

High Velocity Companies

Do not be surprised if you receive an email or even a beep on your cell phone from a customer indicating here is the car that I want and I want to have it in my drive way tomorrow. I think by now we all understand that inventory is not the answer. How many different models can you keep in inventory? Perhaps 20 million, this is about the right number of configurations that a simple model can have. The situation will get even more drastic as *personalisation* and availability become the key differentiating factor. If you think this is not likely, then think again. Who would have thought of overnight delivery across the world, prescription glasses in 1 hour and Pizza delivered to your door in half an hour. All of this is an indication of a trend: “I want what I want where I want it and when I want it” This attitude has resulted in companies to which we refer to as High Velocity Companies.

The need for speed makes the problem of mix management an order of magnitude more difficult. In the absence of high mix (few end items), one can manage the problem by way of dedicated lines, supplier relationships, and more predictable volume. High mix, on the other hand, requires some creative way of doing business. Change in speed of delivery is not a change in degree but it is a *change in kind* for companies. This is the essence of a high velocity company (HVC): the ability to adjust, change, grow and respond to the changes in the market place.

Almost in every aspect of business, a high velocity company would respond to differently:

- ◆ Product Management, design and development
- ◆ Strategic Planning
- ◆ Supplier Management
- ◆ Customer Service
- ◆ Production and outsourcing
- ◆ Distribution Management

In many different industries including high tech and automotive, time to market is the key to success of the company, or, at least, the product. Analysis of end of life, timing of introduction, minimization of obsolete inventory, maximizing the profit, reducing the cycle time from concept to development are all major factors to be evaluated. Supplier involvement in the design and capacity planning process, supplier negotiation and information sharing are amongst the key issues to be considered and optimized. A high velocity company builds the infra structure, process and systems, in order to remove unnecessary bottlenecks and move at the highest speed possible in their industry. Thus slowing down competitors, by setting up speed bumps and barriers.

An example of an industry where producing strategic plans are noteworthy is airline industry. A typical airliner frequently goes through an analytical process of “yield Management.” In this process the airliner would identify how to allocate resources to demand and thus maximize profit. This includes the number and type of equipment from location A to B, number of Business and First Class seats Vs. Economy Class, type of meals served etc. This analysis is performed based on opportunity to generate revenue and the cost of deploying needed resources. There is no reason why manufacturing industry and enterprises in general should not be doing the same analysis in order to decide what product mix to produce, where and when in order to maximize the bottom line. Following the airline example, there are thousands of price changes per day for airline tickets. This is done based on the amount of seat inventory, competition’s pricing, losing or gaining market share and so on. Manufacturing enterprises can perform the same kind of analysis on-line and in real-time in order to ensure minimization of obsolete inventory, gaining market share and move faster than competition in gaining the market share by having the right price, the right mix, the right inventory and by moving the product where it is needed.

We are at a point where we are offering these possibilities to our clients. Performing business analysis and deciding on the right mix, setting the right inventory levels, deploying the resources for the right product, providing visibility as to where the goods should be and the price it should be sold at. Performing such activities in an almost real-time manner allows High Velocity Companies to be at least one step ahead of the competition.

In many industries, including auto, high tech and A&D, the biggest concern is working with suppliers in order to create a win-win situation. Connectivity to the suppliers from early stage of design all the way to daily delivery of parts is an essential part of the partnership. Connectivity has many different stages. In the past this has been through EDI, faxes and telephone calls. We believe there are tremendous opportunities to create unity between suppliers and customers by designing the right business process and deploying *Business Agents* (processes running in the background) that will continuously execute the process. Business Agents reside at both customer sites and supplier sites. Their task is to understand the business process at each end, communicate, negotiate and alarm each other on daily activities. Furthermore, they can earn from their experience by monitoring customer and Supplier behaviors. As business environment changes, e.g. new suppliers are added, the Business Agents are capable of replicating their activity and shaping themselves to the new modes of operation.

High Velocity Companies are capable of aligning themselves to every need of their customers. They can constantly monitor customers' change of behavior (demand fluctuations, say), they can respond to customers' needs in real-time. They are not only responsive but also reliable in delivering what they have promised. They can minimize the cycle times and deliver the goods in shortest possible cycle times at lowest cost to the customer. They can provide visibility by exception to their end customers. They can re-configure their production in almost real-time manner in order to meet the needs of a customer without having a negative impact on another customer. In the process, they can ensure that their suppliers are working with them in harmony with the changes that are going on. Absorbing the "shocks" much the same as a shock absorber in a car in order to ensure a smooth ride is the way a High Velocity Company operates. Once again, speed by which customer's demand is noted, the way the production is reconfigured, the way the suppliers are informed and converging all these processes in an almost real-time manner is the competitive edge of a HVC. Through the Business Agents, residing at customer sites and the enterprise's site, one can ensure minimization of information lead-time, monitoring of where the needs are and what the trend is, and informing the customer on an exception basis when there is relevant information to be disclosed. We refer to this entire process as Financial, Sales & Operation Planning (FSOP).

In general HVCs, perform their operations at every level with highest speed. This can only be done through better information, faster access to relevant information, Fast decision support tools, a Unified environment where there is planning, execution and monitoring. Furthermore, having the "business intelligence" that is needed in order to raise flags and take corrective action as needed on an on-going basis. This is achieved through Business Agents that provide the right information at the right time and in some cases the right information is available in *anticipation* of its need in order to minimize the decision-making process time. An example of latter is: an order might be running late even though the due date is two weeks from now, or there seems to be a trend for Khaki pants rather than Denim. By detecting the latter, one can save millions in terms of obsolete and excess inventory and furthermore allow production to produce goods that are indeed needed. By passing this data to the suppliers, they will also benefit from it and minimize their cost that can be passed on to you and your customers. For a HVC, all of this can be done within minutes and seconds, it is the speed by which information is detected and acted upon that makes the difference.

So far we have talked about systems and Business Agents that can enable processes to run fast. We need to mention that the underlying infrastructure and vehicle for HVC is indeed the Internet. Business Agents talk through the internet, they negotiate through the internet, they go to "auction centers" through internet, and they inform each other through the Internet. By making the Business Agents web-enabled, they can run on any machine anywhere, thus forming a very efficient market within which suppliers and customer, regardless of their financial size can hook up to the network and be able to benefit from the services, goods and opportunities that are available for bigger players. By promoting such competition for smaller suppliers, there would be an underlying force to produce better goods at lower prices thus benefiting the end customer. HVCs, thus, encourage the way in which Internet has enabled them to reduce information cycle times by two or more orders of magnitude. Overnight they open up opportunities for their customers as well their suppliers and can make instant decisions by having the right information at the right time.

If all of this seems to be utopian, think again. Computers have changed by a factor of over 25 orders of magnitude in size and speed since 50 years ago. Have businesses changed by 2 orders of magnitude? The technology is here today, the question is how fast you want to be the next HVC?

For your comments and suggestions or further information on HVC, send us an email at info@adexa.com with the subject line "My HVC."

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