



Absolute Agility and Resiliency Beyond the Pandemic



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The global pandemic caused a significant stress test that was a shock to the entire global supply system. The troubles were like a sudden natural disaster that hit worldwide, and there was a sudden motivation for organizations to make rapid changes.

Without a crisis of this magnitude, the momentum for change would not have risen to such a fervent level. The crisis demanded absolute agility, resiliency, and cost management. This article explores how to use this momentum as a springboard to increase cash velocity, continue to improve cash management efforts, optimize supply chains, and achieve operational excellence that results in value creation for a company.

Using a Results and Value Accelerator Methodology

The "Results and Value Accelerator" Methodology uses a systematic approach to create company value while reducing costs and increasing profitability rapidly. Here are the fundamentals of the methodology, followed by the pillars underpinning it.

The methodology steps, in sequence, are the following:

1. Analyze complex business issues to determine what change is needed.
2. Engage all the stakeholders in the change process.

3. Employ enthusiastic leadership as a change agent, which may be a project manager, a C-level executive, and/or an outside consulting firm.
4. Empower the change agent with the resources needed to implement the change.
5. Make the commitment and align the entire organization and/or department with the change initiative.
6. Remove barricades to success. Replace naysayers or re-direct them by putting them in charge of the change requirements.
7. Set performance benchmarks, timelines, and success goals.
8. Design, develop, and implement strategic improvements in processes, operations, and management systems to achieve, and then surpass, goals.
9. Analyze performance results against benchmarks.
10. Discover and document insights about process improvements.
11. Make adjustments for continued improvements.
12. Do this fast, and then do it again.

This is how world-class companies multiply revenues, improve cash flow, and dramatically improve performance in record time. By focusing on the three pillars of the "Results and Value Accelerator."

- 1) Cost Optimization
- 2) Cash Flow Enhancement, and;
- 3) Operational Excellence.

1. Cost Optimization

Cost optimization includes cost management, supply chain optimization, and making organizational improvements.

Cost Management

Besides reducing costs, proper management of costs also evaluates the costing methodology, analytics, and reporting systems.

Consider this example. A tire company secured a long-term contract to provide tires for certain vehicles for an automobile manufacturer. The existing accounting system used the common practice of fulfilling purchase orders and then billing for the product shipments. The process was laborious, and the shipping logistics were inefficient for the tire orders placed one at a time.

The cost reduction solution was brilliant in its simplicity. Instead of shipping tire orders one at a time, the companies used a shared warehouse space that was highly secure. Tires needed for the production line moved directly from the shared warehouse to be placed on the vehicles. A baseline inventory level was always kept on hand in the warehouse and replenished automatically with lower-cost, bulk shipments. No re-ordering was necessary.

To account for the tires used in the manufacturing process, a handful of the tire company's staff was needed to count the cars that came off the manufacturing line and multiply that number by the kind of tires used for that vehicle. This change in costing, invoicing, billing methodology, and inventory management allowed the tire company to significantly reduce the accounting administrative staff from dozens

to just five people and reduce the accounting paperwork for the tire sales ten-fold.

Supply Chain Optimization

The pandemic's impact on the global supply chain was dramatic. These new parameters forced a rethinking of existing supply chains. Some items were suddenly out-of-stock due to higher-than-normal demand, such as toilet paper and hand sanitizer. Other things completely lost their marketplace, such as agricultural products normally packaged and sold for restaurant/school use that had no buyers remaining after the widespread shutdowns.

Optimization techniques for supply chain management under the **Results and Value Accelerator** program, which suddenly became more important, included such strategies as near-shoring, lead time reduction, supplier rightsizing, diversification, fitness, and risk analysis.

Organizational Improvements

One of the strongest impacts of the pandemic was the increased need for remote working. Suddenly, remote working was forced into the design of the workforce for many companies. About two-thirds of the companies that changed employees' efforts to work remotely report that these positions will remain permanently as remote jobs.

It turns out that many positions can be remote work. This was a surprising discovery. Remote work is a good idea when productivity is not impaired. For some positions, productivity improves. Other advantages are less time wasted by employees on commutes, reduced traffic congestion and pollution, and not as much expenditure for business travel when meetings can be held as virtual meetings rather than in-person. The downside was the psychological impact of reduced personal contacts.

2. Cash Flow Enhancement

Cash flow enhancement comes from cash velocity, revenue enhancement, and the return on assets.

Cash Velocity

The velocity of cash is also called cash turn or the cash cycle. It is how fast cash is applied to make something and returns back as cash (with profits). For example, cash is used to pay for raw materials, converted into a product that is then sold, and when the customer pays for the product, the cash cycle is complete. Profits are enhanced by speeding up this process of cash out and cash in.

Revenue Enhancement

Revenue enhancement comes from increasing sales and selling more items that have a higher profit margin. This effort increases revenues from the revenue channels that a company already has. This is often accomplished by adjusting pricing strategies.

Return on Assets

Return on assets calculates the return on investment (ROI) of capital assets used by a company compared to the opportunity cost of using the same capital to get a greater ROI elsewhere.

