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It's fashionable today to talk of becoming "customer oriented." Or to focus on that moment of truth when customers experience the actual transaction that determines whether or not they are completely satisfied. Or to empower frontline workers so they can delight the customer with their initiative and spunk.

None of this advice, however, focuses on the real way to harness the customer's interests in the operation of a company. The simple truth is that every customer's experience is determined by a company's *order management cycle* (OMC): the ten steps, from planning to postsales service, that define a company's business system. The order management cycle offers managers the opportunity to look at their company through a customer's eyes, to see and experience transactions the way customers do. Managers who track each step of the OMC work their way through the company from the customer's angle rather than their own.

In the course of the order management cycle, every time the order is handled, the customer is handled. Every time the order sits unattended, the customer sits unattended. Paradoxically, the best way to be customer-oriented is to go beyond customers and

products to the order; the moment of truth occurs at every step of the OMC, and every employee in the company who affects the OMC is the equivalent of a frontline worker. Ultimately, it is the order that connects the customer to the company in a systematic and companywide fashion.

Moreover, focusing on the OMC offers managers the greatest opportunity to improve overall operations and create new competitive advantages. Managers can establish and achieve aggressive goals—such as "improve customer fill rate from 80% to 98%," "reach 99% billing accuracy," or "cut order cycle time by 25%"—and force otherwise parochial teams to look at the entire order management cycle to discover how various changes affect customers. When the OMC substitutes for narrow functional interests, customer responsiveness becomes the overriding goal of the entire organization, and conflicts give way to systemic solutions. The best way for managers to learn this lesson and pass it on to their whole work force is, in effect, to staple themselves to an order. They can then track an order as it moves through the OMC, always aware that the order is simply a surrogate for the customer.

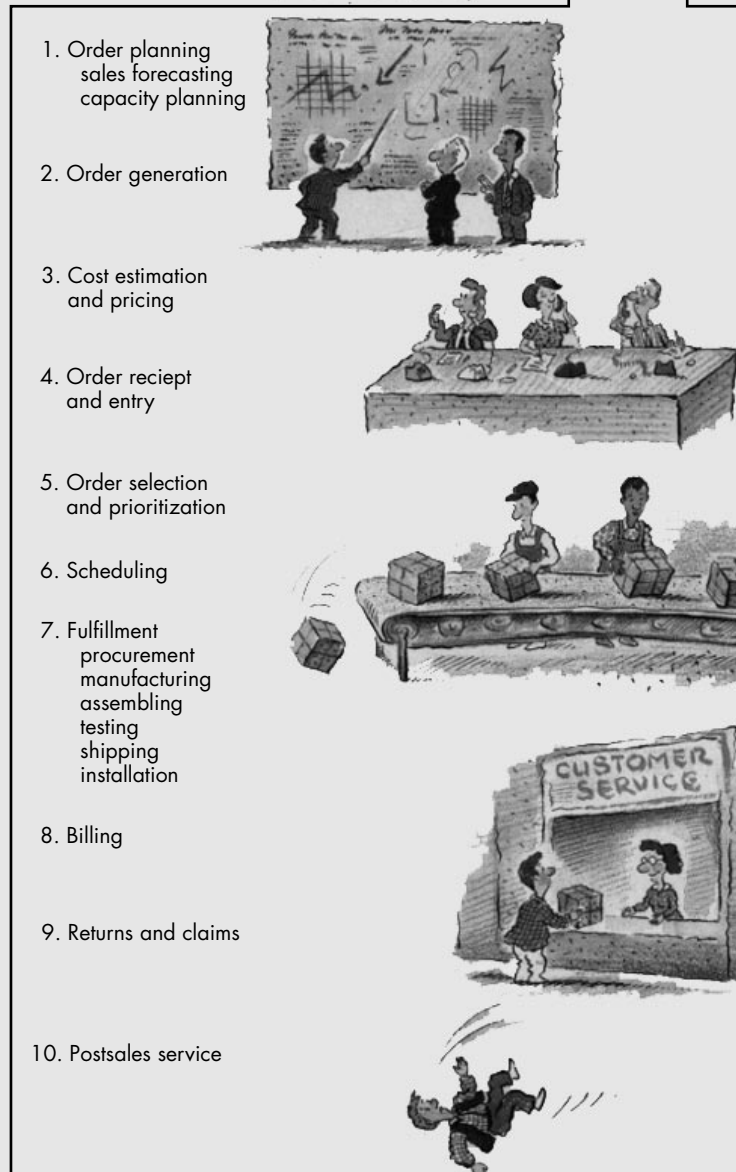
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A Realistic Walk Through the OMC

