
Greatest Innovation Since the Assembly Line

Powerful Strategies for Business Agility

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Overview of Briefing

PART 1 – The Greatest Innovation

PART 2 – Becoming an Agile Enterprise

PART 3 – Real World Agile Examples

Summary / Questions & Answers

PART 1

Greatest Innovation Since the Assembly Line

Process More than Technology

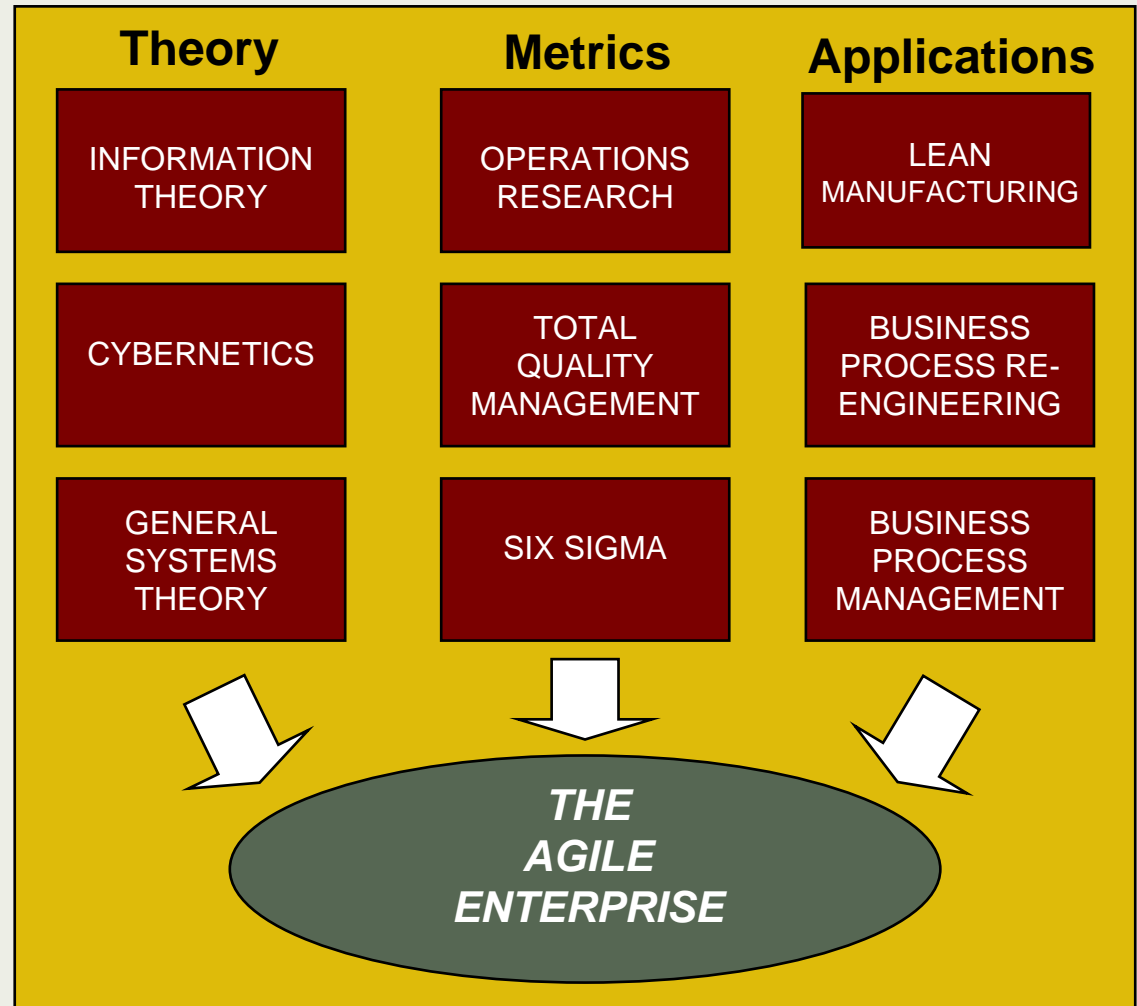
- 100 years ago new workflow process called “assembly line” revolutionized economy
- Assembly line not new technology, new way of using existing technology & organizing work
- Agile enterprise is not new technology, combines existing technology & new workflow processes to change again how work is organized & performed
- Profit in hyper competitive real-time world comes from many small adjustments & some big wins as companies respond to constantly changing environments

Some Definitions

- “An organization that senses environmental change and responds efficiently and effectively to that change.” “...achieves competitive advantage by using up-to-date information to progressively remove delays in the management and execution of its critical business processes.”
 - **Gartner, 2004**
- “An enterprise with organizational structure and business processes that enable efficient use of up-to-date information to both improve existing processes and devise new processes as opportunities or threats arise.”
 - **Hugos, 2005**

