E-Technology for Business Turnaround: Sustainability, Growth and Innovation

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ABSTRACT – Introduction

- Contemporary for-profit organizations require frequent changes in business direction and BPRs to remain in business;
- Internet was invented 15 years ago, and organizations started changing accordingly in the late 1990s;

Abstract – Why Bother?

- Organizations that since 1998 did not undergo corporate revisions or did not exploit Internet ceased to exist (Ragazzi, Canwood);
- BPRs and technology-assisted corporate renewals must be completed at least once in 10 years as integrated turnaround initiatives

Abstract-Paper Objective

- To examine a role of eTechnologies in the recent turnaround of Stork Craft
- To provide a roadmap to usage of eTechnologies for corporate sustainability, growth and competitive advantage
- To disclose that organizations may perform a full comeback and re-gain their global market share by conducting strategic evaluations of their workflow and adopting the best business management practices

Abstract—What We Learn

- Examined a major historical period for the 60-year old Stork Craft:
  - Renaissance (makeover, innovation, experimentation)
- Revealed :
  - Strategic blocks to corporate success
  - Key factors and
  - technologies that enabled eBusiness growth from 7% to 50% of the corporate business in under 4 years time

Abstract - Evidence

- Data obtained from 500 customer testimonials support the study to show:
  - Effectiveness of the change induced by eTechnologies and related new business models
  - Business investment traps that cause a corporate stagnation and decline

Some History

- In 1998, Asian labor decimated North American mass production—furniture industry too started to change
- Asia offered cheap sellable products
- In 2000s North American companies started to manufacture off-shore
- Domestic supply and distribution chains were different

Impact on Stork Craft

- Stork Craft was making furniture for 60 years and just:
  - Moved manufacturing off-shore
  - Retained its loyal customers
  - Employed marketing strategies of scale and scope

- BUT..still, it could no longer compete!!!

Re-do of Stork Craft

- In his "Organizational Theory and Design" (2004), Richard Daft named 4 organizational life cycles:
  - Birth and re-birth
  - Development of goals and strategies
  - Elaboration and re-vitalizing
  - Formalization and control systems set-up
- How to prevent an organizational decline?
- How to find when the decline happens?

Organization's Transformations

- Through its 60 years of existence, Stork Craft changed its leaderships, ownerships and business directions several times;
- In line with Danphy's radical transformational strategies, new leadership teams severed the existing (old) management, re-launched different life cycles and secured years of growth
- Then the organization would not do well and other leaders would make it work better (the older the company was, the shorter a period of prosperity was)
- Then the company fell into a trap of organizational complacency

Stork Craft's Struggle in 2000s

- Organization was unable to compete
- Once again it changed its leadership
(2002 it recruited its current president)
- 2005-2009 underwent a healthy renewal*
(2005 it recruited Jeremic to do a makeover)

