Efficiency growth for SMEs

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SMEs are a key part of our economy. Facing the same efficiency requirements as larger structures, SMEs are increasingly obliged to put projects in place that are aimed at their improvement. Considering that they do not always have the same internal structure to carry out those projects, how can we best integrate their specific features into a suitable service offering?

Working to ensure operations run as efficiently as possible is a key issue that must be considered by every management committee. Indeed, company activities are in a constant state of flux: the needs of customers are evolving, products and services are being adapted, the competitive landscape is shifting, and internal teams are changing. These changes produce a great many challenges that must be overcome. One of the consequences of these changes is the need to very frequently rethink how a business, its processes, and activities should be conducted. For companies, this “never-ending story” contributes to keeping a firm grip on costs but also on the level of service offered to clients. The challenge is for companies to remain both competitive and attractive in markets where competition may be intense and where there are many complex factors for competitiveness.

All those mechanisms are well known within large companies that have been compelled by their own growth to quickly implement strategies and establish teams to work specifically on efficiency. As mentioned above, SMEs are often confronted by the same constraints in their environment, but they do not always have the right means to face them. This is true whether in terms of time, specific skills, or financial means. One of the solutions available to them is to join forces with external stakeholders who will be able to support them in this process of constant improvement. An approach must be offered that is suited to the specific nature of SMEs. Where larger companies will mostly seek structuring and highly specialized expertise in a particular field, SMEs will more often look for a broader and more general approach that will respond to its structural issues in a pragmatic and tailored way. In general, SME managers have a detailed view of everything taking place within the company, from the first meeting with the prospect to the payment of the last invoice. They are able to pinpoint the problematic part of the value chain where they feel things are not happening as they should. However, it is not always possible to make the right diagnosis, to identify the root cause of problems, and thus devise appropriate solutions. This is why they will be keen to work with allies who are able to quickly understand the multiple aspects and specific characteristics of their business and their own processes, and to make an accurate and relevant analysis of the whole value chain.
SME managers will therefore ask to meet with multidisciplinary consultants who are able to offer relevant expertise in all topics, while being pragmatic, simple, and direct in analyzing problem causes and in proposing improvements.

A first phase of preliminary analysis will enable an inventory of the company’s existing operations to be established. This step is essential. It will not involve general observations, standard processes, or unrealistic action plans, but rather a diagnosis of the value chain in order to understand the operations and areas for improvement. Once again, the company will expect concrete proposals, with direct gains and some certainty of success in the implementation of the actions proposed. Given the structure involved, the effort and means that can be devoted to these projects are limited, so there is no room for error. SME executives seek collaborators who will not just give advice on what should be done. Rather, they prefer to work with someone who will have conviction in their recommendations, who will work with them in implementing those recommendations, and who will share the risk associated with the decision to begin implementation. In fact, SME executives look for collaborators who share the same entrepreneurial spirit as their own.

One of the simplest ways to ensure a partner’s commitment is to share the financial risk associated with the project. It is therefore logical for SME managers to request that the fees they are required to pay are contingent on the attainment of the results with which the consultant is involved.

It also makes sense to wait until the project’s return on investment has been clearly identified. Although the return on investment is calculated systematically for a machine purchase, it is rare for the same calculation to be performed in the case of investment in a “human” project to improve operational efficiency. Both cases generally have the same objective, but this approach is clearly more fitting for material investment than for human investment. However, it is very common to have returns on investment for machines that span over many years and are never verified in practice after performing the initial calculation to release the financing. Indeed, the expected yields are not always achieved, the machines’ capacities are not as expected, or they are not sufficiently reliable. In this case, often nobody has shared the risk and there is an inclination toward forgetting the real cost of the investment and its low return.

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It is also possible to mitigate the risk to the return on investment; by simply requesting that the partner make their fees contingent on achieving the common objectives, the company can be assured of the consultant’s commitment.

Once collaborations have been secured and projects launched, the challenge for SME managers is to create an environment that enables success. This requires a climate of close sponsorship, transparent communication with teams, clear objectives, a participatory approach, fast and fact-based decision-making by strong leadership, and appreciation of teams’ work.
When a fertile breeding ground is in place, it is then a question of pushing for results. The vast array and specific nature of the jobs found in SMEs mean that each project must be tailored to perfectly fit the individual demands of each situation. In general, the projects launched will revolve around:

- Facilitation of the sales force
- Cost control
- Anticipation of team workload and availability
- Business planning
An additional area for reflection is increasingly being added to all of these elements: that of digitizing processes. Nowadays, it is unthinkable to consider reviewing activities and processes without considering their dematerialization and automation using tools that are increasingly efficient, flexible, and financially accessible. This specialized digital competence is also an essential part of a dedicated SME toolbox.

The objectives pursued around these areas of work often seek to improve pure productivity, as well as the level of customer service, the quality of the production process, or margin control. Any other operational objective can of course be included in this type of approach as long as it is in line with the company’s strategy. It is essential to give meaning to this type of project, for all levels of the company’s hierarchy. The better the project is understood and integrated, the more chance it will have for success.

Despite the diversity of the projects and themes addressed, some fundamental common points must be present in the adopted methodology.

First of all, the methodology must provide evidence of the elements considered, through indicators and adapted reporting. This approach relies on facts and can be summed up by the maxim “there is no progress without measure.” This helps to avoid disagreement and to move away from an approach based on feelings toward an objective approach. Appropriate indicators are used to monitor activity, measure improvements, and take corrective action as the project progresses.
A second requirement for achieving concrete results is the need to drive both of these indicators and the adoption of new working habits. It is not simply a case of defining an ideal target situation, a new process, or a desired goal in order for this to take place in practice. It is not uncommon for a plan to be understood and well documented in procedures and notes, but still to not actually be put in place. In order to take the leap from intentions to action and then ultimately to results, consultants must devote much of their effort to supporting teams on the ground through facilitation. Project facilitation has many objectives, which include:

- Gaining team membership and collaboration
- Progressively applying the new modus operandi
- Introducing and efficiently using KPIs to steer the activity
- Constantly responding problems encountered and questions raised through the change process
- Training and supporting teams in this change over a long enough period to ensure new working habits are firmly anchored
- Ensuring regular monitoring until the new system is stabilized and fully autonomous

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Projects of this type extend over a long period of time, ranging from six to eighteen months as a result of the abovementioned factors and in order to guarantee the sustainability of the actions implemented. This timeframe will obviously depend on the organization’s capacity to integrate the changes and manage the transition smoothly. Finally, in order to ensure this sustainability and the anchoring of new habits, consultants will adopt a “coach and learn” approach during the facilitation phase. In the first phase, they will take the lead on actions, and in particular hold daily/weekly operational meetings during which indicators are analyzed and frequent corrective action is taken. After time, they will gradually transfer the responsibility for this new system to internal teams, having taken care to make them autonomous and comfortable with working on these new tasks.

While it is clear that the needs of SMEs for operational excellence are specific to their size and markets, it now seems unthinkable to avoid regularly reviewing performance, as we can see that there are significant areas for improvement. In this approach, companies will have to find true collaborators who are able to deliver tailored solutions, adapted and proven methodologies, and a gamut of specific and specialized skills, while fully committing themselves to the project and sharing the inherent risks and difficulties with the companies.