The activity concerning the building of the ability of an enterprise to prepare and implement an equitable salary and wage plan which accomplishes the objectives of attracting and retaining competent employees and motivating them to perform to their fullest potential is called 'preparing wage and salary administration plans'.

Symptoms

1. There are disturbing wage and salary inequities in the enterprise.
2. The enterprise's wage and salary practices seem inconsistent over time and across personnel.
3. There is evidence of favouritism or nepotism in the enterprise.
4. There are wage differentials between union members and non-union employees.
5. Starting (entry level), midpoint (mid-career) and maximum rates (pay) for all positions are not established.
6. There seems to be high personnel turnover due to inadequate or inequitable rates (pay).
7. No one in the enterprise has the time, background or ability to establish policies concerning wage and salary evaluation and union agreements.

7.2.5. Forecasting workforce

Managers need to develop ways to anticipate future workforce needs. This activity may include plans for upgrading, transfers, and recruitment to fill vacancies and is called 'forecasting workforce'.

Symptoms

1. The number of employees on the payroll fluctuates considerably and frequently.
2. The enterprise seems to fail in anticipating and planning workforce requirements.
3. The enterprise lacks substitute or qualified replacements for key jobs.
4. The enterprise has too many staff to run its business.
5. The enterprise has too few staff to run its business.
6. No one in the enterprise has the time, background or ability to develop ways to anticipate future workforce needs. Includes plans for upgrading, transfers and recruitment to fill vacancies.
7. Recruitment of the enterprise does not seem to be based on any plan.

7.2.6. Arbitrating

Making experienced and trained managers in the enterprise to serve as arbitrators, expert witnesses, or as enterprise or union representatives in a dispute, and their potential to play a significant role in policy related issues to be settled between an enterprise and a union, between an enterprise and an employee or between two unions is called 'arbitrating'.

Symptoms

1. The enterprise has no access to competent professional arbitrators or expert witnesses to be employed in union arbitration processes.
2. Disputes between management and labour in the enterprise are handled by a different person every time.
3. Disputes between management and labour are often not addressed.
4. The enterprise has no one who had any training on handling disputes between management and labour.
5. The enterprise frequently faces personnel problems due to past disputes that remain unsettled.
6. There is no skilled or experienced person to represent the enterprise in policy-related disputes that may arise between the enterprise and outside agencies such as government or unions.
7. The enterprise does not seem to have access to external means of professional dispute settlement.

7.2.7. Collective bargaining

The activity of making skilled personnel who can represent management in union contract negotiations, handle employees' grievances and the day-by-day agreements reached with the union as well as the ability of the enterprise to handle negotiations with the union effectively and efficiently is called 'collective bargaining'.

Symptoms

1. The enterprise makes unwise commitments in union contracts.
2. It seems as if the enterprise is mishandling the overall collective bargaining process.
3. The enterprise does not seem to follow industry practices in labour relations.
4. The enterprise has little or no knowledge of laws and regulations governing labour relations.
5. The managers seem to think that labour unions or groups are hostile.
6. There is no person in the enterprise with adequate training or expertise to handle labour relations.
7. Labour of competitive enterprises work with better conditions.

7.2.8. Counselling personnel

Managers need to provide, if and when needed, advice to individuals on how to maximize personal assets and minimize liabilities while accomplishing stated enterprise and personal objectives.

Symptoms

1. Managers are, or feel, ineffective.
2. Subordinates feel that superiors do not delegate enough authority.

3. Subordinates feel that superiors are closed-minded.
4. There are personality clashes among management members that go unresolved.
5. No one in the enterprise has the time, background or ability to counsel personnel.
6. Formal or informal methods of collecting information about personal assets and liabilities of employees do not exist.
7. The enterprise has no interest in learning and catering to the personal objectives of its employees.

7.2.9. Exchanging information with employees

Enterprises install ways and means for creating and/or improving information exchanges with employees and their immediate families.

