SmBiz Consulting

Importance of Proactive Management

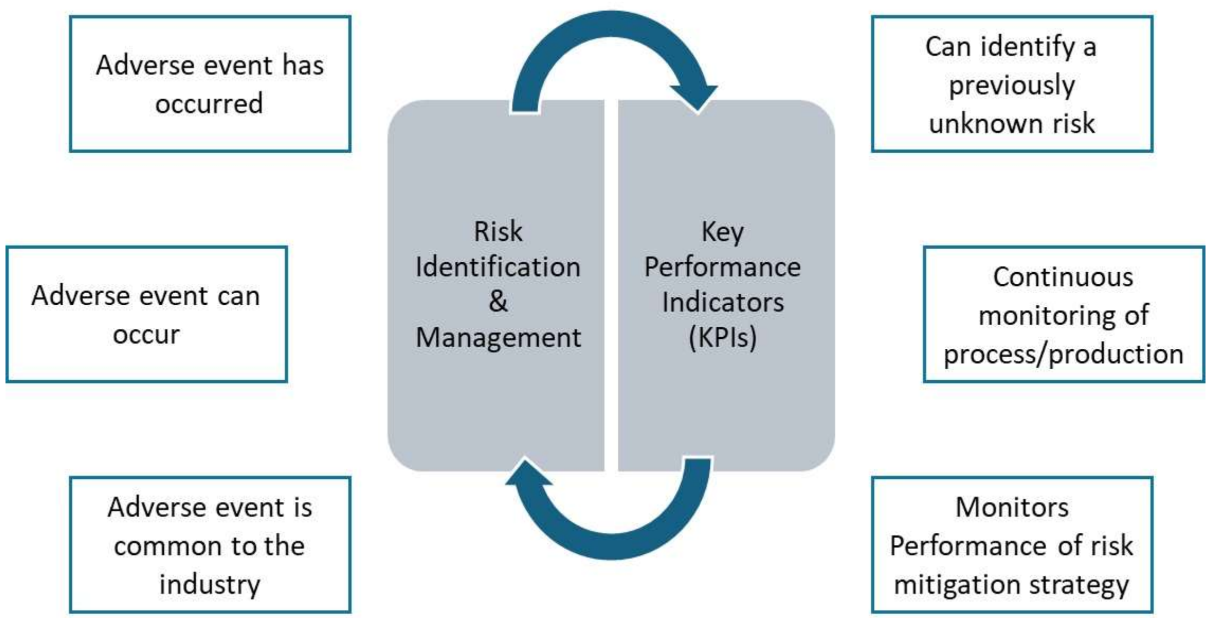
Proactive management can be the difference between profitability and growth verses the need for unnecessary expenses, poor quality, and declining customer retention rates.

Proactive managers can prepare for potential future events that can adversely impact the success of a business's goals and objectives. This ability should permeate every aspect of the organization's operations – from product development to customer service. The importance of this cannot be overstated as both growth and profitability are at stake. How is this different from reactive management? The major difference lies in the timing of recognizing the adverse event. Reactive managers become aware of the event either while they are occurring or after the fact. In either case the event has already impacted the ability to operate efficiently and effectively thus adding time and money to the process (rework, scrap, etc.). To be clear, proactive management of a process or project provides a reasonable level of assurance that adverse events have been identified and managed. The level of assurance depends significantly on the depth and understanding of the process being analyzed as well as the participants' ability to openly discuss potential issues. The latter implies an open corporate culture.

While many recognize planning/strategic planning as a source for proactive management, the primary source for this is really risk management. In fact, every strategic planning process should include a level of risk management. But to accomplish daily operational goals and objectives it is necessary to have a more practical approach to proactive management. One that utilizes known risks and aligns them to Key Performance Indicators (KPIs).

Risk management by itself is a powerful tool for business that allows for the proactive identification of adverse events. The formal risk management process, however, includes various steps, one of which requires periodic testing of certain high risk process steps and the related controls utilized in them. This was an effective approach utilized in the past and remains a significant step when deploying a formal process and ensuring regulatory compliance; however, there is a need in today's changing environment for continuous monitoring of high risks within a process as well as identification of new potential risks as they occur near real time. That is why we have developed an approach that aligns the best Key Performance Indicators to known functional high risks. By doing so, data can be collected and acted upon on a near real-time basis. Errors left to continue for days, weeks, or months can result in costly rework to correct, regulatory noncompliance resulting in fines, or scrap costs. In addition to the internal cost factor, errors can also impact customer satisfaction and thus retention rates and profits if left unchecked.

This proposed approach is simple, intuitive, and does not require costly resources for implementation. By utilizing common performance indicators you can identify, manage, and monitor common high risks associated with various functions. It also allows you to identify new risks as they arise. This is based on changes in KPIs that may be risk sourced. The graphic below shows the interaction between the two powerful management tools.



This proactive management style offers some significant value to the organization's success.

- Increases workplace productivity by allowing for management of issues prior to occurrence and costly rework that utilizes time and resources. This can significantly slow down productivity.
- Allows better customer service and satisfaction due to your ability to produce better products and service levels. Quality issues are identified prior to customers receipt of products/services and managed appropriately.

- Allows management to develop process streams that, when followed, will provide employees with better opportunity for individual success in their position and thus lessen stress levels.
- When employed in a project environment, it increases the chances for a successful outcome and manages the handling of scope creep and budget overruns.