

CULTURE WARS

Why is it that some people can seem to work against each other and the organisation's objectives? The answer is often simple. They can!

The culture of an organisation can be defined as the behaviours, beliefs, values and practices that members of the organisation accept, generally without thinking about them, and that are passed along by communication and imitation across the organisation and over time.

Unfortunately there are often some very negative elements that can become embedded in the DNA of an organisation, like:

- The branch manager who buys in excess stock because there was a good deal on offer, even though the stock was available via the DC, and regularly does so.
- The product manager who places stock in every branch and punts on 'having the stock, and the sales will come'.
- Branch staff who refuse to return or transfer excess stock in spite of evidence that it has not sold in recent times and in all probability will not sell any time soon.

Unfortunately these sorts of behaviours are often excused as being part of the company's 'sales culture' or 'service culture'. People argue that you can hardly ask a manager (branch or product for example) to be accountable for results and then not allow them to exercise the full range of decisions available to help them achieve their objectives.

It gets even worse when most of the branch managers have been around for twenty plus years and people 'know' that they run the company. The behaviours in this case can be said to be entrenched.

The problem is that some behaviours can have such negative effects as to seriously damage profitability and return on working capital.

It is almost like individuals are waging warfare on each other and the organisation, and that warfare is asymmetric. One individual can undo the good work of many others, especially when you consider that writing off excess can undo all the profit from five or more 'good' sales.

Things can get even worse when many individuals embrace such negative practices. You can easily find a lot of negative energy being expended fighting each other and destroying value. Too much effort can be spent on scoring the game and manipulating the results rather than on delivering positive outcomes.

Need for Leadership and Clarity of Purpose

The reasons behind these cultural norms that often seem to run so counter to common sense can be many and varied. Some of the causes can include:

- Poor delegation definition – people do things because they can.
- Badly designed incentives and measurements that on the surface appear OK but end up undermining the grand objectives. They promote behaviours that reward individuals, create selfishness and damage overall results.

- Systems and processes that encourage people to find a way around them.

However often the root cause is even more fundamental. There has been a failure of leadership to translate the critical success factors and goals for the business into appropriate strategies and the capabilities needed to deliver the strategies. It is important that:

- There is a very clear view of where the business is positioned, its strengths and how it wishes to compete and create value. If you are in the rare spares business then you will likely have a very different model to another business which deliberately vacates the market when demand becomes too rare.
- The ideal way the business model is to operate is clearly understood across the business and people clearly understand how they can contribute to the whole by doing their part. They also understand what they need to avoid and how to make the right decisions when there are apparently conflicting objectives. Everyone has to be marching to the same tune.
- There are clear policies that support the business's positioning and measurements to match. If you are in the rare spares businesses then you will not expect high turns but you will expect much higher margins. Still others will know that it is better to lose a sale at times, rather than hang on to the bitter end and destroy value through eventual write-offs.
- The strategies and policies are translated into processes, systems and practices that everyone embraces. Where possible they will run on auto-pilot and reflexes will be automatic. Productivity will be maximised, expenses will be lowered – it will be easy to do the right thing.
- There needs to be one source of truth. No point in fighting over data.
- People will be rewarded for doing the right thing, and there will be consequences for repeatedly going against the norms, without proper justification.

This is not a surprising list really. It is just a set of good management practices. Get the strategy right and translate that into the policies and processes and make sure it is clearly understood and embraced



across the organisation. This is easy to say of course but often much harder to do. The key is strong leadership which helps knit all the various elements of success together.

Sustain a Successful Model

Of course nothing is ever static. You need to maintain the plane while you are flying it. You need to:

- Report at the right level and on the right measures. There need to be individual and corporate measures. People need to see how the overall goals are being delivered and how they are contributing.
- Ensure good behaviours are recognised and rewarded and that negative behaviours have consequences.
- Work on automating more of the right process – make it ever easier to do the right thing. Fly more on auto-pilot and become even more efficient and more able to compete.
- Support with education and demonstrate with modelling and similar techniques to ensure people understand and to reinforce the right behaviours, processes as opposed to letting mixed messages undo all the good work.
- Ensure people understand that there will be issues from time – that is the nature of statistical / optimisation processes – continuously improve but recognise that there will be statistical blips – don't over-react to them – maintain the course.
- Keep an open mind to new developments and new opportunities. Look at what is happening with Woolworths, Coles, Aldi and IGA. Home shopping? B2C? Can your inventory management software create new ways of doing things and free up time for more important contributions?

So why worry about business models and strategies when you are in the inventory part of the business?

Well that is it really – you are 'part' of a business and it is important to understand how better inventory management can contribute to the overall business. It all has to hang together. Better software and processes can of course make it far easier to translate better strategy into better policies, processes and practices.

You can create the time and space to win your culture wars, not against the rest of your organisation, but with them. It all starts with leadership.

For further information consult
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