

The AgileXnt™ Zone

Where Organizations are Agile and Excellent

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Aurarius LLC

P. O. Box 302
Manlius, NY 13104
U.S.A.

Tel. 315-885-1532

www.AurariusLLC.com

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Introduction to the AgileXnt™ Zone

The AgileXnt™ Zone is a concept and methodology of Aurarius LLC, the strategic and management consulting firm. It is used to describe the “zone” in which an organization executes in a way that is simultaneously “agile” and “excellent”, or AgileXnt (a-jil-EX-ent). That organization could be an entire company, a division, a team, in a for-profit or not-for-profit business. Any entity can benefit from being in the AgileXnt Zone, for greater productivity, profits, and customer satisfaction.

The concept of the four-quadrant AgileXnt Zone map is illustrated in Figure 1. A typical customer remark characterizes the nature of performance in each quadrant. The objective is to migrate to, and stay in, the upper right quadrant (AgileXnt Zone), maximizing the organization being agile in its speed of execution, and excellent in its level, or results, of execution.

Getting Into the “Zone”

It can be rewarding both financially and emotionally to be in the AgileXnt Zone, but the key is figuring out how to get there. The Aurarius approach is to review an organization’s “ring and core” business activities and uncover opportunities for process improvement or even strategy adjustments. Recognizing that each company or entity may be different in their own right, a key factor is to note that there are fundamental similarities as well, between companies of the same type.

In that vein, Aurarius created two AgileXnt business action models (BAMs) to describe the key functional activities of an organization. One BAM is for product or manufacturing entities, and the other BAM is for companies in the service sector or healthcare.

Both AgileXnt BAMs have analogous ring-and-core configurations. Whether the organization is product- or service-oriented, it is surrounded by its “customer-sphere” outer ring, the space inhabited by its potential and existing customers. The next ring represents five primary organizational functions that on average spend most

of their time interfacing with customers or issues of the customer-sphere. Finally, the inner core of four functions contains those centralized activities that help support the entire business model. Figure 2 (page 3) illustrates the two BAMs.

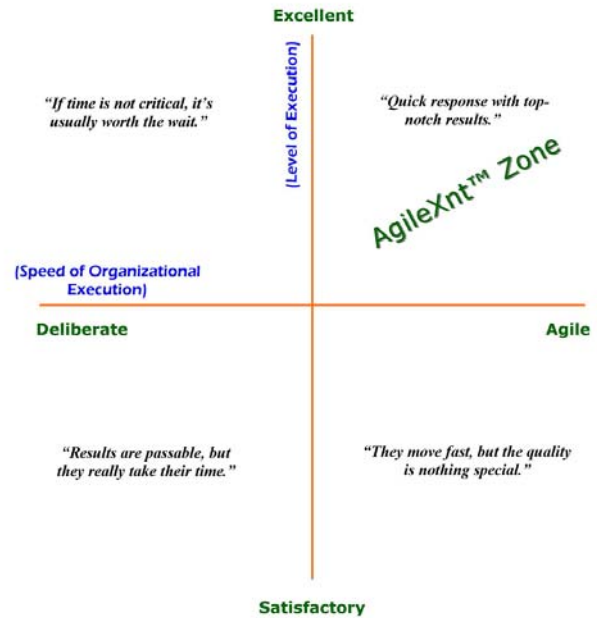


Figure 1. AgileXnt Zone map.

The core of four activities is the same for both AgileXnt BAMs, but the differences lie in the middle ring of five primary activities that are customer-centric. All organizations have a “customer” of some kind, thus requiring some measure of customer marketing and sales to attain revenues. The firm then has to enter some phase of readiness to prepare for either producing the product or delivering the service.

After the product is produced or the service is delivered, there is usually some type of completion phase. Finally, the fifth activity in this ring involves following up and supporting the customer on any post-delivery issues. Table 1 shows the differences between the product BAM and the service BAM.

By examining the appropriate BAM as it applies to the client organization, Aurarius can identify areas of adjustment or quick improvement that can lead the firm into the AgileXnt Zone.

