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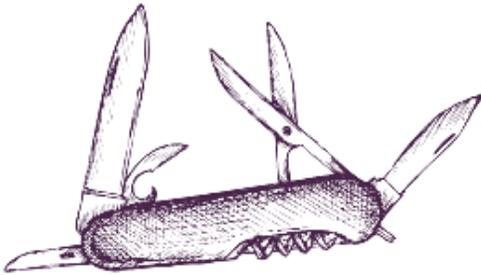Business Improvement & Advisory Services

FOCAL POINT |
Organizational Agility and Flexibility

Customer Collaboration ●

Business Development Continuity ●

Digital Communication Tools ●

Supply Chain Flexibility ●

Sales & Operations Planning (S&OP) ●

Cash Conversion Cycle ●

Contractor Relationship Management ●

Project Management Office (PMO) ●

BUILDING AGILITY INTO BUSINESS PROCESSES & SYSTEMS IN TIMES OF STRENGTH AND STRIFE

8 Trusty Levers

Fear and Inspiration

Goldratt's *Theory of Constraints* has loads of pithy, pragmatic guidance but his warning, "But Do Not Allow Inertia to Cause a System Constraint" really jumps off page and screen (1). Business constraints are created and supported by inaction, old rules that no longer apply, and staid policy that has outlasted its original usefulness. And yes, constraints always move faster than current processes, policies, and solutions. In good times and in trying times, business challenges pop up, and as soon as you knock them back down, another one rears its perplexing head. In a sense, problems should be welcomed because they trigger an organization to come alive and ask, "Why is this happening?" Where is this occurring?" What can we do about it?" Who is the best group we can assemble to overcome the challenge?" "When can we get cracking?" "How is this going to affect our customers, employees, community, and interested parties?" Your organization has to fight the on-going battle of constraints across multiple fronts with limited information and not as much confidence of success as you would like to have. Building flexibility into your organization to quickly ramp up, ramp down, sidestep, and step up as business dictates is a strong defense and, perhaps, an even stronger offense.

1 | Customer Collaboration

In times pleasant and painful, it's important to be close to your customer base—especially when they are nervous about their own businesses and customer base. Find ways to get real-time information on your customers' needs and the environment they are operating in with regularity. In a B2B environment, we see three key components to building agility in customer collaboration: metrics, relationship management, and experience analysis.

Metrics-based visibility may entail setting up data flow infrastructure to see trends quickly through leading and lagging indicators (demand-sensing metrics, correlated demand proxies with your customers, raw materials purchasing, indexing information, and customer surveys come to mind). To support quick decision-making and reposition your business as needed, seeing what is coming down the pike in as close to real-time as feasible and becoming comfortable with making decisions based on limited information are a must. Structure customer-related metrics to be a call to action. As time marches on, your information will get better but your organization cannot wait for perfection.

Organizational Agility and Flexibility

Synopsis
- A perspective on staying aloft, powering through, and capitalizing on opportunities popping up with help from 8 industry-agnostic organizational agility and flexibility levers.

Interwoven Aphorisms
- Problems spark questions, creativity, and actions
- Decision backed by data analysis is the rule
- Contingency planning and active risk mitigation need to be built into processes
- Get more comfortable making decisions with less-than-perfect information
- Customers, employees, and supply partners should be actively and frequently involved in solution development
- Technology enables but does not dictate decision-making
- Options are always available, some just call for more creativity than others
- Operational actions lead to financial results
- Test your instincts with lower risk experimentations
- Be very mindful of baseline development and disciplined in trend analysis
- Help your team to see the art of the possible
- In the short-term, some business aspects are adjustable
- In the long-term, everything is adjustable

Works Cited
- (1) "Theory of Constraints" by Dr. Eliyahu M. Goldratt, page 6, 1990, North River Press

Customer relationship management includes finding ways to help educate your customers about your team's industry experiences, what your senses are picking up, and repeatedly discussing ways you may be able to help each other solve problems at-hand. This is not a matter of talking customers into a bigger order in the short-term but rather a relationship-building, shared effort in solving customer problems. Relationship-building involves agreeing on the communication channel and cadence your customers need and feel comfortable with, too. The relationship-building component may also involve sharing metrics amongst organizations to provide more objective, less emotionally-charged evidence of where the relationship stands (think about performance baselines, agreed financial goals, and service level agreements). Customer collaboration and engagement should involve empowering your own team to have meaningful touch-points with customers that can be ramped up or dialed back as customers' needs warrant. It's about finding ways to be helpful to your customers even if that means not getting the near-term sale. It's about being creative in applying products and services, financial arrangements, and, dare we say, interjecting some fun and compassion in being all in it together.

