

Back to the Future - Refocus on the Basics

By James Doyle

Current Crisis

The current economic crisis has left most business in a spin due to the speed and scope of its impact. The natural reaction of many is to retrench to focus on essential activity so as to reduce the risks associated with the current downturn. While this is understandable, we believe that the better approach is to improve competitiveness by preemptively focusing on the key *business imperatives* that are critical to success.

Business Imperative - Improve Competitiveness

The business imperatives that face all companies can be broadly classified into two categories:

- **Cost Optimisation** through increasing efficiency by removing non value adding activities, improving quality and streamlining business processes;
- **Revenue Optimisation** through maximizing the revenue from existing markets, repositioning of the business and growing market share.

While the focus of each category is different, they share one critical common characteristic, the need to address both dimensions so as to *improve competitiveness through achieving operational excellence*. This requires that all business processes are fully aligned. In particular, it places the spotlight on the sales process and how this is supported by the back office operations up to and including fulfillment. The current climate demands that these imperatives must be addressed immediately.

Cost Optimisation

Cost optimisation seeks to reduce cost without damaging core competence while simultaneously preparing the ground to build and develop new capability. There are a range of well proven approaches that can be used to drive cost optimisation, including *Lean, Six Sigma and Business Process Improvement*. The choice of most suitable approach to use is dependent on the particular needs of the individual companies at this difficult time.

While the approaches may vary the net result is essentially the same, all processes are significantly improved, capacity is released, costs are reduced, quality is enhanced and both customers and staff benefit from a much improved experience. It is worth emphasizing that while back office processes are typically obvious candidates for inclusion in these programmes, it is equally important that the sales and marketing processes must be also be addressed. In addition to supporting cost optimisation, these latter processes will be one of the key drivers for revenue optimisation.

Revenue Optimisation

To be successful in optimizing revenue companies should follow two courses of action. Firstly they must look first to current products, services and markets to ensure that they are exploiting these to their full potential. Secondly they should mobilize to develop new products and services which they can offer to both existing and new customers through a range of delivery channels. Both of these actions must be undertaken without increasing costs or at the very least ensuring such increases are minimal. From a sales perspective these products and services must be as simple as possible, should optimise the use of technology and should be capable of being delivered through a number of channels. In addition, the focus should be on reducing administration to a minimum so as to enable experienced sales staff to concentrate on selling.

We believe that cost optimisation and revenue optimisation are complementary. By implementing process efficiencies within the company, staff will be freed up who can be productively deployed to focus on revenue optimisation. In essence this enables companies to strategically reposition themselves while also maximizing their return from existing markets. The key to successfully redeploying staff onto revenue optimisation is to develop a strategy that will best utilise their skills. To address this issue add the following steps to the cost optimisation approach:

- **Assess** the capability and skill set of released staff;
- **Identify** and evaluate strategic options around;
- **Develop** new / revised operating model to deliver on new strategy.

Our staff has used this approach very successfully in a number of companies. By way of illustration, a specialist manual Drawing Office Supply Company who, following a cost optimisation programme, were faced with the challenge of having 90% of their staff available for redeployment. They re-evaluated their technical expertise and developed a strategy that enabled them to enter and grow their presence in the electronic market where they rapidly gained significant market share ranging from 25% to over 50%.

Selling in a Recession

Selling in a recession is particularly challenging as the natural tendency of potential buyers is to avoid anything that will increase costs. Consequently, the sales effort must be focused, persistent and relevant. More than ever, it is critical to understand your customer and their particular needs and priorities. Experience has shown that products and services and consequently sales effort must be geared towards addressing the key business imperatives. Agility and flexibility in the full sales cycle from prospecting to fulfillment is critical. Consequently the processes in this cycle must be aligned for maximum efficiency with particular focus on ensuring that sellers are not burdened with administration, while administrators operate at maximum efficiency and that both are focused on customer satisfaction.

Risk and Reward

There is no doubt that both cost and revenue optimisation is very challenging particularly in the current climate. However, being paralysed into inactivity is not an option. Senior management must take the lead in championing this approach to address these business imperatives companies will

- Maximize efficiency and optimise costs through streamlining operations, removing waste, rework and non value adding activities,
- Maximize revenue through exploiting existing revenue streams and developing new products and services,
- Enhance customer experience through improving quality,
- Protect employment and increase the skillset of employees.

Each of these very tangible benefits will increase revenue and profitability and will better equip companies to survive and thrive in this current climate.