Symptoms

1. There are few written communications to employees and their families from the enterprise.
2. The enterprise has no interest in informing its employees about its affairs.
3. There is no or very little informal communication between the employees and the enterprise.
4. Formal communications between the enterprise and its employees are confined to instructions and job-related matters only.
5. The enterprise has no regular means (such as publications, etc.) of communication with its employees.
6. The enterprise is not interested in creating a culture of its own.
7. The enterprise does not concern itself with the lives of its employees.

7.2.10. Conducting management development programmes

Management needs to install ways and means for executing individual growth programmes that will provide the enterprise with trained and capable management when needed.

Symptoms

1. Present management personnel seem insufficient to meet present or future needs but the enterprise does not know what to do about it.
2. There is excessive turnover of management personnel.
3. Little or no management training is done in the enterprise.
4. There is no plan for personal development and careers for the managers of the enterprise.
5. Managers have little or no idea about their future positions in the enterprise.
6. There is no future planning about what type of managers would be needed in the future.
7. Most managers seem to have added nothing to their knowledge and skills since their recruitment by the enterprise other than that which comes with experience.

7.2.11. Providing employee services

Managers install the ways and means to determine enterprise policies and secure the adoption of such policies, in regard to enterprise views on credit unions, recreational activities, sponsorship of outside education, personal counselling, etc.

Symptoms

1. Employees of the enterprise request wages in advance, borrow on their future pay checks or get indebted to loan sharks since the enterprise does not have a credit facility.
2. The enterprise has limited recreational opportunities for its employees.
3. Key employees are failing to gain more education as they cannot afford the time or the money it takes.
4. Employees are inadequately educated for advancement since the enterprise does not sponsor outside education.
5. Employees feel that the enterprise is the last place to seek assistance in case of personal financial problems.
6. The enterprise has no policies about how and when it would offer services to its employees.
7. Management offers financial, educational, recreational services as favours to few employees selected on the basis of personal relations.

7.2.12. Recruiting

The activity concerning locating and hiring the best-qualified candidate to fill a technical or managerial position is called 'recruiting'.

Symptoms

1. Key employees seem incompetent.
2. The enterprise has been searching for key employees unsuccessfully.
3. The enterprise recognizes the need for key employees, but management members are either too busy or do not know how to conduct a search.
4. The enterprise needs a key employee(s) but does not have efficient methods for carefully evaluating the candidate(s).
5. The enterprise is adding new activities and does not seem to have qualified personnel to perform them.
6. Recruitment records indicate favouritism and nepotism.
7. No one in the enterprise has the time, background or ability to locate and recommend the best-qualified candidate to fill a technical or managerial position.

7.2.13. Securing teamwork

The activity concerning the building of the capability of management to work effectively as a team is called 'securing teamwork'.

Symptoms

1. Management and staff do not seem to be informed about activities either planned or under way in order to coordinate actions and reduce any unexpected events.
2. Managers do not seem to have a clear understanding of the goals of their teams as well as the roles and responsibilities of each team member.
3. Management rarely presents and discusses ideas in order to obtain buy-in and support for objectives and strategies.
4. There is no sharing of appropriate knowledge, experience and information within the enterprise.
5. Management does not seek and accept advice, suggestions and constructive criticism from personnel.
6. Management does not seem capable of managing conflict in the enterprise by encouraging staff to put issues on the table in order to achieve a resolution.
7. There are no opportunities for and encouragement of staff to get involved with the activities of other groups in the enterprise

7.2.14. Testing personnel

The activity concerning the design of the ways and means for establishing test batteries, developing new tests, implementing these tests, and evaluating results for recruitment purposes is called 'testing personnel'.

Symptoms

1. No aptitude-testing programme is used to screen candidates for employment.
2. The same tests are used for screening applicants for different jobs.
3. It is common to see misfits being hired or retained.
4. There is no standard and systematic way of evaluating job applicants.
5. Screening for employment is based on nepotism and favouritism.
6. No one in the enterprise has the time, background or ability to screen personnel applicants with standard tests.
7. The enterprise does not use standard tests to screen job applicants.