Experience analysis involves building in a "lessons learned" feedback loop from your customer base to adjust your products and service offerings, recalibrate your Sales & Marketing teams, and prepare the rest of your functional groups for the part they need to play in turning on the charm for your customer base or tempering activities that are swaying toward misalignment. Ways of getting this feedback vary. Of course, methods employed will be based on your closeness to your end-customers, your ability to deploy technology applications to help gather the voice of your customers into a choir, and your team's follow-up capacity. However, a few options include executive visits with key customers, account management review themes rolled into a pareto chart, focus groups, customer surveys, media discussion snapshots, 3rd party interviews, recent customer service themes, and even digital reputation analysis. While there are many ways to gain perspective on customer collaboration opportunities, agility and flexibility start with plain ole listening.

2 | Business Development Continuity

This agility lever revolves around making sure your Sales & Marketing teams are consistently going after prospects without getting stuck in well-worn grooves leading to nowhere. We're talking about making sure the business development process is built upon a defined-but-flexible framework to support the entire team (but does not stifle an individual or region's ability to customize the approach to specific prospecting profiles, geographic regions, customer parameters, etc.). Your business development infrastructure needs to be as mobile as your Sales team requires to stay in front of prospects, spending most of their time building relationships rather than filling out forms or stuck in customer relationship management (CRM) interfaces.
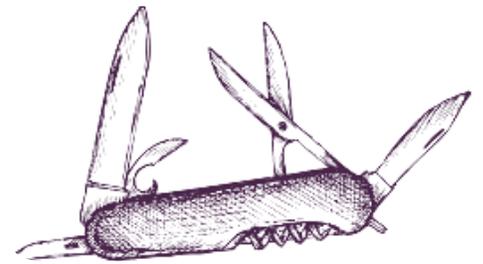
Translating Agility and Flexibility Into Financial Statements

Net Income Levers
- Customer Collaboration
- Business Development Continuity
- Digital Communication Tools
- Supply Chain Flexibility
- S&OP
- Contractor Relationship Management

Cash Flow Levers
- Customer Collaboration
- Business Development Continuity
- Digital Communication Tools
- Supply Chain Flexibility
- S&OP
- Cash Conversion Cycle
- Contractor Relationship Management
- Project Management Office

Balance Sheet Levers
- Customer Collaboration
- Supply Chain Flexibility
- S&OP
- Cash Conversion Cycle
- Project Management Office

The system needs to have what an old manager of mine with a military background called "rigid flexibility". Ostensibly, a contradiction in terms but in reality it sums up a compelling way to build out your bus dev system nicely. Rigid in the sense that there's a clear understanding of Sales & Marketing's support for each other, accepted communication channels, what worthy entries go into your CRM and what is a waste of time and bits, where one goes to learn about new products & services, what leading and lagging indicators the team needs to be trending toward to be successful, how your brand should be positioned with customers, and what are the proven ways of engaging prospects. Flexible in the sense that your bus dev pursuit and awareness system needs to be able to incorporate new lead sources, test opportunities in new markets, ramp up or ramp down outreach activity levels as the return warrants, allow Sales & Marketing to shape the sales funnel cadence, empower Marketing to build up timely campaigns and content with Sales, and ensure Sales & Marketing's collective knowledge (target market parameters, prospecting activities, competitive intelligence, account statuses, marketing campaign progress, training modules, customer feedback, etc.) is being captured, analyzed, and shared in a systematic way.

Employees come and go for various reasons; so, it's imperative to capture all their good work and progress while they are working in their bus dev position and ensure the next person can build upon progress (without redundant steps, without irritating prospects, and without upsetting current customers). Business development interaction points need to be consistent in the eyes of customers and prospects, scalable internally to meet sales targets and budgets, and designed to keep Sales teams prospecting, educating, and selling rather than buried in administrative work.