The typical OMC includes ten activities that sometimes overlap or interact (see "The Order Management Cycle: Inside the Black Box"). While OMCs vary from industry to industry and are different for

The Order Management Cycle: Inside the Black Box

Customers before



Customers after



products and services, almost every business, from the corner ice cream stand to the global computer company, has these same steps. In the following discussion, a number of important lessons will emerge that explain both the customer's experience with a company and that company's ability to achieve ambitious cost and quality goals. For example, as we "walk" an order through the OMC, note the number of times that the order or information about it physically moves horizontally from one functional department to another. Since most companies are organized along vertical functional lines, every time an order moves horizontally from one department to another it runs the risk of falling between the cracks.

In addition to these horizontal gaps, a second lesson to be learned from tracking the OMC is the likelihood of vertical gaps in knowledge. In field visits to 18 different companies in vastly different industries, we invariably found a top marketing or administrative executive who would offer a simple, truncated—and inaccurate—description of the order flow. The people at the top couldn't see the details of their OMC; the people deep within the organization saw only their own individual details. And when an order moved across departmental boundaries, from one function to another, it faded from sight; no one was responsible for it or the customer.

A third lesson concerns the importance of order selection and prioritization. In fact, not all orders are created equal; some are simply better for the business than others. The best orders come from customers who are long-term, fit the company's capabilities, and offer healthy profits. These customers fall into the company's "sweet spot," a convergence of great customer need, high customer value, and good fit with what the company can offer. But in most companies, no one does order selection or prioritization. The sales force chooses the customers, and customer service representatives or production schedulers establish the priorities. In these cases, the OMC effectively goes unmanaged.

Finally, the fourth lesson we offer involves cost estimation and pricing. Pricing is the mediator between customer needs and company capabilities and a critical part of the OMC. But most companies don't understand the opportunity for or impact of order-based pricing. Pricing at the individual order level depends on: understanding the customer value generated by each order; evaluating the cost of filling each order; and instituting a system that enables the company to price each order based on its value and cost. While order-based pricing is difficult work that requires meticulous thinking and deliberate execution, the potential for greater profits is worth the effort. And by gaining control of their OMCs, managers can practice order-based pricing.

When we started our investigation of the order management cycle, we recognized first that the OMC, in fact, begins long before there is an order or a customer. What happens in the first step, *order planning*, already shows how and why bad customer service and fragmented operations can cripple a company: the people farthest from the customer make crucial decisions and open up deep disagreements between interdependent functions right from the start. The contention and internal gaming that we saw in order planning is an effective early warning sign of the systemwide disagreements that plague most order management cycles.

For example, people close to the customer, either in the sales force or a marketing group at company headquarters, develop a sales forecast. At the same time, a group in the operations or manufacturing function drafts a capacity plan that specifies how much money will be spent, how many people hired, and how much inventory created. And already these functional departments are at war. Lamented one production planner, "The salespeople and their forecasting 'experts' are so optimistic and so worried about late deliveries that they pad their forecasts. We have to recalculate their plans so we don't get sucked into their euphoria." From their side, marketing people counter distrust with equal distrust: "Production won't change anything, anyhow, anywhere." Ultimately, the people deepest in the organization and farthest from the customer—production planners—often develop the final forecast used to hire workers and build inventory.

The next step in the OMC is *order generation*, a stage that usually produces a gap between order generation, order planning, and later steps in the cycle. In our research, we saw orders generated in a number of ways. The sales force knocks on doors or makes cold calls. The company places advertisements that draw customers into distribution centers or retailers where they actually place an order. Or, increasingly, companies turn to direct marketing. But regardless of the specific marketing approach, the result is almost always the same: the sales and marketing functions worry about order generation, and the other functions get out of the way. Little coordination takes place across functional boundaries.