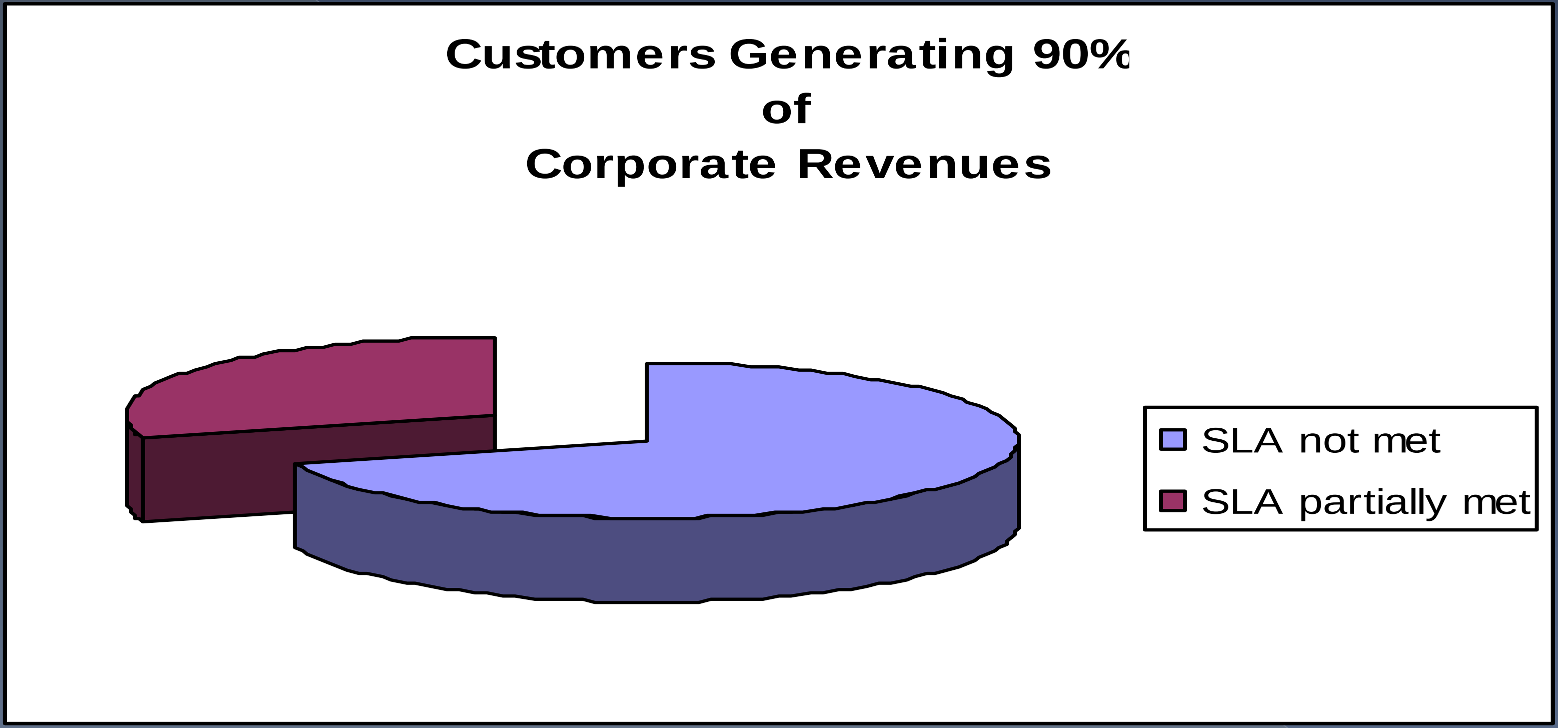
Jeremic-directed makeover 2005-2009

Renaissance

- All 4 Daft's stages, from re-berth to active-problem solving, are in this study called renaissance and they are examined through:

- Facelift and Remuneration (2005)
- Innovation (2008)
- Experimentation (2009)