7.2.15. Training

Managers develop and execute programmes for purposes of allowing enterprise personnel to acquire knowledge, skills and attitudes to help them achieve enterprise and personal objectives.

Symptoms

1. Management or employees seem to have inadequate knowledge or skills.
2. Management or employees seem to have improper attitudes or work habits.

3. Office work is of inferior quality.
4. New knowledge or skills seem needed but are not available.
5. There is high employee turnover.
6. The enterprise has difficulties in hiring people.
7. The enterprise does not seem equipped to follow through on the consultant's recommendations or other external assistance.

7.2.16. Appraising personnel

The activity concerning the systems and procedures for using test results, educational background, work history, and other data to prepare a report discussing the strengths and weaknesses of an individual to work on a specific job or in a work area is called 'appraising personnel'.

Symptoms

1. No one in the enterprise has the time, background or ability to do complete personnel appraisals.
2. The enterprise has no procedures for appraising its personnel.
3. Assignments to tasks cannot be done on the basis of the strengths of personnel as there is no objective assessment of their the strengths and weaknesses .
4. Assignment of personnel to tasks is arbitrary.
5. Personnel appraisals are based on subjective and varying criteria.
6. There is no match between the knowledge and skill requirements of tasks and the personnel appointed.
7. Effective and efficient programmes of strengthening the personnel of the enterprise cannot be designed, as there is no information about deficiencies.

7.2.17. Rating merit

The activity concerning the development, implementation and utilization of objective appraisal techniques and using the results to tie pay to performance is called 'rating merit'.

Symptoms

1. Employees are paid the same, regardless of performance.
2. Good employees reach the wage ceiling too soon in their careers and lose their enthusiasm for better performance.
3. The enterprise has no systematic and formal procedure to tie performance to pay.
4. Most employees see no relation between their pay and how well they perform.
5. Hard working and productive employees complain that low performers make the same pay.
6. Low performing employees justify their performance in terms of pay.
7. Performance evaluation and determination of pay seem arbitrary.

7.3. Financial and physical assets

Financial and physical assets are essential inputs for producing goods and services. They include cash resources to purchase inputs, to pay for expenses, machinery and tools to produce, etc. The enterprise generates financial resources especially once operational.

7.3.1. Determining policies

The management of financial and physical assets of an enterprise requires the determination of general and operating policies concerning financial and physical assets.

Symptoms

1. The enterprise lacks clearly defined policies.
2. Nothing gets done since most employees are afraid to act.
3. Managers often postpone decisions.
4. The enterprise has no policy manual.
5. There is disagreement among employees about the meaning of policies.
6. It takes a long while for the enterprise to react to changes in the business environment as no one knows whether they should react and how.
7. Top management seems to make conflicting decisions that confuse employees.

7.3.2. Developing systems and procedures

The management of assets requires the development of effective methods of accomplishing paperwork to exercise control and facilitate planning or coordinating action.

Symptoms

1. Office work is too cumbersome.
2. Office work is not accurate or not reliable.
3. Office procedures and systems do not seem to be accomplishing their intended purposes.
4. There are too many office employees with possible duplications of efforts.
5. There are too many forms (e.g. work order, leave, over-time, sales, accounting, etc.) or almost no forms.
6. The enterprise does not use up-to-date technology in its offices.
7. No one in the enterprise has the time, background or ability to develop effective methods of accomplishing paper work or other internal communication needed to exercise control and facilitate action.

7.3.3. Preparing functional plans

The activity utilizing effective and efficient processes to develop functional plans for its marketing and production functions is required to determine asset needs.

Symptoms

1. The enterprise seems not to know the resource requirements of positioning its products.

2. Management seems not to consult with appropriate staff and other resources in order to develop positioning strategies that are consistent with the strategy of the enterprise and priorities.
3. Functional plans are not understood by all.
4. The production plan seems not to incorporate all aspects of the supply chain.
5. Functional plans are not based on a sound strategy.
6. Appropriate verification of the concordance between segmentation and positioning seems not to have been made.
7. Appropriate verification of the concordance between positioning and functional objectives seems not to have been made.

