

EPISODE 9

Poor Processes, Bad Data and Lessons Learned - The Consulting Curve

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Introduction: Welcome to the Consulting Curve podcast, the community approach to clients and consulting brought to you each week by Peter Selby founder of Biz Drivers.biz, a trusted profit and growth advisory to companies and consultants around the world. Tune in each week and learn how you too can take that journey from corporate to consulting.

Kevin: Welcome to another episode of the consulting curve with my good friend Peter Selby, the community approach to clients and consulting. And we're, we're gonna deviate from the norm a little bit today, we're Peter, I am looking forward to this, we got a chance to chat a little bit before we hit the record button. But this is a this is a unique episode. This is one that, you know, we've talked everything from cockney slang to, you know what it means to put bad processes in place. But Peter, I want you to just to help kind of open us up and just lay the groundwork a little bit. You know, we've, we've kind of gone through the first two phases of the process overall, and but right now we really want to talk about when things might have gone wrong. So Peter, take it away.

Peter: Yeah, sure. Look, I thought it might be a bit of fun, and also, maybe educational along the way, but um, you know, we've been talking very much about the world, that the somebody in the consulting space has to contend with is like a learning curve. Today's a bit of a reverse view, looking at some of the stuff that the customers that the consultants face when they go into customers. And some of it depending on how many problems there are, that they are contending with, are some of the typical things that can be seen. And especially, perhaps today, it'd be worth talking more from when companies are doing things badly, or are in a suboptimal condition, I guess would be a polite way to put it. And, and then try and sort of run before they can walk when some of the base processes aren't right. And some of the things that happen as a result of that.

Kevin: And they may not even know what's happening?

Peter: Well, quite often they don't, or they're seeing the output of that which could be often impact on the bottom line loss, or certainly profits lower than they should be because of some of the stuff that's wrong. And what you know, one of the things that really surprised me, when I started talking to more companies, I guess I intrinsically already knew it from running corporations and stuff. But it's not until you really talk to lots of different companies like you do when you're when you're a consultant, that 80% of businesses don't use data to make decisions and you know, 80%. So most

companies actually run on experience and intuition. They don't run on data. And quite often, companies won't make decisions based on data, because data is telling them something that they really don't want. They don't like or think is wrong because of their experience. Yeah, it's a good question.

Kevin: I've got my own theories, but I'm curious to

Peter: Million reasons. Well, let's, let's have the private theory.

Kevin: So my theory is that the people that are most concerned about data, the data scientists, the analysts, rarely become the CEOs. So you have the leading edge of the spear is always kind of the entrepreneur, the leader, the charismatic, the, the one that maybe even came out of the sales process versus the operation side of things. And that's my theory is that that they have always relied on kind of gut intuition to get where they were. So they think that you know, that putting themselves in that process is the same thing as running their company. That's my theory.

Peter: I think there's definitely, I mean, the people that hit up complex situations, or organisations tend to be big picture people generally spherical.

Kevin: For sure.

Peter: However, the other the other core reason is that data is often not readily accessible. You got to go hunt

Kevin: For sure.

Peter: People don't have time

Kevin: For that bad data.

Peter: Or they have a direction they want to go and other data. So we're gonna go in another direction, and that's a big decision. So it's the whole if you think of flying an error Applying when you get your pilot's licence or, in fact, this isn't the case in America. But if you get your pilot's licence in the UK, or in Australia, you have five hours of instrument flying. So what that is you have to learn to fly the plane with a hood over your head, and you can only see the instruments you can't see out the window. And the reason why they do that is to make you trust the instruments, because quite often, they're telling you something that's your gut isn't. And there are 1000s of cases, over history where people have come to grief, private pilots that don't have instrument capability, have come to grief in in less than favourable conditions, fog, or whatever it may be by flying into something or flying into the ground, because they're fine, they've got a lot of instruments to learn. And so quite often, the data tells you something that's counter to what you believe, then you'll go with what you believe. The other thing is, the other trick to using data to make decisions is knowing what to measure. And that's another problem, right? The business is complex. And we know this from business internally, we put in business, tentative measures or visual data with companies. And quite often, you're better company that they want to have some of these flash dials and they you know, they've seen it somewhere, I think it's a great way to run a business. And you ask them what they want to measure, they've got no idea. Because it's not always. And that's not because people are stupid, it's not always obvious. What is the right thing for you to measure for the type of business you've got the type of customers you're trying to serve. So it isn't as easy as it sounds, I guess. But it is a