SLAs in 2005


Customers Generating 90%
of
Corporate Revenues
SLA not met
SLA partially met

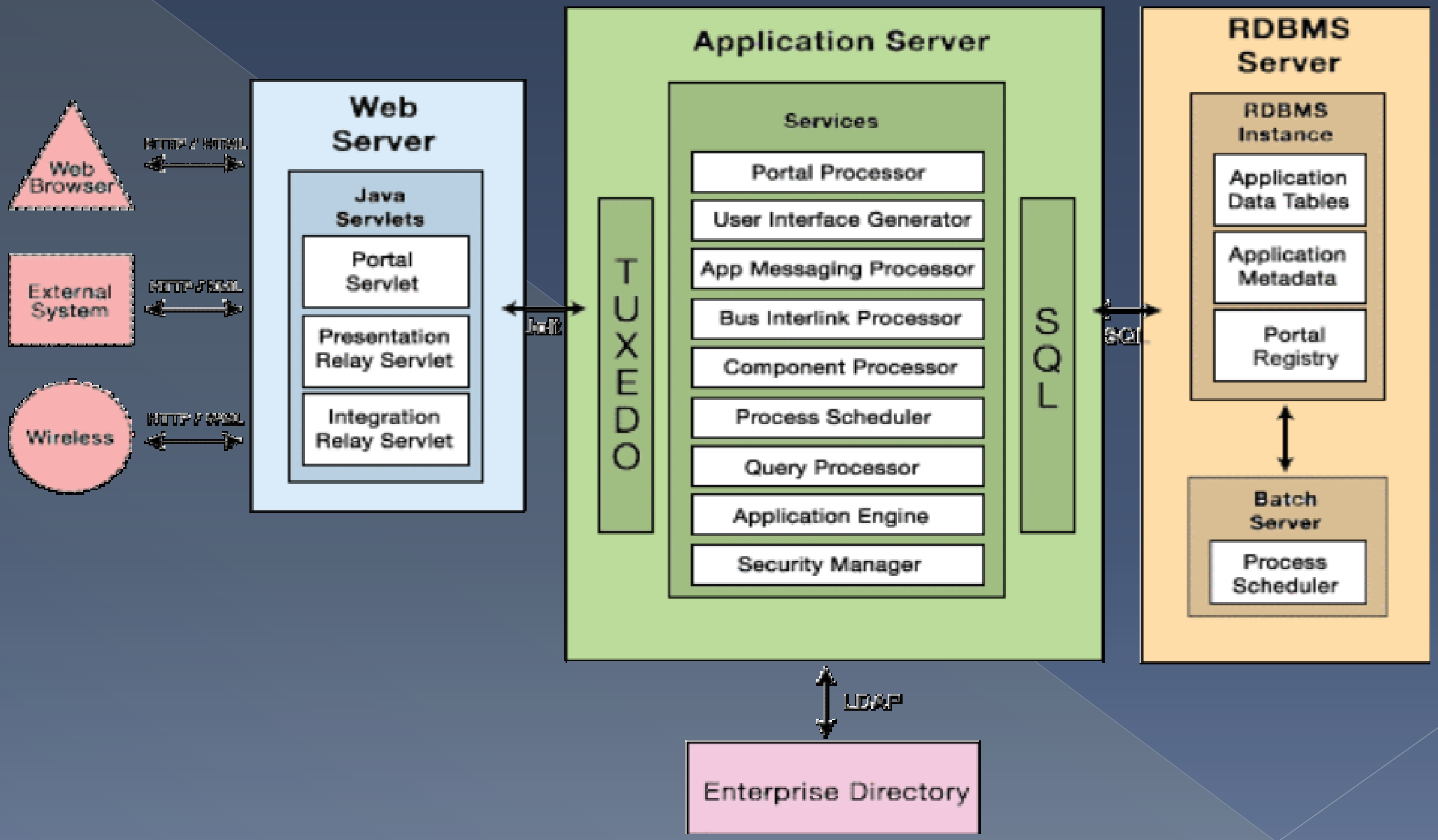
Turnaround Approach

- Selected turnaround approach* was:
  - Build a business infrastructure for a regulated environment;
  - Streamline old and patent new business solutions using eTechnologies to correct SLAs;
  - Re-train the corporate workforce to operate with eTechnologies;
  - Perform frequent customer evaluation surveys to keep exceeding SLAs;
  - Establish a ground for innovation;
  - Limit and control experimentation

    (may lead to a decline!)

* Jeremic 2005

Exhibit 2 New Business Infrastructure Model



http://www.peoplesoft.com/corp/en/products/technology/pia/code.asp

+ Re-Inventing Business

A new revolutionary way of doing eCommerce* yielded the following changes:

- Reduced eBusiness fulfillment time from 3-4 weeks to 2-3 days;
- Increased shipping accuracy to 99% or better;
- Decreased operating costs by 40%;

By yearend 2007, eCommerce channel grew from circa 7% to 50% of the company's business.

eCommerce now included Wal-Mart, Target, Amazon, BabiesRUs, Sears and others.

*Jeremic 2006

New Customer Satisfaction Survey

External Stakeholders Surveyed 94%
(470 out of 500 Customers)

Solutions	Before the New Business Infrastructure, Old Drop Ship Model	After the New Business Infrastructure, New Drop-Ship Model
On-Time Shipping	60%	**99% or better**
Shipping Accuracy	45-75%	**99% or better**
Shipping Expectations (in days)	15-28	**2-3**

Based on the Stork Craft Customer Surveys 2005-2007

External Stakeholders Surveyed 0.06%
(30 out of 500 Customers)

Solutions	Before the New Business Infrastructure, Old Drop Ship Model	After the New Business Infrastructure, New Drop-Ship Model
On-Time Shipping	60%	**90%**
Shipping Accuracy	45-75%	**90%**
Shipping Expectations (in days)	15-28	**2-3**

CRM Solution for Parts Service

- New CRM Solution:
  - Eliminated manual parts orders processing in the Customer Service Department
  - Parts orders originally sent on a 4 week schedule could now be dispatched within 3-5 days, given the part was in stock

    Provided full service history.

New Customer Satisfaction Survey

- Customer Satisfaction Survey with the CRM solution --coupled with the previous improvements --revealed:

Out of 500 surveyed customers, 450 declared that the improved services “meet their expectations” and 50 declared “there is room for improvements”

{the item they expected was backordered}

A New Cycle Begins at Least Once a Decade

- To avoid traps of complacency, large international organizations need to improve their business models and employ new technologies, but also to consider other factors too such as:
  - Transfer pricing
  - Opacity factors
  - Structure of debt
  - Active holding companies
  - Political risks

Conclusions

- The renaissance of Stork Craft companies (with acquisition of 3 new brands in just 18 months) may serve as a roadmap to improvements to any company in a similar crisis

- Business solutions deliver most value if customer focused and web-based

- Turnaround solutions succeed when workforce is re-trained to operate eTechnologies that must be utilized to deliver new business models and original business solutions

Questions

Thank you!

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