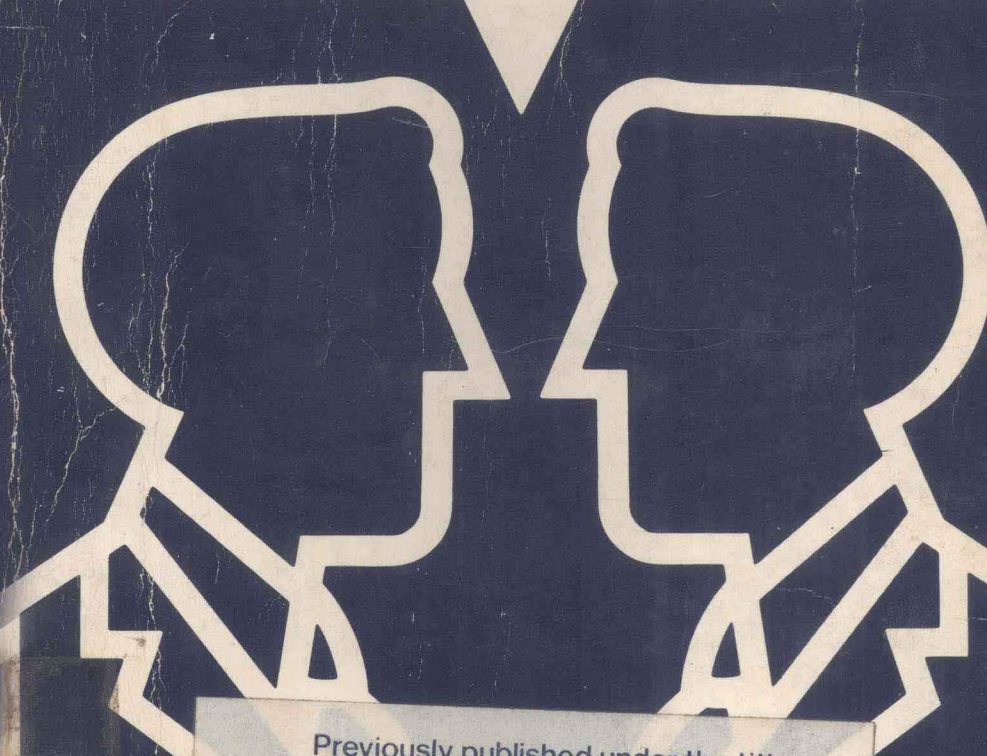


HOW TO SOLVE BUSINESS PROBLEMS

The Consultant's Approach to
Business Problem Solving

Kenneth J. Albert



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How to Solve Business Problems

**The Consultant's Approach
to Business Problem Solving**

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To Carol—my wife, and my best friend

Preface

This book is not intended as an attack on management consultants or their work. They serve a real and necessary purpose in many situations. Rather, its purpose is to explain the approach that management consultants have used so successfully for years to solve unstructured business problems. Small companies who can't afford consultants, large companies who limit their use of management consultants because of budget constraints or policy, and companies who use unnecessary or excessive consulting services should understand and be able to implement, when appropriate, the pragmatic and extremely effective problem-solving methods employed by management consultants. The potential benefits of more skillful problem solving by businesses and institutions and the resulting improvements in products and services that can be offered to consumers are substantial.

I would like to thank the management consulting firms I have been associated with for the last decade. It has been enjoyable and stimulating work. And, more significantly, the experience I gained while working on dozens of clients' problems made it possible for me to write this book.

Thanks, also, to all the clients whose problems I've used as examples. I think these real-life situations helped bring to life a potentially dull subject. By the way, I've changed all the client names and some of the background in each illustration, both to protect the innocent and, perhaps more important, to disguise the not-so-innocent!

Finally, a fond "thank you" to two special people—Jim Petal, and my wife's mother, Ethel Vavruska. Jim gave me some sound advice when I was starting my writing career and helped me again by providing invaluable material for one of the chapters in this book. And my wife's mother, whom my kids affectionately call Granko, typed most of the manuscript.

Elmhurst, Illinois

Ken Albert

How to Solve Business Problems

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Introduction

Why This Book?