3. Operational Excellence

Excellence in operations comes from product optimization, customer experience optimization, and operational improvements.

Product Optimization

Product optimization includes making innovative changes to a product or a product line to make it more desirable to customers. Ideation of the

desirable changes needed might come from the customers' reviews, suggestions, requests, and/or focus groups.

For example, before the pandemic, when people lined up outside the Apple store to be some of the first people to buy the latest iPhone, this is because each release of the iPhone maximized product optimization. Fans of the iPhone just absolutely had to have the upgraded version to enjoy all the new features.

Customer Experience Optimization

Customer experience optimization takes a holistic approach to the complete customer experience. There are a unified brand message and company identity across all channels and customer touchpoints that remain consistent and of high quality for a customer's entire life cycle. Customers are treated like "family."

Operational Improvements

Every company needs to continually focus on operational improvements, almost to being obsessive about this. The downfall of many well-established organizations comes from upstarts and disrupters who have innovative ideas. Older, stable companies tend to lose resiliency. This leaves a company vulnerable to a disruptive event, technology, or idea and so-called "black swan" events that may seem to arise out of nowhere.

Here is one of the best operational improvements ever imagined. Microsoft began earning revenue by renting, not selling, its MS-Dos programming system to IBM. One of Microsoft's founders, Paul Allen, bought QDOS from its inventor, Tim Paterson, for \$75,000. Bill Gates paid Paterson to modify it into MS-Dos.

Bill Gates created massive revenues for the Microsoft Company from the idea of licensing software for its use rather than selling it

outright. It is important to notice that Gates did not invent the software. His huge success came from an operational improvement of how he sold it by licensing. This may seem obvious now. It was a major paradigm shift then and not obvious at all.

Moreover, IBM was completely entrenched in the mainframe computer marketplace and could not see the emergence of the personal computer as easily as the upstarts Microsoft and Apple. IBM still exists; however, this story's moral for IBM is do not leave a \$100 billion+ business opportunity in a vertical market ignored, or some upstart like Bill Gates may grab it.

Pandemic Lessons

Now that we understand the basic parameters of using a Results and Value Accelerator strategy for value creation and the key performance indicators to track, what lessons are learned from the pandemic?

Agile Management

The global pandemic response showed that some organizations could quickly innovate when there is no time for the wasteful bureaucracy constraints, and agile management methods are used instead. Agility increases the response rate to challenges. Decision-making must be done more efficiently when an organization is under pressure.

Top-level executives in crisis management mode set the key overriding principles, such as worker safety, and then delegate the operational decisions to line managers. When it is urgent, and there is no time to waste, strategic decisions that might have taken a month to make before are made in a matter of a few days with all the stakeholders actively participating and quickly coming to a consensus.

Maintaining Agile Processes

The challenge with agile responses used for crisis management is that people tend to go back to the normal, much slower, less efficient, "command-and-control" methods until the next serious challenge when the crisis dissipates.

Companies have a unique opportunity to use agile methods, developed under a crisis, as an ongoing system of dealing with process changes and innovation. Agile methods include the three basic principles of testing, learning, and adapting. To create a new operating model for any organization, these principles form the basis of continuous improvement.

For example, if the pandemic caused the sudden need for an agile team tasked to reconfigure the workforce to remote connectivity, then there is nothing to stop a company from applying the same methods of creating a new agile team to address another challenge or area of improvement. In other words, the same methods used to solve problems under an emergency are **chosen** by upper management to be used for desired innovation and change that is not necessarily an emergency.

Here is an example of a forced change that turned out to be a good marketing opportunity. Liquor distillers who sold most of their products to restaurants saw demand for their product suddenly diminish during the pandemic. A few business owners in this sector noticed that hand sanitizer was suddenly in high demand and started making it with the alcohol they produced instead of selling the liquor for drinking.

They learned from this sudden shift in demand, which went down for one group of products and went up for another related product group. They are in the business of selling alcohol-based products not restricted to drinkable liquor.

They can now apply this same thinking to developing a whole new line of personal care products that use alcohol as an important ingredient. Without the crisis created by the pandemic, they would never have noticed the valuable market for other alcohol-based products that they could make using the same liquor distillation processes and equipment.

Innovation Speed

In the middle of a crisis, it is astounding how fast a company can innovate. Agile management means to focus on innovation speed during regular times also. Measure the time it takes from problem identification to the implementation of an innovative solution. Track response time because there is a lot of wasted time caused by avoidable delays.

If you want your project team to innovate faster, eliminate the time-wasting conditions. These might be delays caused by operational processes, strategic planning, budgeting, approval processes, and funding cycles. Some research shows that teams spend up to 80% of the time-to-completion while working on a project, waiting for something else to happen.

To reduce wasted time, take a big project, and break it into smaller, more manageable pieces with accelerated feedback loops. Breakthroughs in operational improvements come from a series of short, intense activities consistently reviewed and evaluated in a positive self-reinforcing continuum. Move away from large annual planning and budgeting processes. Instead, focus on what can be accomplished in one month or one quarter. Budget and fund these project initiatives as "sprints."