fact nonetheless, that most companies are running a lot on data. Now that opens up an opportunity to have poor data. And that's really quite common pause poor quality data, if you then go about automating that, you build a mistake machine. Because it's now happening automatically. And some examples might be, for instance, if you have if you're making production for this taken factory, if you're making production decisions, based on poor customer data or demand, you're making the wrong stuff at the wrong time is a good and that's really common, right? Another one may be you go to make something, and we haven't got the bits to make this thing because the data is inaccurate about what's in inventory. Inventory is a great when actually, if you automate your inventory control, when you've got poor process, there's lots of different things that can happen with that. So you can be ordering stuff from customers when you don't need it. Or you might not order stuff from customers when you do because your stock levels are wrong, or you haven't left enough lead time in the calculations or an hour, you you've switched on an ERP system, it's got all this bad process in it, then it's churning. The company is churning data automatically, but it's all it's all bad data. So it multiplies the mistakes. And you literally ended up with a mistake machine. It's incredible.

Kevin: Surely though, somebody is watching the watching the helm, so to speak, so?

Peter: Well, no...

Kevin: There's no examples of this just going out of hand, is it? Well,

Peter: Well yes, because what happens is, sort of what happens is, people don't use data to make decisions. So if if there's now tonnes of bad data, that doesn't necessarily ring any alarm bells, when it rings alarm bells is when it starts impacting the stuff people can see, which is I've got a customer on the phone that was supposed to have something yesterday and he hasn't got it. Why? Because we haven't made it, we weren't able to make us we'd have the bits, alright, we'll quickly sort that out, go get the bits and make it and shut the customer. But you don't actually go back and fix the reason why that was the issue and or, you're starting to see an impact on profits, what's going on here, hang on a minute. It's because you've got too much too much stuff or you're, you've got the wrong stock or whatever it may be. I mean, I'm just talking about manufacturing, it could be think of it in a service environment where I've got the wrong, you can't deliver something and whatever it may be. So the bad data and the bad process doesn't come to the fore until the cracks are so big, they could be seen from the top of the organisation. And by then, there's lots of problems. And that's normally what the consultant then faces, right? So he's then called in because hang on a minute, we should be making more money than this. Why aren't we we can't work it out. Let's go find somebody that can and they come in and start looking. And of course they start peeling off the layers of what's going on underneath one of the drivers. Hence the name of our company business drivers. We go look at the drivers of all this and you've got millions of things that are wrong. I mean, I'm using the big number, but you know what I mean, you've got a lot of problems. And then, of course, the, the customer then can be horrified by the fact, there's a lot more things to fix than they thought. And so they start jumping, as the obvious conclusion, there is this consultant, you know, all these problems weren't here until the consultants are in that box. It was couldn't see him, you know, so it is amazing. And some of the examples of that are, you know, people manufacturing, just the wrong stuff, or people turning up to and can't deliver the service that a customer wants. So I told you the story a long

time ago, in a steel plant once where I went to, this is years ago. And I had this white shape behind the building that and this was in a electric arc furnace steel plant. So buildings quite tall, probably 80 feet, 100 feet, and there's little white cap above it, but couldn't work out because it didn't seem I was walking across to the building from a carpark. And I couldn't do it. The parallel just didn't seem right. I couldn't work out into my horror, I got around the back and found this enormous pyramid of lime that people have been pushing up overnight and trucks have been delivering and and what had happened there is that particular company have turned on an ERP system and have some some some basic data wrong. And in this particular case, it was the reorder point for lime. So I can't remember what it was no, but instead of reordering, when they had a pile that had five tonnes in it, or something, it was reordering that needed a part it was reordering 1000 tonnes of something as a pile was just growing and growing and growing. And of course, these trucks have been delivering it all through the night people have been pushing it up, here's this pile. That no nobody had stopped to think, well, this isn't normal for a start. And hang on a minute, we're not working in a line factory. Surely this they're never going to use all this and, and questioned things because people just keep going. And equally, the supplier would have never had an all that big in their life. And they didn't stop and question that. So that's, that seems ridiculously stupid. But it's not because people are involved in their own little world doing stuff. And there must be a reason maybe they're stockpiling theirs, maybe they're sending it to another division, who knows, we'll just keep going. And, you know, you've got the whoever's looking after all this thing, and I stopped delivering these trucks in this is a bloody nightmare, what they up to, but...