7.3.4. Preparing long-range plans

The activity concerning the determination of especially financial and physical asset requirements of the enterprise for at least a three-year period is called 'preparing long-range plans'.

Symptoms

1. Over a considerably long period, the enterprise made only a few product changes or additions.
2. The enterprise seems to have old or inadequate equipment or facilities.
3. Over time, the working conditions in the enterprise became crowded.
4. There is a general feeling that the future of the enterprise cannot be foreseen.
5. Sales and production forecasts have generally been inaccurate.
6. For some time now, production levels consistently have shown seasonal or cyclical fluctuations.
7. Management does not seem to believe in long-range planning.

7.3.5. Maintaining an adequate level of working capital

The activity undertaken to assure that the enterprise has adequate cash at all times by managing funds temporarily invested in inventories (including work-in-process), in accounts receivable and short-term financing to facilitate production (pre- and post-shipment financing) is called 'maintaining an adequate level of working capital'.

Symptoms

1. The enterprise has no cash budgets for marketing, production and expenses.
2. The enterprise has no basis for determining how much should be spent on what expense item.
3. The enterprise frequently faces difficulties in meeting its internal and external obligations to pay.
4. The enterprise seems to be borrowing funds with no plan or room for negotiations.
5. Partners and other financiers are frequently asked for additional financial support at short notice.
6. The enterprise does not seem to be monitoring its payables and receivables carefully.
7. The enterprise seems to grant unrealistic terms for its receivables, keeps unnecessarily high inventory levels and offers favourable terms for its payables with no consideration for their financial repercussions.

7.3.6. Securing funds for asset replacement

The activity undertaken to ensure that the enterprise has adequate funds for asset replacement as predicted by the long-range plans is called 'securing funds for asset replacement'.

Symptoms

1. This enterprise is barely making any profits.
2. Since its inception the enterprise has failed to accumulate sufficient assets to use as collateral for long-term financing.
3. The enterprise does not have long-term plan for asset replacement.
4. The physical assets of the enterprise seem worn out but the enterprise does not have funds to replace them.
5. The enterprise has lost its competitiveness due to technological advances in its field adopted by its competitors.
6. Profits from current operations are being invested in fields outside of the business of the enterprise.
7. The enterprise has no credibility in the financial community.

7.3.7. Controlling budgets

The activity undertaken to develop and control total operations by way of comparing predetermined financial plans or budgets (including budgets for sales and income) and all or parts of expenses is called 'controlling budgets'.

Symptoms

1. The enterprise has no plans of operations, sales or production, no procedures to control expenses to end with a planned profit and does not know how to prepare such plans and procedures.
2. The enterprise has no basis for deciding how much should be spent for various areas of indirect expenses such as general administration, selling expenses, overhead and maintenance.
3. Accounting records do not show who is responsible for what expense.
4. Top management does not seem to believe in budgeting.
5. Budgets are prepared top-down with little or no participation from lower-level management.
6. Budgetary control is misused to control cash disbursement rather than as a system to control the overall financial discipline of the enterprise or its parts.
7. Budgets often serve as constraints rather than guidelines

7.3.8. Conducting management controls

Managers develop targets for an enterprise or one of its functions or activities to enable management to take necessary control action in time if these targets are not met. This activity is called 'conducting management controls'.

Symptoms

1. The enterprise realizes that it has several problems but does not know what to solve first.
2. Management members disagree about what their problems are or what should be done.

3. Management concentrates on the apparent problem (obvious) and does not attempt to identify the real problems.
4. There have been no attempts to measure the effectiveness of management.
5. There is no clear delineation of processes, departments, etc., to enable management to develop solid procedures for appraisal.
6. Managers of tasks, task groups, departments, etc., are often punished for lack of achievement with no clear explanation.
7. The enterprise seems to be incapable of developing effective procedures and measures to audit the effectiveness and efficiency of the management of its tasks, task groups, departments, etc.