At the third step, *cost estimation and pricing*, battles erupt between engineers who do the estimating, accountants who calculate costs, a headquarters group that oversees pricing, and the field sales force that actually develops a price. Each group questions the judgment, competence, and goals of the others. Working through the organizational barriers takes time. Meanwhile, of course, the customer waits for the bid or quote, unattended.

Order receipt and entry comes next. It typically takes place in a neglected department called “customer service,” “order entry,” “the inside sales desk,” or “customer liaison.” Customer service representatives are usually either very experienced, long-term employees or totally inexperienced trainees. But regardless of their experience, customer service reps are, in fact, in daily contact with customers. At the same time, these employees have little clout in the organization and no executive-level visibility in either direction. That means customer service representatives don’t know what is going on at the top of the company, including its basic strategy. And top management doesn’t know much about what its customer service department—the function closest to customers—is doing.

This unlinked group of customer service reps are also often responsible for the fifth step in the OMC: *order selection and prioritization*, the process of choosing which orders to accept and which to decline. Of course, the more carefully companies think through order selection and link it to their general business strategy, the more money they stand to make, regardless of physical production capacity. In addition, companies can make important gains by the way they handle order prioritization—that is, how they decide which orders receive faster, more complete attention. However, these decisions are usually made not by top executives who articulate corporate strategy but by customer service representatives who have no idea what the strategy is. While customer service reps decide which order gets filled when, they often determine which order gets lost in limbo.

At the sixth step, *scheduling*, when the order gets slotted into an actual production or operational sequence, some of the fiercest fights erupt. Here sales, marketing, or customer service usually face off with operations or production staff. The different functional departments have conflicting goals, compensation systems, and organizational imperatives: production people seek to minimize equipment changeovers, while marketing and customer service reps argue for special service for special customers. And if the operations staff schedule orders unilaterally, both customers and their reps are completely excluded from the process. Communication between the functions is often strained at best, with customer service reporting to sales and physically separated from production scheduling, which reports to manufacturing or operations. Once again, the result is interdepartmental warfare.

Next comes *fulfillment*—the actual provision of the product or service. While the details vary from industry to industry, in almost every company this step has become increasingly complex. Sometimes,

for example, order fulfillment involves multiple functions and locations: different parts of an order may be created in different manufacturing facilities and merged at yet another site, or orders may be manufactured in one location, inventoried in a second, and installed in a third. In some businesses, fulfillment includes third-party vendors. In service operations, it can mean sending individuals with different talents to the customer’s site. The more complicated the assembly activity, the more coordination must take place across the organization. And the more coordination required across the organization, the greater the chance for a physical gap. The order is dropped and so is the customer. The order ends up on the floor, while different departments argue over whose fault it is and whose job it is to pick it up.

After the order has been delivered, *billing* is typically handled by people from finance who view their job as getting the bill out efficiently and making the collection quickly. In other words, the billing function is designed to serve the needs and interests of the company, not the customer. In our research, we often saw customers who could not understand a bill they had received or thought it was inaccurate. Usually the bill wasn’t inaccurate, but it had been put together in a way more convenient for the billing department than for the customer. In one case, a customer acknowledged that the company provided superior service but found the billing operation a source of constant aggravation. The problem: billing insisted on sending an invoice with prices on it. But because these shipments went to subcontractors, the customer didn’t want the actual prices to show. The finance function’s response: how we do our invoices is none of the customer’s business. Yet such a response is clearly self-serving and creates one more gap—and possibly a loss to the company—in the cycle.

In some businesses, *returns and claims* are an important part of the OMC because of their impact on administrative costs, scrap and transportation expenses, and customer relations. In the ongoing relationship with the customer, this ninth step can produce some of the most heated disagreements; every interaction becomes a zero-sum game that either the company or the customer wins. To compound the problem, most companies design their OMCs for one-way merchandise flow: outbound to the customer. That means returns and claims must flow upstream, against the current, creating logistical messes and transactional snarls—and extremely dissatisfied customers.