Kevin: You know, I think you've you've, you've painted a picture in my mind, I'm thinking I want to change your analogy. It's not the mistake machine. It's like the mistake matter horn, you know, that you've created of lives behind this building? You and I, the one thing you said a minute ago that just this kind of was almost alarming is that nobody, nobody, even though this was so out of the ordinary, nobody stopped it all night long. You know what...

Peter: It took somebody. I mean, it's a bit unfortunate, from a point of view, the people that run the place wouldn't be in that part of the building, unless they were walking somewhere. And the first person to see it would be the first person running the next shift that came in, which happened to be me and I stopped it, but the person coming out hadn't come out yet. So they're inside making steel, you know, it's just one of those things. It's an unusual situation. But bad data, I've got the one that I've told you before around the power company, right. So this is a classic, where this is a power distributor in a in a weather environment that is high extreme, from summer to winter, they got a tornado season and all the rest of it. And they have somebody looking at data that's not complete, and they're saying, Wow, we could control our cash flow a lot better if we even do the audit process of poles. And this was poles for poles for holding up the power lines. It's a distribution company. And so they noticed that it was really uneven. And so let's average this and they they average the the order out over the year rather than doing it at a specific time. And that made a lot more sense from a cash flow perspective. But what happened, of course, is the company used all the polls that are very in a very short space of time, which was tornado season when other polls blow over. They're not constantly building new powerlines it's just it's repairing stuff. So in the maintenance aspect of the business, a lot more maintenance gets done in the extreme weather than any other time. Yeah. And so two things happen, their

poles were lying around getting damaged and broken and weathering for most of the year when they weren't needed. And then when they weren't needed, they didn't have enough. So it's a classic example of poor data. Or bad decisions around data. In that case, I suppose really, but that's, you know, that's more about not having clarity than anything else. But they're just examples. If you automate stuff, with with bad process, you just build this mistake machine. And it rarely causes companies untold grief, to be honest, and they're always surprised by the depth of the problems once you start unpeeling the layers, in fact, we're working with a customer right now, in a complex sales and distribution business. And just about everything is wrong, but all the data is bad. And it's, it's been bad for a very long time. And they've been running the business around it, and they've run so much inefficiency into the business, they're lucky, they're in a quite a high margin environment. So they're still making plenty. But they're go smacked to the amount of money, they're leaving on the table to the tune of millions a year, because of poor process. But because it's everywhere, it doesn't stand out. Every everything we look at is broken. Every piece of data we look at is inaccurate.

Kevin: It's like bad data at cost averaging, you know, across the across the plateau. So I'm curious, what do you what do you think is worse? Is it? Is it making decisions with bad data? Or is it making decisions from your gut that is unsupported by data? What have you seen historically, that might be even more dangerous?

Kevin: Um probably the worst of all, is not making decisions and bad data. So doing nothing with bad data is probably the worst. Making gut decisions when the data so needed to do something different, is less catastrophic, immediately. Because Dutton intuition is roughly right. Right? No, so people know what they're doing. So that, that can gradually take you to a train wreck, having bad days, making it worse of a lot, because that's just, it's pulling things to bits all around you, without you knowing. Making decisions on bad data really depends on what that data is telling you. So that's quite a hard thing to answer. I mean, it can be catastrophic. I mean, if you blindly trust the data, and have no intuition, and the data is bad, then that's probably kind of strong. But very rarely do you find a situation where whoever's making that decision, know so little about what they're doing, they just blindly follow something that's bad, unless, you know, the line part I told you Inessa situation, or rebels that can do that. But you know, it's a bit like an accident, it normally takes five or six different things to go wrong before an event happens. The problem is with the multiplication of bad data, or automation of it, is it's happening all the time, and stupidly inside the business. And it's not obvious to look at from the top. And quite often, we'll go into an organisation when there's been a change of CEO, and the CEO goes in and thinks something's not right. Because I don't know enough about a business. But something's not right, I'm gonna get someone in to help me uncover it. That's really common.