Even if you're on the right track, you'll get run over if you just sit there.
— WILL ROGERS

Have you ever gotten a dinner invitation that you didn't understand? My wife and I received just such an invitation recently. It was from a casual acquaintance I hadn't seen or talked to in well over two years. His name was even crossed off my business Christmas card list. And I couldn't remember his wife's name for the life of me. Why was he inviting us to dinner? I wondered what he was up to. After some discussion we decided to accept the invitation, more out of curiosity than in anticipation of an enjoyable evening. . . .

As I swallowed my last bite of dessert, Frank (my long-lost friend) suggested that he and I take our coffee into the den, and the reason for the dinner invitation soon became clear.

Frank, who was now the vice president of marketing for a division of a major manufacturing company, had a problem. A business problem. "Ken," he said, "our sales have turned sluggish for some mysterious reason. And worse yet, I don't know what to do about it. I guess I should probably be hiring a management consultant to help me out, but we just can't afford it now. I know what you guys cost!"

After filling me in on some of the symptoms of the problem (he just happened to have all his sales records in his briefcase), Frank said, "Can you give me some direction on what I can do to go about solving the problem myself?"

My feelings were mixed. I felt as though I were being used, and yet I was flattered. At this moment, a dyed-in-the-wool career consultant would have gone into his "buy now—pay later" routine. (It goes something like this: "Maybe we can work out a monthly payment plan, or even defer the payments a bit to get you into next year's budget.") But I'm not a dyed-in-the-wool career consultant. In fact, I'm neither dyed-in-the-wool nor career, as I'll explain later, so I decided to try my best to help Frank out.

Two hours later, I had given Frank the basis of solving a marketing-related problem. More important, I had convinced him that there wasn't

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anything that I could do to solve the problem that he couldn't do just as well. In fact, I said, "Frank, there are some things, like implementing the solution, that you may be able to do much better than any consultant."

Frank telephoned me several times in the next two months to tell me how he was doing and to seek further guidance. I helped him all I could. Then, three months later, he bought me lunch to thank me for all I had done for him. He had defined and solved his problem (a poor incentive compensation system for sales personnel), and sales volume was showing signs of moving up again.

This brings us to the answer for the question "Why this book?" It is to explain and to show you how to apply, when appropriate, the management consulting approach to unstructured business problem solving.

A BOOK FOR ALL BUSINESS MANAGERS

My original concept was to write this book for companies that can't afford professional management consulting services because of small size or budget limitations. But my publisher suggested that a self-help management consulting book would be helpful to almost all business managers, regardless of their company's size. This feeling was borne out by my experience with Frank. His profit-centered division honestly didn't think they could afford outside consulting help, even though they were part of a large company. Incidentally, this is often the case with ailing companies. Even though they always have room in the budget for lawyers and accountants, the management consultant is considered a discretionary, nonessential expense. Thus a small or nonexistent professional service budget is not the only motive for seeking a self-help approach to consulting. You may be working for a company that has a policy which limits your use of consultants. If so, this book is a natural for you, too.

Further, even if you're associated with a company that *does* use consultants on a regular basis, you should find this book of interest. You will learn how to use consultants more effectively, how to get the most out of your consulting dollar, and in what circumstances you can eliminate the use of consultants altogether.

In summary, this book is intended for all business managers who are interested in improving their business problem-solving skills.

PURPOSES

This brings us to the four purposes of this book:

1. To give you an understanding of the management consultant's approach to problem solving. Obviously, this is a necessary first step to apply-

ing the approach to your own problems. Notice that I refer to the “management consultant’s approach” as a singular topic. That’s because there is only one basic problem-solving approach. It is used almost universally to solve all types of business problems.

This universal approach makes it possible for you to solve most problems in any area of business management. You don’t have to be a compensation specialist to solve compensation problems, or an industrial engineer to solve inventory control problems. In fact, one of my first consulting problems involved the location of a fast-food chain store. I knew nothing about this area, but I solved the problem by applying the universal management consulting approach.

2. To show you how to apply the approach to many types of common problems. This will be done primarily by illustrating business problem solving with actual (and I think very interesting) management consulting case histories. You’ll see how the basic approach works in many different situations, and learn how to make modifications to fit a particular circumstance.

3. To show you how to set up an internal problem-solving system in your organization. Several alternatives are suggested for organizations of different sizes and types.

4. To make you an informed buyer for when it becomes necessary for you to purchase outside consulting services. This is important because it isn’t always wise to avoid management consultants. They can bring some very desirable attributes to specific situations and in some circumstances their services are indispensable. More on this subject later.