7.3.9. Reviewing product development processes

The activity undertaken to install and utilize systems and procedures for regularly reviewing the effectiveness and efficiency of the processes it uses to select and position its offers is called 'reviewing product development processes'.

Symptoms

1. The company can only compete on the basis of low prices.
2. The company's product line seems too narrow and not well positioned.
3. The company does not seem to be responding to the changing needs of users.
4. Competitors seem to have broader or better-positioned product lines.
5. The company's product lines enjoy little or no patent protection, or existing patents are expiring.
6. The company has made too few product changes in recent years.
7. Competitive development is very likely to make one or more of the present products of the company obsolete.

7.4. Networks and relationships

Networks and relationships are inputs needed to secure other resources, meet social obligations and coexist with other organizations in a complex national and international environment.

7.4.1. Seeking and building strategic partnerships

The activity that managers undertake to seek, evaluate and engage in mutually profitable partnerships in order to increase its capabilities is called 'seeking and building strategic partnerships'.

Symptoms

1. The managers do not seem to possess the knowledge and skills to determine what resources and capabilities could be obtained through partnerships.
2. The managers of the enterprise cannot do a careful assessment of the resource (not necessarily financial) requirements of building needed capabilities.
3. The managers of the enterprise do not seem to possess the knowledge and skills to carefully analyse the alternate ways of building the needed capabilities.
4. Managers have no access to sources of information needed to seek and locate partners.
5. The enterprise does not seem to possess the knowledge and skills to manage a joint operation.
6. The business has not been able to profit from good business opportunities due to the fact that it was unable to build partnerships with other enterprises.

7.4.2. Establishing association and society relations

The activity that managers undertake to participate in the management and activities of industry, management, technical, and professional organizations, to evaluate the benefits derived from such participation and make recommendations about the form and extent of enterprise participation is called 'establishing association and society relations'.

Symptoms

1. The knowledge of enterprise personnel about managerial or technical procedures used in the industry is inadequate.
2. The enterprise personnel do not interact with counterparts in other nearby companies or organizations.
3. The enterprise does not hold membership in any industry, management, technical and professional organization.
4. Personnel of the enterprise do not hold membership in any industry, management, technical and professional organization.
5. The enterprise has very little or no participation in events of the industry, management, technical and professional organizations.
6. Nobody in the enterprise has had active relations with industry, management, technical and professional organizations.
7. There is very little or no communication between the enterprise and industry, management, technical and professional organizations.

7.4.3. Participating in civic affairs

The activity that the manager undertakes to evaluate, recommend and plan the participation of the enterprise in public projects to benefit the nation, community or some segment of the population, including civic, social, educational and charitable organizations, is called 'participating in civic affairs'.

Symptoms

1. The enterprise has no plan for contributing money to charitable and cultural organizations.
2. There is little participation in community affairs by the enterprise or its employees.
3. The enterprise managers do not believe in the benefits of favourable publicity and good relations with the community.
4. The enterprise misses good public relations and publicity opportunities.
5. Enterprise managers have no interest in community affairs.
6. The enterprise has little or no contacts with educational institutions.
7. Approaches by charitable institutions often go unanswered.

7.4.4. Securing legal/secretarial assistance

The activity that managers undertake to build relationships for the purpose of securing counsel and/or representation for management in legal matters relating to enterprise operations or relations against external parties on time, effectively and efficiently is called 'securing legal/secretarial assistance'.

Symptoms

1. The enterprise is frequently threatened by lawsuit.
2. The enterprise seems to be paying excessive taxes.
3. Competitors of the enterprise often infringe on its patents, copyrights or trademarks.
4. The enterprise seems to apply for very few, if any, patents, copyrights or trademarks.
5. There are groups favouring restrictive legislation (laws, bylaws or decrees, creating unfavourable business conditions).
6. No one in the enterprise has the time, background or ability to provide legal advice.
7. The enterprise has no access to legal advice.



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