Roots of the Agile Enterprise

- Stafford Beer
- Ludwig Von Bertalanffy
- W. Edwards Deming
- Jay Forrester
- Kaoru Ishikawa
- Peter Senge
- Claude Shannon
- Norbert Wiener



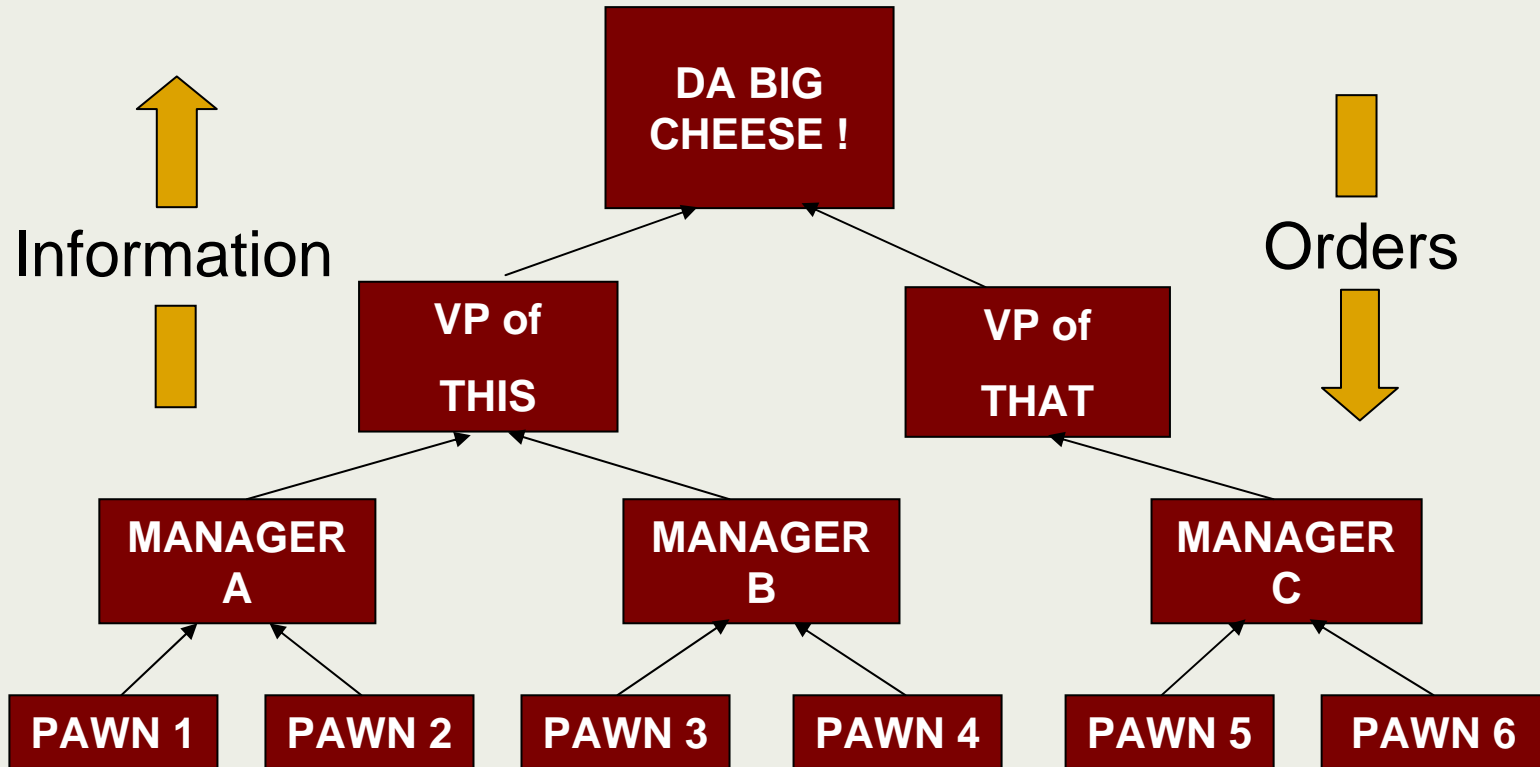
Why Do It?