THE MANAGEMENT CONSULTING APPROACH TO BUSINESS PROBLEM SOLVING

Many management consultants would say that it is impossible to explain how they solve business problems because each problem is unique and, therefore, requires a unique solution. I say nonsense! The key to solving any business problem is to use a logical, straightforward approach. Some consultants try to disguise and mystify their work, as if their results were somehow obtained by magic. But, in fact, no magic exists. Consultants solve business problems with a simple, pragmatic approach, and they successfully use the same approach for almost all problems, regardless of the problem’s nature or type.

This universal approach seems so simple to me now that it would appear to require no explanation. But as I think back on my first exposure to what management consultants did, before I became one, I remember being impressed by their very presence. Early in my business career, I was a junior marketing manager for a division of Allis-Chalmers. Booz, Allen and Ham-

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ilton were hired at the corporate level to do a strategic planning study for our division. I was mesmerized by the confident, almost cocky, well-dressed young consultants who scurried down the hallways and rummaged through reports and files. Little did I know that they were just involved in step 2 of the universal approach to business problem solving.

I'm getting a little ahead of myself. But before I go on to introduce each step in the approach, I want to emphasize the importance of understanding that the approach, although "universal," is customized to fit *individual* problems. Application is really the key to using it effectively, and later on, a great deal of material is presented to illustrate proper application. I say this now so you won't be deceived by the apparent simplicity of the approach.

1. Defining the Problem This sounds like an almost trivial first step, but in practice, it is not trivial at all. This observation is borne out by the fact that in many cases consultants begin client engagements without the vaguest idea of what the problem is, not because the consultants are inept (although surely some are), but because the problem is buried under a heap of symptoms, memos, records, opinions, and egos. Finding the problem, and getting everyone involved to recognize it, often requires cutting decisively through this heap.

2. Gathering Information Clear definition of the problem leads directly to a specific indication of the factual material that must be gathered to solve it. Information gathering is the most mechanical step of the universal approach, and it quite often requires expenditure of a great deal of physical energy. Frequently, it involves running all over the country to meet with and to interview the right people.

In many situations, consultants have a tendency to overdo this phase. Some people would suggest it's because the consulting firm knows "the meter is running," and in some instances this is probably true. But more often it's caused by a preoccupation with thoroughness on the part of the consulting team and its managing principal. Junior consultants live in fear of having the principal find out that some source of information (no matter how obscure) was not investigated thoroughly, and the managing principal lives in dread of his client's top executives finding out the same thing.

Nothing is worse than the silence that hangs in the air at a final client presentation when the president of a client company says, "That doesn't sound right. Did you check that with Jim, our planning guy?" Answers like "No, but we did check with . . ." or "Well, not exactly. . . ." will not do. The only acceptable answer is "Yes, and Jim said. . . ." So consultants have a preoccupation with thoroughness or they're not consultants for very long.

3. Analysis and Conclusions This is probably the most nebulous part of the problem-solving system and the phase where consultants like to em-

phasize their extensive experience and specialized staff qualifications. In some circumstances extensive, specialized analytical ability is important, but frequently, judgment and common sense carry the day. This is a critical point because it means that you don't have to be an expert; anyone with judgment and common sense can use the universal approach to solve most business problems.

It's my finding, based on exposure to hundreds of business problems, that the old 80:20 rule applies here. Eighty percent of business problems can be solved effectively without specialized analysis tools or expertise. The expertise and specialized skills that are so highly touted by consulting firms are only applicable to 20 percent of their assignments. The application of common sense and good judgment to a thorough collection of facts will solve most business problems. (There is some need to learn how to weigh the facts and judge their relative importance, and this is illustrated in Chapters 4 to 14.)

A good example of the commonsense approach is a study I once did for a modestly sized family-owned business that had a very enviable problem. They were making too much money and paying too much in taxes. The company was being operated in a trust and there were divergent family interests. I'm not a tax expert, but it became apparent rather early that all that was required was a comparative analysis of the available tax and income options. After pumping a tax lawyer for several days and developing a pro forma five-year income statement, all that was left to do was to crank through the resulting taxes for each ownership and salary option. After the cranking was completed, the most attractive alternative was obvious. I did nothing in this study that an employee of the client couldn't do. The analysis was tedious but very straightforward.

