



Cost Effective Approaches that Create Business Value

Businesses of all sizes want to achieve sustainability. After a long period of expense cutting, retrenchment, and mergers and acquisitions, it is good to step back, reconsider the state of affairs, and verify that business value creation is still the end product of coordinated efforts. Businesses can easily get caught up in the day-to-day operations and forget to assess if the business is still working as an integrated, empowered unit. Despite a slowly improving economy, there is continuing pressure to maintain a razor-edge balance between minimizing operational expenses and generating revenues. This discussion purposely stays away from discussing traditional cost-cutting approaches because all viable businesses are familiar with and have employed them during the economic crisis. Instead, the focus is on generating real business value through a process of empowerment.

Innovative Input from all Directions

Operating with less is the name of the game right now. Senior managers are asking employees to do more with fewer human and capital resources. Innovation initiatives fall by the wayside because harried managers and over-worked employees are already as productive as possible and taking on another project is out of the question. Borrowing from the vernacular: It is what it is. As more businesses cutback staff hours and layoff personnel, increasing payroll expenses is not an option. Instead, managers must look at the resources at hand and ask themselves if they are being used to their greatest advantage.

Fortunately, this is an age in which technology can increase productivity, profitability, and business value. Most businesses have technology infrastructures in place and only need to consider how they can be used more efficiently and in ways that encourage employee networking and idea generation. For example, businesses are using social media to connect local and global employees and encouraging them to share perspectives and knowledge and to submit innovative ideas. There are a number of operations that still view social media primarily as a tool for connecting employees to customers or other external stakeholders and fail to promote internal networking using existing technology.

However, make no mistake about it - external stakeholders are an important source of value creation. In 2011, while the recession was still in full swing, Kraft Foods launched the Supplier Innovation Challenge in recognition of the fact that the best ideas are often found externally. The "Collaboration Kitchen" website is an open door invitation into the food giant's operation, and the contributors do not have to be current suppliers. One of the innovation successes emerging from this project was a collaborative alliance between two minority suppliers that led to a Kraft food



packaging solution. Vickie Hsi, former Associate Director of Supplier Diversity for Kraft Foods, points to the fact the Innovation Challenge uses technology to "...create a pipeline of innovative and creative ideas." Even small businesses can solicit marketplace input via social media sites, and the only associated cost will be the time spent analyzing the ideas.

No System Overlooked

Management expert Edward Deming wrote that, "Not a single day should go by without some kind of improvement being made somewhere in the company." Creating business value is an ongoing process that represents the smooth integration of all the components, including people, equipment, financial operations, projects, and strategies associated with social responsibility. Making smart decisions based on accurate information is critical to maintaining integration. For example, companies need to ask themselves if they are getting maximum benefit from the money spent in the communities. Are charitable donations or social programs supporting organizations with missions and values that blend with the corporate missions and values?

The connections are not always obvious. Reading that Accenture supports the Self-Employed Women's Association, in conjunction with WEConnect International and large business partners, to help small women-owned business in India sell collected street waste does not explain the business value created for Accenture. It sounds more like a donation. However, Al Williams, Chief Procurement Office at Accenture, explains the program in this way, "We re-engineered the supply chain by removing the third party waste reprocessing link so the businesses could generate more profit. Accenture then began processing large amounts of the waste through partnerships with manufacturing firms and selling the sustainable products locally."

Evaluating the current social responsibility policies and procedures is a cost effective approach to maximizing business value. Management needs to make sure it is getting accurate, timely, and thorough data on all programs and initiatives. Any amount spent internally and externally needs to add to business value and not become a drain on resources. There should be a direct connection between expenditures and the benefits earned in terms of increased profit, mitigating business risks related to future talent and resources availability, promoting the business brand, developing new market opportunities, and building strong stakeholder relationships.

What Innovations does the Supply Chain Hold?

The supply chain is a critical component in every business. It obviously needs to be efficient, reliable, and offer competitive prices. However, is the corporation maximizing its business relationship with its suppliers? The company's supply chain is filled with talented business owners who hold the key to market-driven innovations. The problem is making the right connections between suppliers and key corporate personnel. There should be a high level of engagement with suppliers at every tier. Innovative ideas and problem solutions tend to bubble up, but the bubbles need an outlet.



Technology can once again come to the rescue. Businesses can open supplier portals to increase communication. Suppliers can share expertise, knowledge, and ideas with the understanding the right corporate personnel is reading it. Many of the best ideas for new products, enhanced customer services, more efficient distribution channels, and new market niches were initiated by corporate suppliers, including small businesses. If there are too many hoops for the suppliers to jump through to communicate with their clients, they will take their ideas to competitors.

Employees are empowered by creating communication networks. Stakeholders are empowered by becoming participants in corporate innovation. Communities are empowered through well-crafted socially responsible programs. Suppliers are empowered through a vigorous partnership with corporate clients. In the final analysis, it is really empowerment that drives business value.