



## Driving Operations through Better, Faster Decision-making

**TEC** Technology  
Evaluation Centers



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**Operations faces increasing pressure from all sides.** Picky customers know that your competitors are only a click away if you fail to meet their quality, delivery, and price demands. The chief executive officer (CEO) and board of directors are constantly scrutinizing performance and looking at ways to cut your budget so they can boost the bottom line. There is a growing array of standards and regulations from customers, industry groups, and government agencies.

But the biggest challenge is simply remaining competitive and profitable in a dynamic marketplace. To be successful, operations requires integrated business management methodologies and systems that assist in making better, faster decisions and provide visibility into key performance drivers, such as employee productivity, asset utilization, and project profitability. In most small and medium companies, however, there is no common storehouse of business information. This lack of data access limits operations' functions in several key ways:

- The ability to track business performance is made difficult by outdated, disjointed, disparate systems (data silos) that do not provide an accurate 360-degree view of the business.
- The ability to respond in a timely and profitable manner to market conditions, competitors, suppliers, customers, standards groups, and regulatory agencies can be compromised. Effective response includes the ability to alert management of key operational events that require immediate attention.
- The ability to quickly and accurately track and contain costs can also be compromised. With hidden costs in the delivery of products and services, companies cannot properly account for (and charge for) value-added services.

To address these problems, operations needs a system that places at its fingertips the complete range of real-time data necessary to fulfill its mission.

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## Why Does Operations Need Information Visibility?

**Streamlined, automated business processes produce both internal and external benefits.** Internally, these processes reduce administrative burdens, improve resource allocation and utilization, eliminate unnecessary activities, reduce waste and enable greater alignment of operations' activities to corporate objectives. Externally, they better serve clients and suppliers through greater transparency in the fulfillment process.

Information systems should do more than just provide managers with standardized reports or figures. The real value occurs when information systems provide answers to the questions vital to improving operations. For example:

- in a manufacturing plant, operations needs key performance indicators (KPIs), such as time to fulfillment, inventory levels, and comparisons of payroll versus materials and plant costs versus production costs, that provide visibility into both the top floor and shop floor.
- managers in service firms have a different set of indicators to monitor, including the percentage of staff time that is billable to clients; the experience, training, and certification levels of staff; the average response time to customer requests; and alerts to any indicators that exceed specified time limits.

Each company has its own set of hard questions to answer. Responding to them intelligently allows more effective use of resources, accurate billing, reduction of administrative burdens, and shortened delivery cycles. It lets a company account for the true cost of any project or product—including not only the real costs, but also the associated opportunity costs.

These results can only be achieved if you have accurate, timely data to facilitate better decision making. For example, one midsize company serving a small geographic region devoted considerable manpower and executive attention to keeping its largest customer happy. But, when the company implemented data analysis software to analyze its operations costs and financials on each individual customer, it found that it was losing a lot of money on that client. Those losses had been masked by the profits generated from smaller but more lucrative clients.

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You can achieve similar results in your company if you have ready access to the data you need. Take a moment to list out the questions that you need to answer to do your own job effectively. Next, look at how easy it is to get the data you need to answer those questions. If that data is not already available at the moment you need it, then it is time to install a software system that does.

## How Does Operations Create an Accurate and Actionable 360-degree View?

**Operations should define the data it needs, and in what form, to best meet its goals.** Next, the chief operational officer (COO) or directors of operations should develop an actionable checklist to help deliver visibility to the chief financial officer (CFO) and CEO. The goal here is to create a list of steps to assess the organization and develop a governance framework to achieve a 360-degree view of the organization.

Operations needs timely and accurate data to guide decision making. And that data must come from a unified source.

Areas that should be included in the assessment:

### **Resource valuation, allocation, and utilization**

See all your resources, including their locations and their values, so you can make better decisions about routing, material usage, and substitutions.

### **Demand planning**

Understand your availability of resources and your ability to meet customer demand.

### **Quality control**

Ensure compliance to standards and regulations for specific operations, as well as project quality.

### **Time to market**

Track and analyze development, production, and delivery cycles.

### **Purchasing**

Evaluate and analyze purchase and usage patterns.

At this point, you are ready to work with IT in obtaining a coordinated view of all the relevant data in the organization. One way to achieve this is by integrating existing IT systems. The other is to implement an enterprise resource planning (ERP) system, a software package that brings all an organization's data into a common framework.

ERP systems were once extremely expensive and difficult to implement, and so could be used only by larger organizations. As the technology has matured, however, the cost and complexity of ERP systems have diminished, such that even small and medium companies can take advantage of ERP.

The bottom line is that operations needs timely and accurate data to guide decision making. And that data must come from a unified source. Effective management becomes impossible when sales and accounting are tallying revenue differently; when purchasing doesn't know what is in inventory or how fast it is being consumed; and when human resources (HR) doesn't know that customer demand is reaching the point where additional personnel are necessary.

However, having a common view into all aspects of the company gives managers the data they need to coordinate their actions and meet the business goals.



## How Can Operations Implement a 360-degree View to Enable Faster, Better Decisions?

There are definite advantages to be gained by achieving a 360-degree view of one's entire operation. This does require IT support to set up the systems that gather and present the relevant information. But before IT can do its job, operations must assess its activities and create the business structure that IT will facilitate.

Help your company create an accurate and actionable 360-degree view by following these three steps to better, faster decisions:

### Step 1—Develop a Framework of Common Guidelines and Metrics

- ✓ Create a roadmap that aligns operational activities, policies, and services with corporate objectives.
- ✓ Determine how to track and charge the total costs of products and services to internal and external stakeholders. This includes identifying both hidden costs and opportunity costs so you can pursue the most profitable priorities and opportunities.
- ✓ Establish key performance metrics to show where and to what degree you are meeting or failing to meet business goals, and where opportunities exist for improvement.

### Step 2—Assess the Current State of Affairs

- ✓ Assess current capabilities and resources so you know what resources you have and what you can potentially do with them.
- ✓ Examine which resources to use on which activities so you get the most value out of your people, assets, and equipment.
- ✓ Determine your goals and understand how to reach them. This requires having a holistic view of all your activities and their interdependencies with internal stakeholders (sales, marketing, finance, HR, facilities) and external stakeholders (suppliers, customers).

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### Step 3—Execute the Plan and Adjust Accordingly

- ✓ Get your people, equipment, and financial resources doing the right activities in a timely and cost effective manner. Use IT systems and performance management tools to allocate the right resources at the right time, to have the greatest impact on activities and processes used to achieve business goals and profitability.
- ✓ Track the performance and costs of your people and assets through IT systems so you know how well you are doing in your activities.
- ✓ Track your activities and properly charge for the delivery of services through IT systems. This includes conducting a gap analysis so you know what services you are providing, but are not charging for.

## Bottom Line

**Software can't tell you how to beat the competition**, but it can determine which products and services have the greatest profit margin, who are the most productive employees, or how many pairs of socks customers buy when they purchase particular styles of shoes. Knowing this information helps you make the right decisions to adjust the product mix on your production line; retain and promote the best employees; or put certain shoes on sale.

Having accurate, timely data takes the guesswork out of the decision-making process.

## Authors

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