The last step, *postsales service*, now plays an increasingly important role in all elements of a company’s profit equation: customer value, price, and

cost. Depending on the specifics of the business, it can include such elements as physical installation of a product, repair and maintenance, customer training, equipment upgrading, and disposal. At this final step in the OMC, service representatives can truly get inside the customer's organization; because of the information conveyed and intimacy involved, postsales service can affect customer satisfaction and company profitability for years. But in most companies, the postsales service people are not linked to any marketing operation, internal product-development effort, or quality assurance team.

At company after company, we traced the progress of individual orders as they traveled the OMC, beginning at one end of the process where orders entered, concluding at the other end where postsales service followed up. What we witnessed was frustration, missed opportunities, dissatisfied customers, and underperforming companies. Ultimately, four problems emerged, which are tied to the four lessons discussed earlier.

□ Most companies never view the OMC as a whole system. People in sales think that someone in production scheduling understands the entire system; people in production scheduling think customer service reps do. No one really does, and everyone can only give a partial description.

□ Each step in the OMC requires a bewildering mix of overlapping functional responsibilities. As "Why Orders Fall Through the Cracks" illustrates, each step is considered the primary responsibility of a specific department, and no step is the sole responsibility of any department. But given the fact that responsibilities do overlap, many disasters occur.

□ To top management, the details of the OMC are invisible. Senior executives at all but the smallest operating units simply don't understand the intricacy of the OMC. And people with the most crucial information, such as customer service reps, are at the bottom of the organization and can't communicate with the top.

□ The customer remains as remote from the OMC as

Why Orders Fall Through the Cracks

Customer	Steps in the OMC	Sales	Marketing	Customer Service	Engineering	Purchasing	Finance	Operations	Logistics	Top Management
plans to buy	1. Order planning	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	coordinates
gets sales pitch	2. Order generation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	sometimes participates
negotiates	3. Cost estimation and pricing	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	sometimes participates
orders	4. Order receipt and entry	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	ignores this step
waits	5. Order selection and prioritization	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	sometimes participates
waits	6. Scheduling	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ignores this step
waits	7. Fulfillment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ignores this step
pays	8. Billing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	ignores this step
negotitates	9. Returns and claims	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	sometimes participates
complains	10. Postsales service	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	ignores this step

The OMC is everybody's job, but overlapping responsibilities—and lack of management involvement—often lead to confusion, delays, and customer complaints.

leading role supporting role

top management. During the process, the customer's primary activities are to negotiate price, place the order, wait, accept delivery, complain, and pay. In the middle of the OMC, they are out of the picture completely.

Of course, today top managers know that customer service and customer satisfaction are critical to a company's success. In one company after another, managers pursue the same solutions to problems that crop up with customers. They try to flatten the organization to bring themselves and nonmarketing people into direct contact with customers. But while flattening the organization is a fine idea, it's not going to solve the real problem. No matter how flat an organization gets, no matter how many different functions interact with customers face to face—or phone to phone—what the customer wants is something else. Customers want their orders handled quickly, accurately, and cost-effectively, not more people to talk to.

Here's what top managers *don't* do: they don't travel horizontally through their own vertical organization. They don't consider the order management cycle as the system that ties together the entire customer experience and that can provide true customer perspective. Yet all ten steps are closely tied to customer satisfaction. Because the OMC is an intricate network that almost guarantees problems, top management's job is to understand the system so thoroughly it can anticipate those problems before they occur. That means managers must walk up and down and from side to side, every step of the way.

What's Wrong with Their OMCs?

Consider two brief case studies. One is taken from a specialty materials producer, the other from a custom capital equipment company, but both exemplify the three most common and debilitating problems that plague OMCs.

At the specialty materials company, when customers complained about order cycle time, top managers responded by increasing the work-in-process inventory. As a result, the company could meet customer specifications from semifinished goods rather than starting from scratch. At the custom capital equipment company, when customers complained about slow deliveries, this company increased its manufacturing capacity. As a result, the company always had enough capacity to expedite any order.

Both solutions pleased customers. In addition, the first solution pleased that company's marketers and the second solution pleased that company's opera-

tions department. But neither solution pleased top management because, even after several quarters, neither produced economic returns to justify the investments. In fact, both solutions only made matters worse. At the specialty materials company, marketing staff took advantage of the increased work-in-process inventory to take orders and make sales that used up that inventory but didn't generate profits. And at the capital equipment company, manufacturing staff relied on the increased capacity to meet marketing demands but allowed productivity to slide.