3 | Digital Communication Tools

Collaborating across time zones and oceans has gotten so much easier over the last 10 years thanks to rapid technology improvements (internet connection speeds, voice and video meeting software, digital workflows with customizable dashboards, intuitive, creative software as a service (SaaS) applications such as Slack, etc.). Yes, there's not a technology replacement for meeting genuinely in-person. Yes, some work will always be tangible, physical, and on site. However, the more your organization can manage work flows, communication channels, and work assignments with digital means, the faster your organization will be able to get teams involved in problem-solving, shift workloads over to parts of the organization with more capacity, and scale up or down by getting the directives out quickly.

Adding to the aforementioned Marketing front, digital-based systems are the fastest way to get your messaging out, adjust to personalized needs, and deploy relevant, coherent messaging in alignment with your company's reason for being and brand presence. Look into digital asset management (DAM) capabilities and
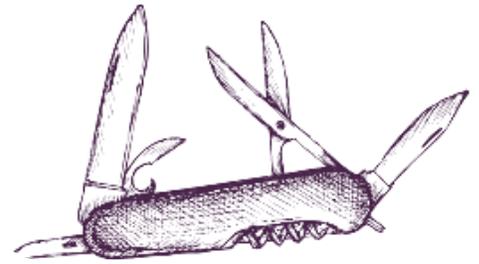
Stumbling
Blocks to
Agility
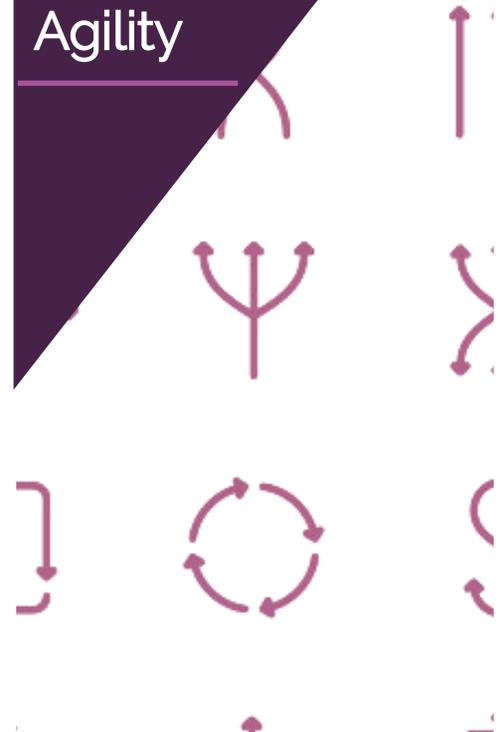
Just A Few

⇒ Lack of data analytics to sense what's on the horizon, what's working, and what needs to be adjusted
⇒ Broken communication channels amongst the team, customers, and supply partners
⇒ Magical thinking (it's got to get better...)
⇒ Fear of failure / risk aversion
⇒ Organizational exhaustion
⇒ Pervasive complacency and lack of inspiration
⇒ Misaligned organizational goals
⇒ Vague sense of responsibility and impact pervading the team (external locus of control)

updated content management systems (CMS) to have the ability to marshal your digital assets in a coordinated manner within in-house departments and across customer markets. These types of tools allow you to share personalized messaging to your prospects, customers, employees, and advocates of your brand. They can also help boost consistent, relevant, and timely internal communication channels—keeping your team apprised and inspired.

4 | Supply Chain Flexibility

Professionalized, data-driven procurement teams are in the driver's seat here when it comes to building in supply chain flexibility within your supply chain. Yes, they are certainly involved with managing the on-going battle to get the best pricing for raw materials, components, and labor inputs—but that's only part of the benefits they can deliver. A procurement team, set up with the right system and decision-making capabilities, is intimately involved in ensuring supplier service level agreements (SLAs) are being met, vendor relationship management is being cared for, and there's contingency plans in place when a vendor partner stumbles. Procurement may also be heavily involved with securing contingent modes of transportation or transportation service, ensuring providers are available to deliver to customers—on time and without margin erosion. Agility is built in by having transportation disruption plans, up-to-date cost models comparing in-house fleet runs versus 3rd-party logistics (3PL) providers, and pre-planned criteria & triggers for selecting alternative modes of transportation when necessary.

A metrics-based inventory control system is of paramount importance, too, when flexing up (or down) quickly. The ability to control fluctuating inventory levels through upper & lower control limits within your enterprise resource planning (ERP) system needs to be in place along with up-to-date parameters. Ideally control parameters should be updated frequently through a dynamic update and analysis process, along with crisply assigned responsibilities across the team, to quickly adjust.