- Profit margins in global economy are under constant pressure
- In many businesses gross margins average 10 -15% and heading lower
- Industrial concepts of efficiency are not enough
- Agility enables differentiation and earns an additional 2 – 4% margin (and sometimes more)
- We must differentiate ourselves or else simply participate in a “grim race to the bottom”

PART 2

Becoming an Agile Enterprise

Business As Usual

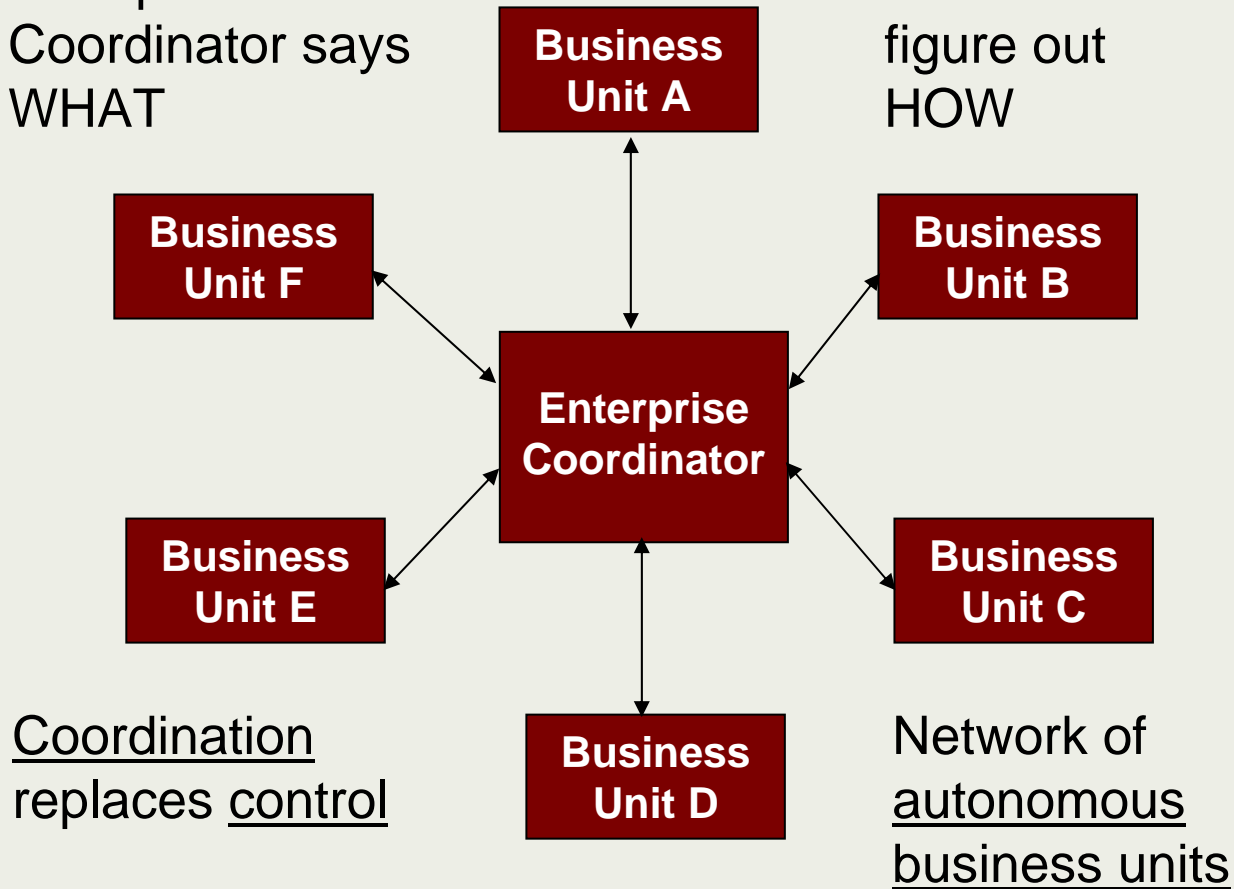


Centrally controlled hierarchies move too SLOWLY!