The next step both companies took was predictable. Top management, frustrated by the failure of its solution and concerned over continuing squabbles between departments, called on managers across the organization to rally around "making superior profits by providing top quality products and excellent service." Top management translated "top quality" and "excellent service" into catchy slogans and posters that decorated office cubicles and factory walls. It etched the "superior profit" objective into the operating budgets of higher level managers. And it formed interfunctional teams so managers could practice participative decision making in pursuit of the new, companywide goal.

At the specialty materials company, a star sales manager who had been promoted to general manager set up an interfunctional executive committee to assess quarterly revenue and profit goals. We attended one meeting of this new committee. As the general manager sat down at the head of the table to begin the meeting, he expressed concern that the division was about to miss its revenue and profit goals for the second consecutive quarter. Committee members responded by pointing at other departments or making excuses. The vice president of sales produced elaborate graphs to demonstrate that the problem was not caused by insufficient order generation. The vice president of operations produced detailed worksheets showing that many orders had come in too late in the quarter to be completed on time.

However, given their new joint responsibility for profits, both sides agreed to put aside such arguments and focus on "how to make the quarter." All agreed to ship some customer orders in advance of their due dates because those items could readily be finished from available work-in-process inventory. While this solution would delay some long cycle-time orders, the committee decided to sacrifice these orders for the moment and take them up early in the next quarter. And immediately after the meeting, committee members started executing the plan: salespeople called their customers and cajoled them to accept early delivery; manufacturing staff rescheduled the shop floor.

Because of its small size, the custom capital equip-

ment producer didn't need such a formal mechanism for coordinating activities. The CEO simply inserted himself into the daily workings of all functional areas and insisted on hearing all customer complaints immediately. While visiting this company, we heard a customer service representative talking on the telephone to a customer who had just been told her order would be late. The customer objected and asked for an explanation. After much hemming and hawing, the rep explained that her order had been "reallocated" to another customer who needed the product more. The customer on the phone, who purchased products from the company in a relatively large volume, demanded to speak to the CEO and, under the new policy, was connected right away. When the CEO heard this important customer's complaint, he instantly plugged the order back in at the top of the priority list.

But, in spite of such heroic efforts at both companies, customer service continued to slump, and financial results did not improve. At the materials company, customers who expected later delivery of their orders received them unexpectedly early, while those who needed them early got them late. At the capital equipment company, small customers who didn't know the CEO personally or didn't understand the route to him found their orders continuously bumped. At both companies, there was no real progress toward genuine customer satisfaction, improved service, or enhanced profits. Neither company had come to terms with the three critical problems embedded in their order management cycles: horizontal and vertical gaps, poor prioritization of orders, and inaccurate cost estimation and pricing.

The specialty materials company suffered from a fundamental horizontal gap: the marketing and manufacturing departments didn't share the same priorities for customer value, order selection, and order urgency. The real solution to this problem was to encourage and reinforce an understanding between these two critical OMC elements; both the marketing and manufacturing departments needed to address how their order management cycle generated customer value and where they were dropping customer orders in the horizontal handoff. Instead the company introduced an expensive buffer to cover over the gap between the functions—a semifinished inventory—and, when that failed, it decided to sacrifice real customer service to serve its own short-term financial needs. The immediate solution, simply shipping orders based on the amount of time it would take to complete them, merely pushed the problem from one quarter to the next without addressing the system failure. When the next quarter rolls around, top management will still have to contend with horizontal gaps, a lack of order selection and prioritiza-

tion, and the inability of their order flow to generate value for the customer.

The same underlying systemic problems existed at the custom capital equipment producer. However, because of the small size of the organization, this company took a simple, politically expedient solution—let the CEO decide—and superimposed it on an expensive financial solution—add manufacturing capacity. If the company suffered from vertical gaps before, where people down in the trenches failed to understand the strategy developed up in the executive suite, the CEO's intervention in customer orders only made the gaps worse. The CEO's involvement didn't address the systemic problems; he merely substituted his judgment and knowledge for that of lower level employees. The detrimental effects on employee morale more than offset any immediate gains in customer appreciation. Had the CEO invested his energy in helping employees understand how each order creates customer value, has specific costs attached, and involves a certain amount of processing time—and communicated the importance of the whole OMC—he would have generated more customer satisfaction, greater employee morale, and higher profitability without adding expensive manufacturing capacity.