5 | Sales & Operations Planning (S&OP)

This is where a customized approach can help the team to lower expenses in times of revenue headwinds and reallocate resources to in-demand products & services in tailwinds. Several critical elements within an agile S&OP system include integrated, clean data flowing into decision-support systems, disciplined cross-functional meetings with meeting cadence calibrated to business pressures, real-time performance dashboards, clear roles & responsibilities and internal SLAs, and a continuous improvement loop encouraging controlled evolution of S&OP processes & systems. All S&OP tools used to see the writing on the wall should have on-demand training options and clear procedures in order to be understood and actively used. System elements doing the heavy-lifting vary based on industry but may include capacity planning models, customer requirements and
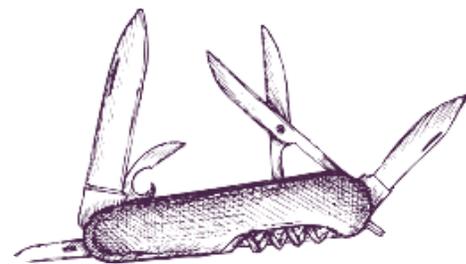
Enablers For
Agility

Some Team Enablers

⇨ Our team can make things happen (internal locus of control)
⇨ Spirit of experimentation
⇨ Contingency planning
⇨ "Always on" research & development
⇨ Practical, timely processes & procedures
⇨ Perennial workflow redesign
⇨ Clean data hierarchy powering departmental dashboards
⇨ Integrated SaaS applications
⇨ On-demand training modules
⇨ Preservation and open sharing of organizational knowledge
⇨ Cross-departmental continuous improvement feedback loop

order agreements, % of forecast inputs showing needed labor and machine capacity, workflow and work-in-progress visibility tools, interdepartmental communication applications, and dynamic training programs. Your team may want to run S&OP models for drastic scenarios like no revenue for 3 months, 6 months or (perish the thought) longer.

6 | Cash Conversion Cycle (CCC)

Freed-up cash provides investment freedom. It allows your organization to explore where the higher returns are—and deploy as necessary. Cash, or lack thereof, is also a major reason why firms go out of business—even if they have an impressive balance sheet. Liquidity empowers. Depending on your growth trajectory standing or how the macroeconomic environment is treating your firm these days, cash management agility may be one of the most important tools in your arsenal. In very simple terms, it's a matter of paying out your payables no sooner than on time to keep employees and vendors happy, controlling inventory levels to make sure you're not tying up cash unnecessarily or building up excess & obsolete inventory (to be written off down the road), and proactively managing accounts receivables with customers by understanding where risks of slow payment or non–payment lie within your portfolio-well before prevalent 30/60/90 days-late accounting categories.

Speeding up your CCC involves instilling a cash-conserving mentality within your team to educate and understand how day-to-day operational decisions impact cash positions for the firm. It may even involve incentivizing teams across the order-to-cash (OTC) continuum to hit cash targets as well as usual revenue and cost control targets.

Most organizations leave cash management up to their Finance and Accounting (F&A) teams since they are the ones who develop the budgets, generate the financial reporting, manage the accounts, and understand the accounting rules and financial concepts of cash flow. But CCC is a much bigger juggernaut than what F&A teams can handle on their own. Most F&A teams do not impact day-to-day cash inflow and outflow as directly as other functional groups. <u>All</u> functional groups must understand their place in CCC and the influence they wield. Likewise, they need to know what other groups are doing (or not doing) when it comes to controlling and enhancing cash positions.

7 | Contractor Relationship Management

The power to quickly flex up capacity while the sun shines may dangle upon your firm's ability to efficiently deploy contractors. Depending on your particular industry, labor markets, customer interactions, and revenue growth arc, contractors can be a great resource to supplement in-house teams, augment skills gaps, and get new businesses built up fast enough to capitalize on the market before your competition does. Whatever the reason or
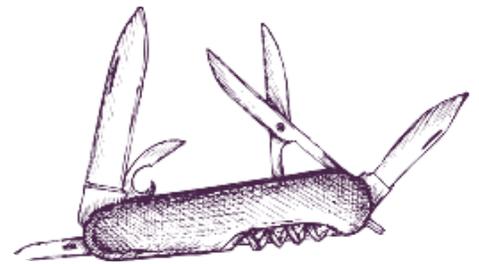
Our Way of Collaborating