Agile Business

Enterprise
Coordinator says
WHAT

Business Units
figure out
HOW



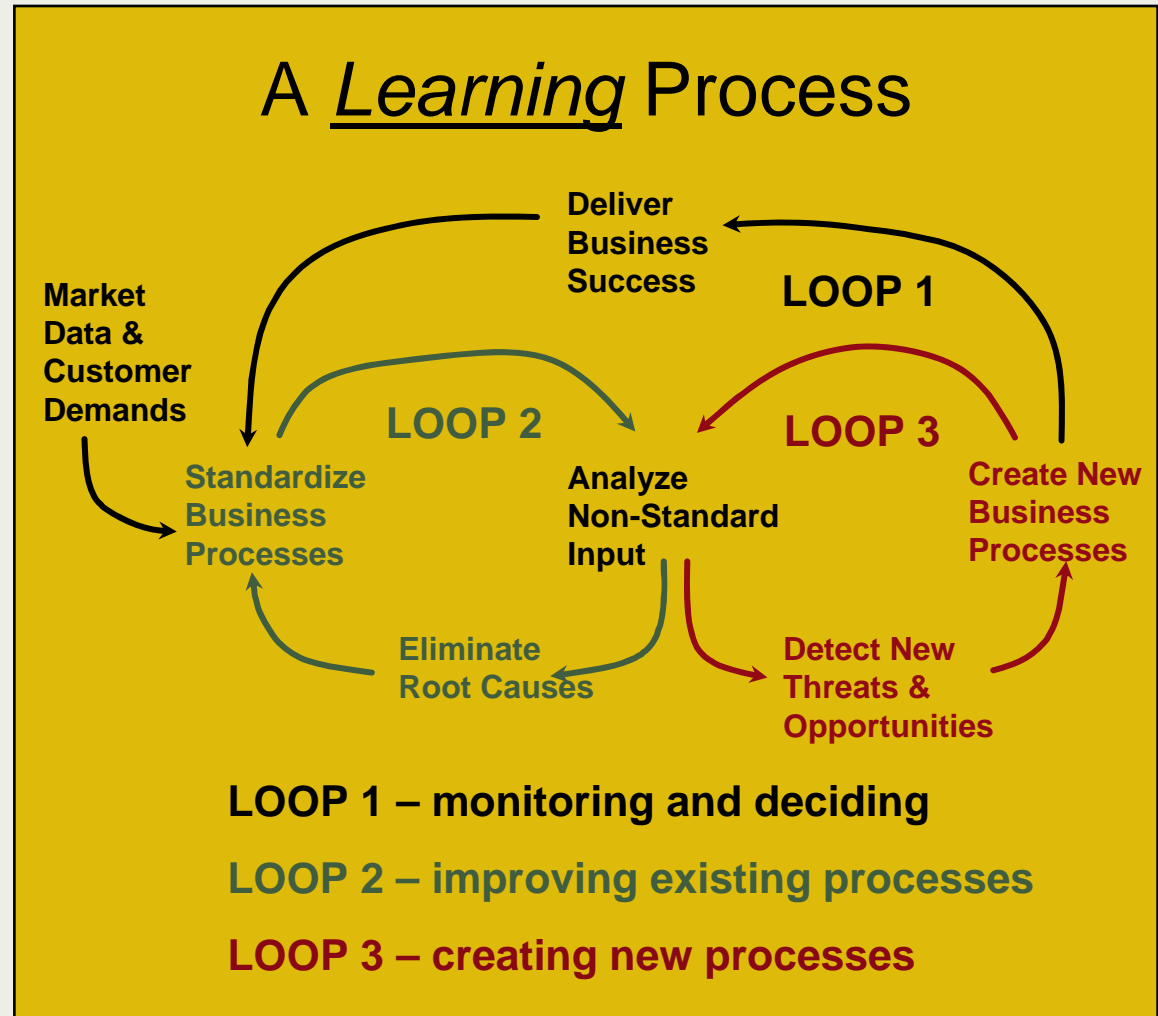
Agile Organizations

- My previous company – Network Services Co.
 - Network of independent distributors
 - Grew revenue more than 20% annually for six years
 - Able to earn additional 2 – 4% on product prices
- Whole Foods Market
 - Basic operating unit is store team (10-20 people)
 - Senior managers say WHAT, teams say HOW
 - Twice as profitable as any other grocery company
- U.S. Marine Corps
 - Basic operating unit is platoon (20-40 people)
 - Philosophy of command requires decentralized decision making
 - Epitome of efficient modern, mobile, military