How Can I Fix My OMC?

It takes hard work to improve a company's order management cycle. Most successful efforts involve three basic elements: analysis, system focus, and political strategy. Each plays a different role in overall upgrading of the OMC and requires different implementation techniques, so let's look at each in turn.

1. Analysis: Draw your OMC—and chart the gaps.

In the course of our research, we visited a number of companies that were actively engaged in reviewing their OMCs with an eye to improvement. But only two companies had made progress; significantly, both had begun by trying to understand the whole OMC from start to finish. And they hadn't created a diagram on a single sheet of paper or a standard report format. Rather, one of these companies had built "war rooms": two adjacent, bunker-like offices. The walls of both rooms were made of poster board coated with color-coded sheets of paper and knitting yarn that graphically charted the order flow from the first step to the last, highlighting problems, opportunities, and potential action steps. With its multiple and overlapping sheets of paper, the entire chart easily exceeded 200 feet in length.

This visual tool made it possible for different people from different functions and levels in the organization to accept the OMC as a tangible entity. Everyone could discuss the order flow with a clear and shared picture in front of them. And by representing the OMC as a visible, tangible system, the chart guaranteed that disagreements over problems would focus on facts rather than on opinions about how the OMC worked.

A second type of successful analysis requires companies to look at the OMC from the customer's point of view. For example, at one company, the in-house measurement system found that 98% of all orders went out on time. But another detailed survey noted that only 50% of customers said they were satisfied with deliveries. The company was unable to reconcile the two reports until managers looked at the issue from the customer's angle and compared it with their own point of view. For instance, the customer survey measured the date when the customer actually received the order; but the company's internal system was based on the date when it shipped the order. If an order consisted of 100 items, and the company correctly shipped 99 of the items, the internal report recorded a 99% perfect shipment. But the customer, who needed all 100 items before work could begin, recorded the order as a complete failure. And if the order contained an incorrectly shipped item, the company did not register the mistake at all. Of course, the customer did because an incorrect item could easily interfere with his or her ability to get on with the job. Once this company recognized the difference between its perspective and the customer's, it switched to the customer's view as the basis for its tracking system.

Finally, successful companies have explicitly stated that their goals are satisfied customers, higher profits, and sustainable competitive advantage without compromising any of them. One company realized that, while it currently relied on extensive competitive bidding, it would have to start tracking its own win-loss percentages by type of customer, geography, type of order, and other relevant data to meet its larger goals. Managers could then use such data to analyze the relationship between the company's prices and its competitors as well as between volume and price. That, in turn, could translate into better price and market share and less effort wasted on unattractive or unattainable business.

2. System Focus: Put the pieces together, move across boundaries.

Analyzing the order management cycle should underline this fundamental point: the OMC is a sys-

tem, and executives must manage it as a system. The goal, of course, is to fit together the horizontal pieces into a unified, harmonious whole. To encourage such alignment, managers have a number of tools at their disposal. For example, through the company compensation system, managers can introduce joint reward plans that encourage employees to take a systemwide view of company performance. Or in designing performance measurements, managers can include numbers that reflect performance across boundaries or throughout the system.

Perhaps the most powerful tool managers can use is interfunctional or interdepartmental investments in projects. These expenditures not only bring different units closer together but can also result in substantial financial returns to the company. Of course, in most companies, project champions drive the decisions in the capital budgeting process. Most project champions embrace projects in their own departments or functions. Projects that cross boundaries tend to be orphans because they lack champions; even with champions, such projects require difficult, time-consuming negotiations and are often deferred or fail outright. But precisely for this reason, projects that cross department boundaries can create an integrated atmosphere. When the CEO or chief operating officer personally back investments, the whole organization gets the message that these investments reflect a new perspective. Significantly, interdepartmental projects, usually underfunded for years, often deliver the greatest returns to the company in terms of real improvements and financial results.

