How to determine if your business systems are working - before they go wrong

By Harry Welby-Cooke   24 Aug 2016

The importance of reliable systems in a business cannot be underestimated, something I was reminded of the day I lost a week of work and three years' worth of financial records, after a hard drive failed - something I'm still recovering from, to this day. If only I had appropriate business systems in place to mitigate that.

Business systems are methodical procedures or processes that ensure goods and services are delivered to customers, and that a business continues to run day-to-day without crisis. In my case, it would have been a regular backup of important business data to an on premise server or the cloud. That's all good and well, to put systems in place to ensure a business's continuity, but how do you know the systems you've implemented are reliable, or even working?

Put simply: when a business is properly systematised, there is a sense of calmness in the business. If you have to continuously put out fires, address customer complaints or dip into your cash flow for unexpected expenses, then something is likely going wrong. At that point, you need to promptly address the system at play, rather than patching up the problems.

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Fixing problems as things fail is a basic problem-solving endeavour every company engages in, but businesses that get stuck in a continual fix-as-fail loop will not grow, nor will they be profitable in the long run. To avoid that, unpack the system in place and establish what it's supposed to achieve. What is its intended goal?

When diagnosing a problem, your best bet would be to ask those whose job it is to manage the system. Of course, there's the possibility that your employees are not doing what they're meant to – perhaps, utilising a shortcut to save time, at the expense of other departments – but you hired them for their expertise and experience, so leverage it.

The ultimate goal of a system is to iron out the root cause for problems before they ever occur – prevention being better than cure – but that's not always possible. A good system, however, should give you lead time, so that you can see a problem as it unfolds, way in advance. But always keep a close eye on your systems.

You need a reliable testing and monitoring system if you are to ensure your other systems are working as intended. That might mean making sure that you're paying creditors on time, there is always cash available to pay staff and product returns are within an acceptable threshold of those total sold. Keep a record of important indexes, like product returns, unhappy customers/complaints, and missed deadlines for staff and so on, as part of your business's KPIs. Should numbers breach a particular threshold, you need to act accordingly, and promptly.

You need to then ask yourself what went wrong. How do we solve the problem? That's how you develop systems in lieu of a second, or even third, crisis. But passivity alone is not the entire solution. There also needs to be an aspect of active engagement with systems, to have a group of people sit down on occasion to review the systems in place, and figure out if they're running optimally – could they work quicker, better or be made more cost effective. Identify potential pain points down the line, as the business continues to grow, and address them before they ever take root. The term I like to use is "no surprise management"; it's the idea that a system, if running correctly, should never surprise you – in an ideal world of course; but yes, there are always exceptions.

That's why I always encourage a culture of innovation, not just for things like better productivity and enhanced collaboration across business units, but to solve or identify potential problems before they arise. New technologies can do that, but you need to actively engage with your systems to make it happen.

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