Agility is a Process

Three feedback loops illustrate how an agile organization works

New business processes that deliver success become part of standard processes



PART 3

Real World Agile Examples

Four Main Principles

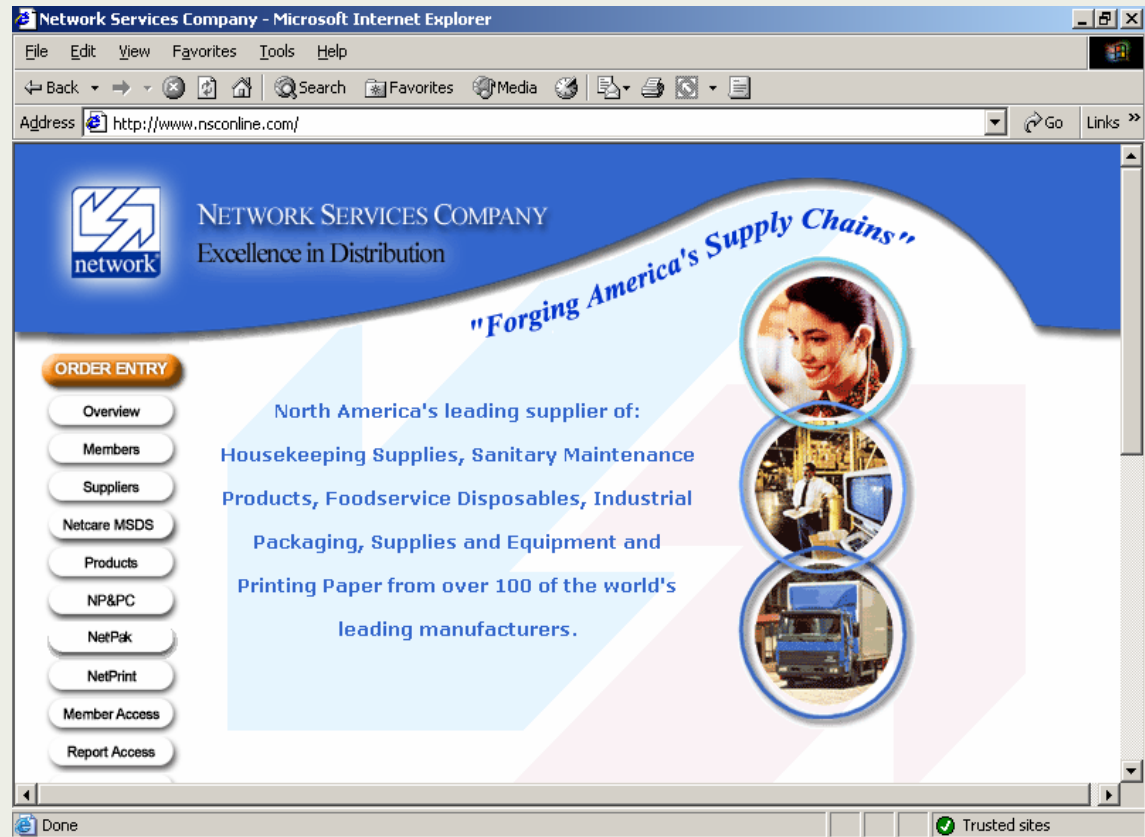
1. Quickly build new systems that are good, not perfect
2. Let computers do routine tasks –
Keep IT Super Simple (KISS) !
3. Empower people to handle exceptions
4. Continually adjust & enhance systems based on experience

Systems for Agility

- Systems that move us toward agile operations are built on top of existing transaction processing systems (ERP, CRM, SCM, legacy systems, etc.)
- They are built with subsystems such as:
 - Data Warehouses and Business Intelligence
 - Business Process Management or Business Activity Monitoring
 - Simulation Modeling
- These subsystems are combined using techniques such as SOA (services oriented architecture), and small chunks of program code

Customer Service System

- Inbound electronic orders were 8% of revenue in 2000 on \$250 million in national account sales
- They are >80% today on >\$600 in sales
- Passing bad orders to members causes trouble
- How to handle without doubling size of customer service?



Customer Service System (cont.)

Orders Released - Microsoft Internet Explorer

Customer Service Productivity System

Home Settings Orders Ready Orders Released Orders Deleted Orders by Status My Preferences

Orders Released: Last updated at: 09:51 AM CDT 17 Sep 2004

Batch	Total Loaded	Current Errors	With Comment	Ready For Release	Released	Deleted
09162004 - 11	12	1	0	0	11	0
09172004 - 01	17	4	0	0	12	1
09172004 - 02	12	0	0	0	12	0
09172004 - 03	16	0	0	0	16	0

#	Batch	Date	Purchase Order#	Customer Major	Customer Minor	Agent Major	Agent Minor	PO Date	Open Errors Header	Open Errors Detail	CSK	Alerts Sent	Purge
1	11	09162004	0224N1467	533	224	109	0	09/16/04	0	0	Keanya Finley	1	
2	11	09162004	0290N2417	992	290	49	0	09/16/04	0	0	Ted Krystosak	1	
3	11	09162004	0298N2418	882	298	49	0	09/16/04	0	0	Ted Krystosak	1	
4	11	09162004	0548N1326	533	544	9	1	09/16/04	0	0	Keanya Finley	1	
5	11	09162004	0635N1365	533	635	58	0	09/16/04	0	0	Keanya Finley	1	
6	11	09162004	0766N1810	333	766	205	1	09/16/04	0	0	Keanya Finley	1	
7	11	09162004	1046N3048	291	1046	103	0	09/16/04	0	0	Eric Covsill	1	
8	11	09162004	1399N1939	291	1399	107	8	09/16/04	0	0	Eric Covsill	1	
9	11	09162004	1400N2412	291	1400	107	14	09/16/04	0	0	Eric Covsill	1	
10	11	09162004	1401N2693	291	1401	107	27	09/16/04	0	0	Eric Covsill	1	
11	11	09162004	1404N3092	291	1404	107	8	09/16/04	0	0	Eric Covsill	1	
12	01	09172004	179-37667	745	108606	103	0	09/16/04	0	0	Beverly Sarvis	1	

Individual Service Rep Dashboard

- Combine EDI with BPM package to allow customer service reps to define their own screening logic for each customer
- Automatic release of good orders, e-mail alerts & dashboard tracking/fixing of errors