A company's information technology system can also play an important role. Computer technology is a crucial tool for integrating many steps of the order management cycle. Direct computer links with customers and integrated internal computer systems, for example, typically result in lower costs and better analysis. And while order processing was one of the earliest activities to be computerized in many companies, it's now time to update and reengineer such systems. When managers walk through the entire OMC, they have the opportunity to ask whether each step can be improved with a computer or, perhaps, eliminated altogether given new technology and processes. With more reliable computer systems, for instance, is manual backup still required? Or can data be captured at the source to avoid repeat entry and inevitable clerical errors?

All of these human resource, management, and information technology tools reinforce the idea, represented by the OMC, that the basic work of the company takes place across boundaries. And because obsolete or unnecessary tasks hinder coor-

dination, all pieces of the system must fit together to meet customer needs in a seamless fashion.

3. Political Strategy: Staple yourself to an order.

Given that the order management cycle is critical to so many daily operating decisions, it is often at the center of all political maneuverings in a company. Realistically, OMC politics will never go away; working horizontally in a vertical organization is always difficult at best. In our research, we saw hard-nosed CEOs and high-ranking divisional general managers forced to admit defeat when confronted with stonewalling functional staffs. We watched young, analytically focused managers with innovative ideas face disinterest, distrust, and selfishness—and fail miserably. The only people who can succeed at interdepartmental management are usually hardened veterans who understand company politics and can cash in favors. But even they won't succeed without visible support from the top.

One way to improve the situation in any company is to “close the loop” between the service providers and the strategy setters or, in other words, to tie the company closer together through the order management cycle. Managers should try what we did in our research: we “stapled” ourselves to an order and literally followed it through each step of the OMC. When managers do this, descending from the executive heights into the organization's lower depths, they come into contact with critical people like customer service reps and production schedulers. Reps, schedulers, order processors, shipping clerks, and many others are the ones who know fine-grained information about customer needs. For example, customers might want the product delivered in a drum rather than a bag or prefer plastic wrapping to styrofoam.

For most executives in most companies, there is simply no organizational setup for listening and responding to people at all levels. The McDonald's policy of having executives regularly work behind the counter is a worthwhile example of creating such an opportunity. Requiring top managers to work as cashiers and cooks sends a message about the company's values to all staff and enables executives to experience the OMC firsthand.

However, this idea can degenerate into an empty gesture or just another management fad. Take, for example, CEO visits to customers that become official state visits in which corporate heads discuss company relationships at a level of abstraction that has little to do with reality. In most businesses, man-

agers can learn more from salespeople, customer service representatives, production schedulers, and shippers than from a customer's CEO.

All too often, managers who try to focus on internal conflicts directly without charting the OMC find themselves thwarted by politics and recalcitrant employees. But the wall charts and interdepartmental measurements engendered by focusing on the OMC can create an overall vision that transcends vertical politics. The customer is not involved in organizational infighting, and when a company takes on the customer's perspective, politics must take a different and more productive turn.

What Happens After I Fix My OMC?

When companies improve their order management cycles, there are three important benefits. First and foremost, they will experience improved customer satisfaction. Companies will fill orders faster, become more accurate, and generally keep their promises to customers. A well-run OMC has a huge impact on customers: most OMCs perform worst when demand is greatest, which means that the largest number of customers experience service at its poorest quality. Fixing the OMC reverses that downward trend.

Second, interdepartmental problems will recede. When the OMC is not working well, it both reflects and causes monumental internal strife in a company. People in each department feel they are working hard to achieve their goals; they feel let down by other functions when customer service or financial performance fails to measure up. In the absence of unifying efforts and signs of improvement, the infighting can take on a life of its own and become even more divisive than the operating problems that started the battle. A systemic view helps everyone understand that all departments are interdependent.

Finally, companies will improve their financial performance. We saw companies lose sales, waste labor, and fumble investments because of poor order management cycles. Typically, companies throw money at their problems, building excess capacity, adding inventory, or increasing the body count, all of which are expensive and none of which solve the real problem. The simple fact is that when an OMC is poorly managed, greater sales, lower costs, higher prices, and smaller investments all seem impossible. But when the order management cycle works efficiently, a company can achieve these goals—and more.