Identify
2-4 meetings at no cost
- Discussion of issues
- Alignment around probable causes
- Framing of analysis scope
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Qualify
3-6 weeks at cost
- Qualify opportunities with Trapped Value Analysis (TVA)
- Quantify anticipated results
- Initial engagement design
- Key meetings: Launch, Opportunity Review, Solution Review, and Final Framing of analysis scope

Modify
4-8 months
- Final engagement design
- Execution of engagement design
- Realization & measurement of results
- Ownership & sustainability

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the season, a well-designed contractor relationship management system can save your team from costly mistakes. This lever involves on-going dialogue with contractors and contractor organizations in terms of business projections, customer requirements, internal expectations, talent needs, equipment wish lists, shared service levels, and contractor-specific key performance indicators. It most certainly involves setting up your contracting partners up for success—with environmental, social, and governance (ESG) and safety requirements, onboarding & training programs, employee sponsors and managers, and tools & resources needed while contractors are working with the Home Team.

8 | Project Management Office (PMO) and Knowledge Management (KM)

Having an Archimedean standpoint to the entire business may be impossible. But a strong project management office (PMO) certainly gets you closer. A PMO helps your organization control key elements of the business (capital projects, new market entries, technology upgrades, etc.) in a clearly-defined, highly-visible, well-orchestrated manner. It helps bless projects exceeding hurdle rates aligned with your team's strategic vision and assists in stopping projects wandering aimlessly, underperforming, or no longer in sync with needs. Having a strong PMO framework in place allows an organization to get constraints communicated up to executives before time gets away. It also builds confidence in management teams by having resources to support projects, an established way to manage triple constraints (time, cost, and scope), and the necessary reviews to ensure everyone's on the right track. All of these PMO hallmarks help to build agility and flexibility within most organizations.

Why reinvent the pocketknife? With an active, practical Knowledge Management (KM) system, your organization juggles less risk and expends less energy on business paths already traveled. KM certainly ties into the PMO lever in the spirit of having agreed-upon processes, procedures, and templates housed to benefit further projects down the road. However, KM does much more than storage to enhance agility. Set up correctly and with alacrity, KM facilitates agility by sharing information and resources across the organization. It creates a collective organizational consciousness filled with successes and failures. Files and artifacts can be tweaked to current needs; lessons can be captured. KM can boost productivity by keeping teams from starting from scratch. Also, it's a defense against an organization's wisdom walking out the door when talent moves on to greener pastures (both real and illusory).
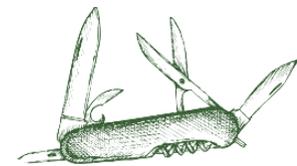
In Closing (Quickly)

During times joyous and angst-ridden, these eight levers can snuff out risks and help the team capitalize on opportunities. Their power emanates from a proactive organizational mindset, flexible designs, informed actions, and continuous learning.
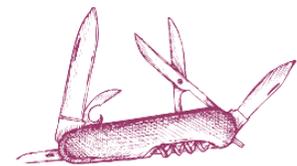

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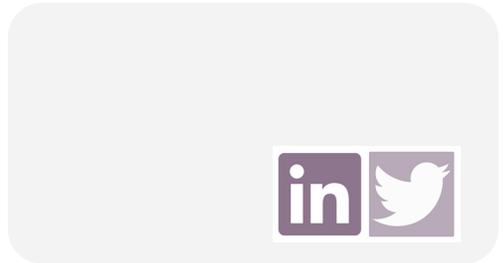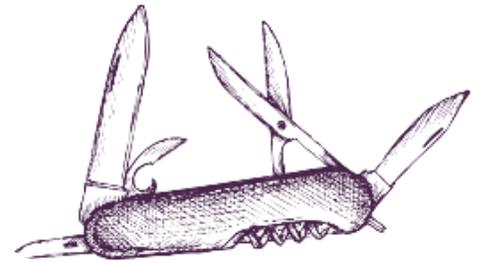
8 Levers Applicable To
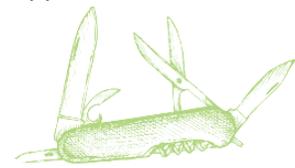
Most Industries

Most Organizations

Global Applications