Orders with Errors - Microsoft Internet Explorer

Customer Service Productivity System

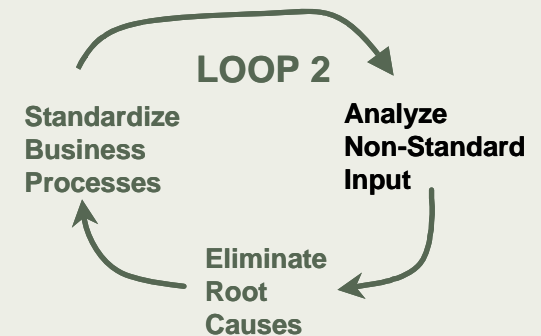
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#	Batch	Date	Purchase Order#	Customer Major	Customer Minor	Agent Major	Agent Minor	PO Date	Open Errors Header	Open Errors Detail	CSK	Alerts Sent	Purge
1	11	09162004	10480N2360	291	10480	103	0	09/16/04	1	1	Eric Covsill	1	
2	01	09172004	179-37699	745	171076	0	0	09/16/04	2	0	Beverly Sarvis	1	
3	01	09172004	179-37693	745	165192	0	0	09/16/04	2	0	Beverly Sarvis	1	
4	01	09172004	179-37655	745	2333	103	0	09/16/04	1	1	Beverly Sarvis	1	
5	01	09172004	179-37697	745	182183	0	0	09/16/04	2	0	Beverly Sarvis	1	

Service Manager Dashboard



Visibility Drives Agility

Member Access - Network Services Company - Microsoft Internet Explorer

Address: http://www.nsconline.com/WebApp/AppsNSC/jsp/UPCCCompliance.jsp

ORDER ENTRY

UPC Compliance %

As of 09/26/2005

- = less than 80 %
- = between 80 - 90 %
- = 90 % +

Member	UPC Compliance	Total Lines	Error Lines	Status
ACME PAPER & SUPPLY CO	21 %	6,359	5,071	
ACORN DISTRIBUTORS INC	73 %	400	109	
AMERICAN PAPER & TWINE	82 %	5,287	977	
BAUMANN PAPER CO INC	57 %	373	163	
BELSON CO	82 %	458	87	
CARPENTER PAPER CO	0 %	687	687	
CENTRAL PPR PROD-MANCH NH	51 %	1,986	984	
CENTRAL PPR-BIRM AL	73 %	3,230	882	
CICO ENTERPRISE	0 %	3,468	3,468	
CLARK PRODUCTS-ELK GRV	73 %	25,162	6,828	
COASTWIDE LABORATORIES INC	15 %	203	174	
COTTINGHAM PAPER CO	76 %	746	186	
DACOTAH PAPER COMPANY	56 %	2,920	1,312	
DADE PAPER CO -MIAMI HQ	84 %	19,797	3,173	
DALCO ENTERPRISES INC	63 %	3,310	1,254	
DEES PAPER COMPANY	52 %	534	260	
DENNIS PAPER + FDSERV	7 %	64	60	
DIVERSIFD DISTRBN/PAPER PROD	53 %	1,944	930	
DIXIE PPR-MINDEN LA	48 %	289	153	
DUBIN PAPER COMPANY	81 %	8,428	1,648	
EASTERN BAG & PAPER - MILFORD	92 %	19,994	1,756	
ECONOMICAL JANITORIAL	42 %	2,786	1,619	
FALK PAPER CO-MIN	70 %	4,182	1,270	