For example, imagine the company's long-term strategy is to become more customer-focused. Rather than plan for a five-year project to overhaul the company's entire customer service

system, an alternative might be to create a VIP customer service system for the top 5% of its best customers. This pilot project can reward the best customers to prove the concept by seeing the impact on the revenues earned from treating this special group with an improved customer experience. If the pilot project is a success, it can be expanded to other customer segments.

How to Balance Innovations with Operations

A company must be able to innovate while maintaining existing operations. In many cases, the pandemic caused existing operations to stall or stop. Under such circumstances, the companies had to innovate or risk going out of business.

Under less challenging conditions, companies are normally operating and innovating at the same time. With too few innovative efforts, a company risks stagnation. Too much focus on innovation while neglecting existing operations may lead to higher costs, poor quality, and customer loss.

Large enterprises have a strong tendency to lean towards being overly bureaucratic with less focus on innovation. They overcome this by having nimble departments within the larger whole that can act independently and somewhat entrepreneurial. Large companies also can innovate by buying up other companies.

Here is another Microsoft example. In the beginning, IBM did not really see Microsoft as its competitor. About two decades later, Microsoft, which had become a behemoth, did not see its business model changing when the Internet commercialized in 1994. Microsoft was not prepared for the Internet that was to become a huge success.

Gates did not let Microsoft make the same mistake that he saw IBM do. Bill Gates famously said that he had to re-invent Microsoft after Netscape released its Internet browser. In response, Microsoft made Internet Explorer and gave it away in 2002 to put Netscape out of business. This became known as the "browser war."

Microsoft was sued for its tactics and lost the case. Nevertheless, Netscape never recovered its browser market share. Netscape went out of business in 2008 after having a \$2.9 billion market cap on its IPO in August 1995.

Agile Focus

Agile management works best when focused on two or three highest priorities. C-level executives can make the mistake of creating a deluge of initiatives, all with urgent deadlines, and throw their companies into chaos. When everything is an emergency, nothing is. Using agile methods does not mean to do everything at once or simply to do everything faster. It is much more focused than that.

How do Agile methods work?

Agile methods include three focus areas of scrum, kanban, and lean development. Scrum emphasizes using creative, adaptable, small teams to solve complex problems. Kanban techniques are about getting things done and moving things forward smoothly to completion. Kanban concentrates on reducing lead times and the amount of work in progress. Lean development is concerned with continual waste elimination across the entire enterprise.

Where are Agile methods most effective?

Agile methods were originally applied to software innovation and development; however,

there many other places that these methods are effective. Agile techniques can be applied to strategic planning, product development, marketing projects, supply chain problems, and resource allocations. Agile methods are less applicable in more mundane areas such as accounting, purchasing, and facilities maintenance.

Agile Implementation

For a company to improve by using Agile methods requires behavioral changes in the key participants. It requires training, applying new technology, and a commitment by key executives to the expense and effort required to implement the changes.


Business Continuity, Resiliency, and Agile Methods

Business continuity management includes a four-step cycle that repeats. The four steps, in sequence, are:

1. **Planning:** This step includes risk assessment and an analysis of the business impact of a proposal.
2. **Doing:** This is the implementation step and includes building awareness, training, and controls.
3. **Checking:** In this step, there are the monitoring functions and reporting of results.
4. **Acting:** This step reviews the feedback, makes appropriate changes for continuous improvements and then the cycle repeats.

A resilient company has the ability to adapt to an ever-changing environment and builds upon the business continuity management cycle. Such a company can anticipate, plan, respond, and adapt to ongoing business environmental changes. It can also handle a sudden extraordinary challenge such as the global pandemic.

Besides effectively responding to change,



resilience requires good corporate governance and competent, ethical management. The company needs to have a diversity of skills, strong leadership, in-depth knowledge, and significant experience. The employees' behaviors need to align with a company's shared vision, mission, and purpose. There needs to be coordination across management disciplines with technological and scientific expertise and comprehensive risk management.

Resilience is not a condition that exists by accident. It has to be built-in at the foundational core of a company's functional operations. Agile methods, where applicable, allow a company to have a rapid, resilient response to impactful change and do this quickly.

Value Creation

All of these above traits combine to create value for a company. Great companies excel in as many of these areas as possible. Companies that fail to understand the importance of maintaining an agile, resilient response run the risk of being overrun by competitors, losing market share, having lower valuations, and eventually going out of business.

Conclusion

The global pandemic put everything in stark relief and stress-tested huge industry sectors to see how they could handle a major disruption. Many businesses could not change and suffer because of it. Other companies in sectors stimulated by the pandemic, such as online retail sales, found an enormous growth opportunity. Still, they had to manage a "success disaster" of exponential growth that was not planned.

One thing is certain. Companies need to be agile and resilient and use this sudden challenge as the motivator to continue these processes far

beyond the pandemic.

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