Kevin: That'd be good timing, I think to, you know, to a good transitional point there. And, you know, as you were, as you were talking, I was thinking about, you know, your, your airline example, earlier, and, you know, the old adage that if a pilot is one degree off, you know, on on his direction, that, you know, it could be catastrophic. You know, it seems so little, that the further you go, the more off course you are, and you know, you've completely missed your target, so to speak. And you mentioned, these are the kind of couple extremes.

Peter: That's exactly what happens in business. So when, when the data starts, nobody, it's not it doesn't really make any effect at all, but a year down the track, it's catastrophic,

you know, and, in fact, we we have a solution that we work on with customers, that is a it's a fusion of business intelligence, so real time data, and good business process, the combination of those two things to bring a better outcome for businesses, and we call it copilot for that exact reason we sit alongside and navigate them more accurately into the future if you like. But yeah, no, look at it. Is it It is gradual. And the further off track you get, the worse it gets. And if you think in the case of poor data or automation, you've got two bits of bad data, now you've got four bits of bad data, now you've got eight bits of bad data, and the problem just escalates.

Kevin: It's exponential. It's like, it's like compound interest. You know, you don't notice it early, but you know, give it eight to 10 years, or give it 12 months, or whatever it would take, and you'll see a marked difference.

Peter: And the other problem is, the further up, the further off track you are, the harder it is to find the root cause sort of so many bad transactions, you've got to either go back a long way in time or dig very deeply, to find out what what's causing all this. That's another frustration that consultants face is your customer wants you to solve the problem tomorrow, and you're saying this is gonna take me five months to sort this out? What is this immediate? Jeez, are these guys trying to do build themselves a revenue stream here, you know, but it's just unbelievable how much stuff you've got to go through to actually correct things and stop them falling apart again.

Kevin: Were you given two really great extreme examples we've talked about? These are certainly extremes. But just for the everyday, you know, person out there and the situation they find themselves in as we wrap up today, what's what is, what are some kind of early warning signs that you'd say are just early indicators of things that that they need to be cognizant of, and things that you know, good practices to put in place?

Peter: I think probably the better guidance is, are you measuring the critical things, that's normally the problem. If the business isn't measuring the critical things, you're not going to have a heads up when things start going off track. By the time you notice they're off track, it's already too late. So by the time you've got customers calling you all the time, you have not made the profits, you should have done its things normally, well, I'm truly broken at that point, one way or another, and they need fixing more immediately. But the only way to stop that happening is to be across the pulse. So are you know do have you got your finger on the pulse of the business, the only way to know that because if you've got accurate up to date data, that is the right data, you're measuring the right stuff to keep you out of that situation.

Kevin: Well, this is exactly where advisors can step in and they can be a co-pilot, they can be there they can be worth their salt. So no, no pun intended with the with the limestone, but...

Peter: Yeah because they bring a wider they bring a wider set of values generally, because they've done this multiple businesses, multiple industries, quite often, the collective consciousness of an organisation has its own market as its measure. And ideas from other markets quite often give people insights. They weren't expecting or give them new insights. And consultants tend to do that. Because they they deal with customers in multiple industries, right? It's not. And they they've seen the best work, you know, they've seen what works and what doesn't, in a lot of lots of different situations

Kevin: Without being clouded by emotion.

Peter: I mean, it's true, right?

Kevin: But yeah, soccer. Sure. They they certainly they can they can remain emotionless, you know, and just analyse. Do what?

Peter: I don't know about that. I'm not sure they stay emotionless.

Kevin: Well, maybe, maybe.

Peter: A lot of them don't have hair.

Kevin: Yeah, well, the business is not there.

Peter: It it's a wider experience, generally, for sure.

Kevin: What a, what a couple of great examples we've had today. And it really is a I mean, we've we've kind of made light of the situation, but it can be you know, catastrophic, if it's left unchecked. And, and it's, I mean, what a great way to kind of sum up, you know, all the episodes that we've talked about, up to this point, the first eight episodes we've done and just the processes that we've you've put in place and you've talked about and the different levers that you know, we can kind of pull in and the data that's measured along the way and the tools that are used in that process and I just really appreciate you just taking time today again, Peter just sharing your personal experience of of, you know, where things have gone wrong and lessons learned and really just laying a good foundation for for next couple of weeks that we step into the third and final phase of Biz Drivers and another exciting episode of the Consulting Curve that community approach to clients and consulting. Peter, thanks again.

Peter: Always good fun. Great to be here.