Standardize Business Processes

Eliminate Root Causes

LOOP 2

Analyze Non-Standard Input

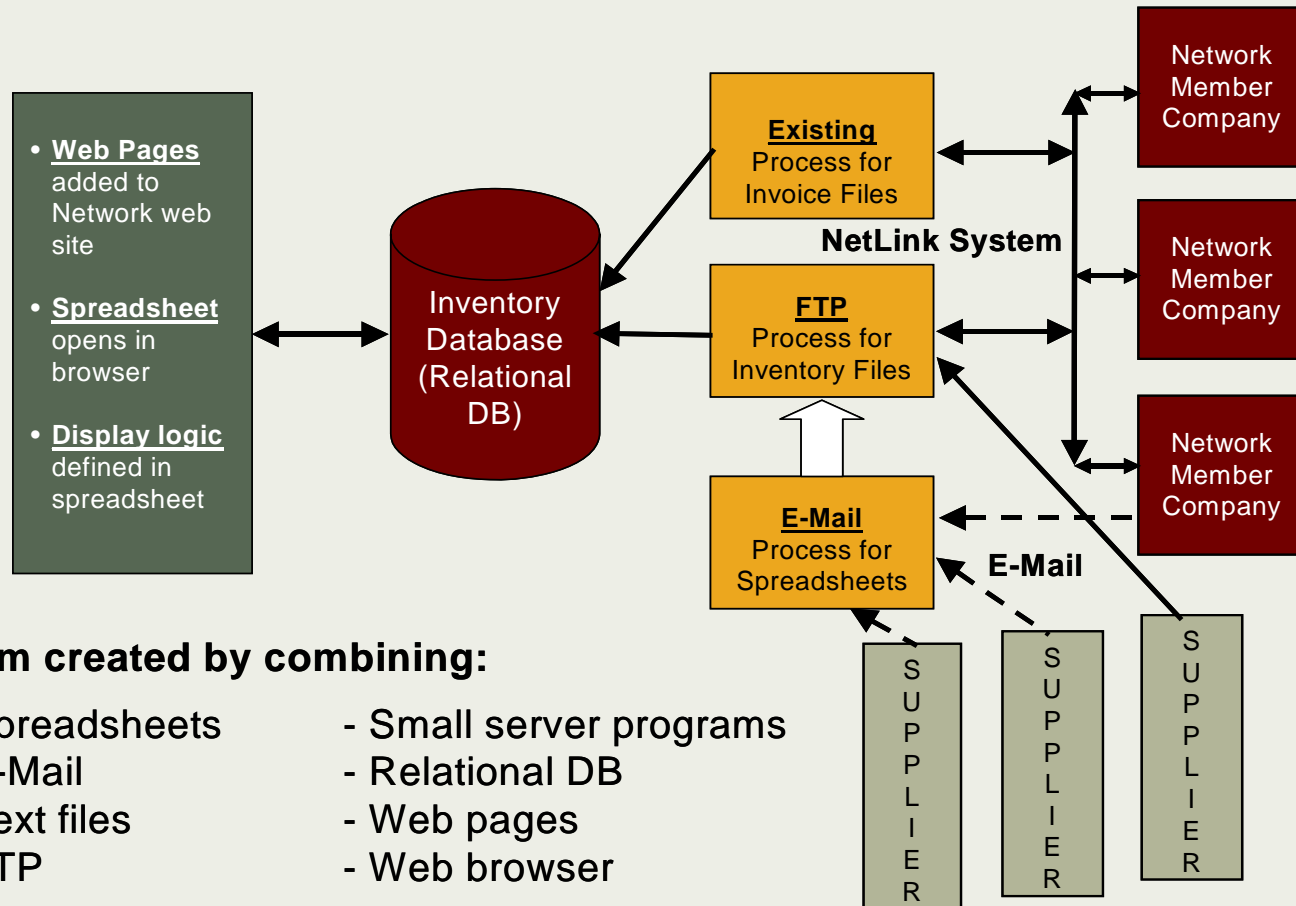
Supply Chain Visibility

- Big customer wanted to reduce excess inventory
- Customer, suppliers, and Network members all use different ERP systems
- We had 90 days and could not spend a lot of \$\$\$

What would you do?
“Robust 80% Solution”



Supply Chain Visibility (cont.)



System created by combining:

- Spreadsheets
- E-Mail
- Text files
- FTP
- Small server programs
- Relational DB
- Web pages
- Web browser

