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

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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;
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
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!!!
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
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
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)

<table>
<thead>
<tr>
<th>Solutions</th>
<th>Before the New Business Infrastructure, Old Drop Ship Model</th>
<th>After the New Business Infrastructure, New Drop-Ship Model</th>
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<tbody>
<tr>
<td>On-Time Shipping</td>
<td>60%</td>
<td>99% or better</td>
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<tr>
<td>Shipping Accuracy</td>
<td>45-75%</td>
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<td>Shipping Expectations (in days)</td>
<td>15-28</td>
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### External Stakeholders Surveyed 0.06%  
(30 out of 500 Customers)

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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.
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}
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

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