4. Recommendations and Implementation Implementation is the step in the business problem-solving approach where the manager who has used the self-help approach to problem solving may be able to do a better job than a hired consultant. Implementation is probably the most important step in the process, but it's the step where many outside consultants do the poorest job. Even consultants admit their shortcomings in the area of implementation. In a recent magazine article, the president of a well-known consulting firm wrote, "Too many of us are content to advise, recommend and write elaborate manuals. . . . As many consultants learn to their dismay when they return to industry in a line-operating capacity, it is one thing to make recommendations and quite another to put those recommendations into effect."¹

This "failure to implement" is one of the reasons for the growing trend in some larger companies to using internal management consultants. Internal consultants can't close up their briefcases and move on. They have to

¹J. A. Patton, "Consultants at the Crossroads," *Duns Review*, September 1974, p. 123.

live with their recommendations and the success or failure of the implementation process. The use of one or more internal management consultants is one of several effective ways to institute a self-help consulting approach (see Chapter 15).

CONSULTING A CONSULTING FIRM

Another approach to instituting an internal business problem-solving system without the use of outside management consultants involves the use of special assignments. I raise this topic early in the book only to illustrate another option that managers have available to them to practically implement a self-help problem-solving strategy.

I know that the special assignment approach works because I was personally involved in such a process. On several occasions I served as a consultant to a consulting firm while I was a member of the firm. This is akin to serving as the doctor to all the other doctors in a doctor's office. People second-guessed my every move; every statement, conclusion, and recommendation I made was challenged.

Nevertheless, it worked out very satisfactorily. How do I know? I got repeat business, which is the way all consultants measure the success of previous engagements. The president of our firm came to me three or four times asking me to conduct studies. I did an incentive compensation study for the firm (which is discussed in Chapter 13), among others. I turned down a request to do a long-range planning study for the firm, and on one occasion, recommended they use a specialized outside consultant to solve a staff motivation problem. (I felt an outsider's expertise was essential.)

The fact that a special assignment problem-solving system works in a consulting firm says to me that it will work in almost any business organization. Details on this and other ways of integrating the philosophy of this book into your organization are covered in Chapter 15.

MY BACKGROUND AND EXPERIENCE

I want to briefly touch on my personal background and experience to put the perspective I bring to this book into clear focus. I am an engineer and M.B.A., and spent six years in engineering and sales before entering the general and marketing consulting business.

My hope was that the consulting profession would bring me the personal satisfaction and freedom that seemed to be lacking in industry. But as I got older and got to know myself better, I realized that I could only be happy as my own boss and doing something I truly enjoyed. So after almost a decade in the consulting business, I struck off to sink or swim as an independent consultant and writer. My first success came in the form of a book that explains how to use management consulting techniques to achieve success

in a small business (*How to Pick the Right Small Business Opportunity*, McGraw-Hill, 1977).

A FORMER INSIDER'S VIEW

Being an independent management consultant and a writer creates a special situation for me. I'm in the unique position of knowing enough about the management consulting business to explain how to solve problems without using consultants, and I also have the need to write about it to earn a living. Early in this chapter I said I was not a dyed-in-the-wool career consultant. Now you understand what I was referring to. A consultant in a large firm, an insider, would never write this book.

Now don't get me wrong. I'm not knocking the management consulting business, and this book is not intended to be a vendetta. Most management consultants do a good job, and consultants are essential in many situations. All I'm saying is that frequently, probably most of the time, you can do just as good a job solving problems yourself, at a substantial savings and with good implementation of the solution.

BOOK ORGANIZATION AND STYLE

This book is organized into three parts. The purpose of Part 1 is to explain in some detail the management consultant's approach to business problem solving. A single complex business problem, from its first symptoms to its solution, is used to illustrate the key points.

In Part 2, a series of common business problem areas are presented. You'll see how you can apply the basic management consulting approach to business problems in such diverse areas as strategic planning, acquisition selection, executive compensation, and facilities planning. (These topics may not all be of equal interest to you, so feel free to skim the material as you wish.)

Part 3 is devoted to showing you how to set up an internal system to solve your business problems. Variations are discussed which are applicable to large businesses, small businesses, and just about everything in-between. Also in this section are guidelines that point out when it is best to seek outside management consulting help and how to most effectively buy consulting services.

A word about writing style. I'm going to try to make this book fun to read as well as informative; I don't like reading stodgy business books any more than you do. So my style will be informal (unlike most consulting reports). This way it will definitely be more fun to write, and, I hope, more enjoyable to read.

part 1

***The
Management
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