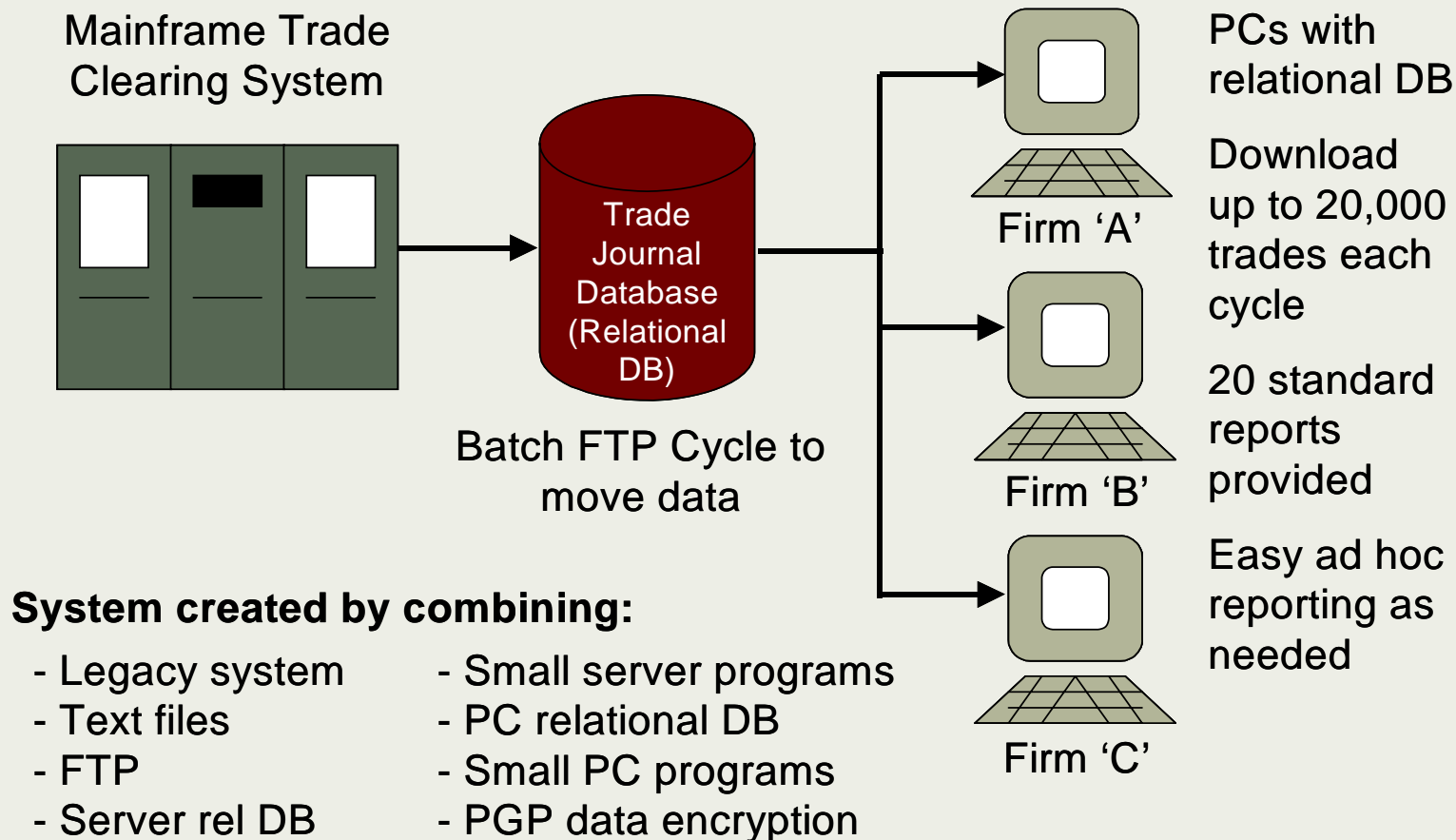
Trade Journal Reporting

- Customers wanted features added to mainframe based clearing system
- They wanted trade journals in a database with trade prices to do reporting, ad hoc queries, data imports
- We had 30 days and could not spend a lot of \$\$\$

What would you do?
“Robust 80% Solution”



Trade Journal Reporting (cont.)

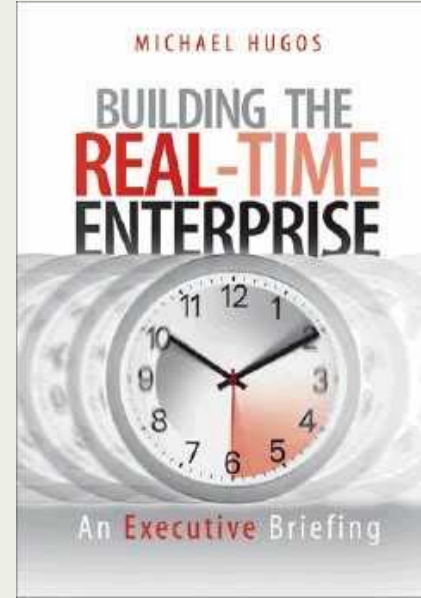
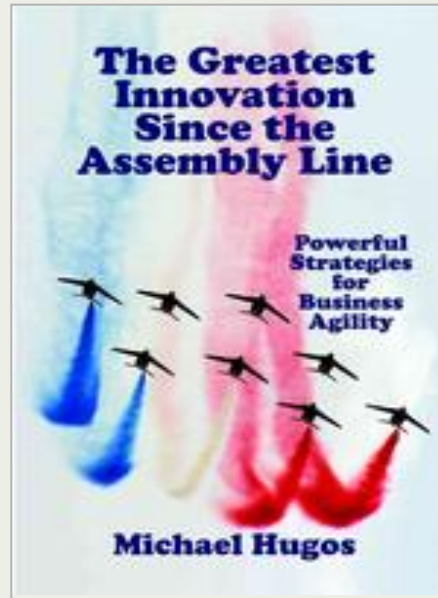


Agility Lessons Learned

1. Agility starts by giving people clearly defined performance objectives and the authority to figure out for themselves how to achieve these objectives
2. Business Agility = (Visibility + Motivation) x Training
3. Don't let the perfect be the enemy of the good; employ "Robust 80% Solution"
4. Avoid temptation to solve big problems all at once; break them into smaller pieces and deliver working solutions quickly
5. In every situation there are significant improvements that can be made in 30 days or less; those improvements become a base from which to continue building as you move towards your goal – "***The 30-Day Blitz***"

Learn More...

This presentation excerpted from two of my books:



Join the conversation about the future of business in our global economy at my blog on CIO Magazine's website: [Doing Business in Real Time](http://www.cio.com/blog/doing-business-in-real-time)

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