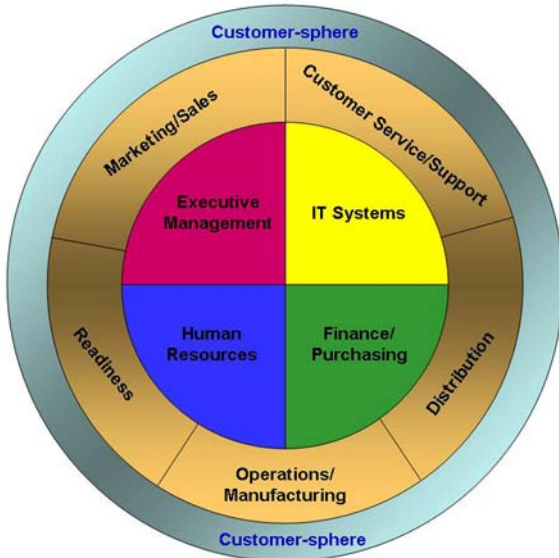


Figure 2a. AgileXnt Product BAM

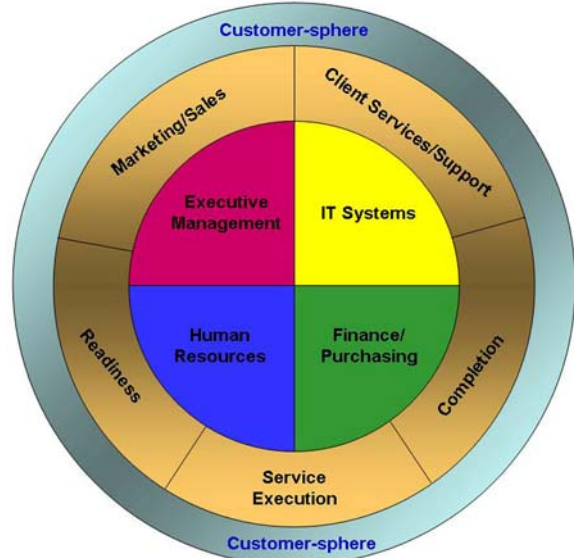


Figure 2b. AgileXnt Service/Healthcare BAM

Case Study #1: Manufacturing Business

Situation

A company that offered contract manufacturing to its customers was stagnant at about \$8 million in annual revenues, with a negative profit of \$800,000. On-time delivery rate was poor in some product areas. The firm's D&B credit rating was poor, causing prospective customers to ask why they should be doing business with a company with poor credit. Scrap rate ran as high as 30% at times, depending on the project.

Issues and Solutions

Applying the AgileXnt product BAM to this company uncovered a number of opportunities for improvement. Here is a sampling:

- Three production-area departments were bottlenecked by the quality department, which had to inspect all finished goods.
- Throughput was lagging. Production workers were uninspired, just working for a paycheck.
- First article items would often be shipped to the customer for their approval before proceeding, creating a time delay.
- For one major customer, there were many different parts and products being produced, but over 50% of those products were priced at a loss.

The following solutions were implemented for these issues:

- Most production workers were given a raise in their hourly rate, but were simultaneously challenged to raise their level of account-

AgileXnt Product BAM Activity	AgileXnt Service/Healthcare BAM Activity	Description
Marketing/Sales	Marketing/Sales	Marketing and sales activities suited to the business
Readiness	Readiness	Activities and processes that are associated with getting ready to make the product or execute the service
Operations/Manufacturing	Service Execution	The actual making of the product or execution of the service
Distribution	Completion	Getting the product into the customers' hands, or completion of the service after it's been delivered
Customer Service/Support	Client Services/Support	Post-purchase follow-up and support

Table 1. Comparison of AgileXnt BAM Activities

ability. They were also made much more aware of company financials, and were taught how issues like late delivery and scrap rate negatively affected the company's health. The workers were made to be their own quality check, not to leave it to another department.

- A new manufacturing-floor IT system was installed and provided a much clearer picture of where the flow bottlenecks were occurring, and where there was extra capacity available. This allowed adjustments to scheduling that decreased cycle time and increased throughput.
- Customer approval delay was decreased by having an engineer on site who could review and approve changes immediately. This resulted in higher customer satisfaction due to decreased time to delivery.
- Products were re-priced as necessary, but still competitively, for better margins. One major customer threatened to take its business elsewhere, but could not find any other supplier who could deliver with the same on-time rate or level of quality.

On the AgileXnt product BAM, these solutions touched the core activities of IT Systems, Finance, and Human Resources, and the ring activities of Readiness, Manufacturing, and Distribution.

Results and Benefits of the AgileXnt Zone

After the various measures were put in place, the company's revenues rose to \$10.5 million with a net profit of \$750,000, a swing of \$1,500,000 in profits. The improved profit picture also cleared up the D&B rating problem, leading to greater customer confidence and sales. Scrap rate decreased dramatically, and on-time delivery rates reached all-time highs.

Case Study #2: Service Business

Situation

A company in the travel service industry faced tough times with slowing demand from a faltering economy. The new owner of the firm bought

the company at a good price, with the intent of turning it around. But the previous owner had not been effective in creating a viable strategy, so there was little to build upon other than the ad hoc existing client base. The staff had undergone almost 100% turnover, revenues had fallen below \$1 million annualized from a high of \$1.8 million three years prior, gross margin was about 7%, and there was a negative profit of about \$50K. Subjectively, customers were not particularly satisfied with the quality and responsiveness of the service.

Issues and Solutions

When the AgileXnt service BAM was applied to assess the situation in this firm, issues surfaced in virtually all activity areas of the BAM. Here are highlights of the issues and solutions in some of the BAM activities:

- Executive Management, Marketing – Compared to previous ownership, the new owner took a very active role in marketing the company's services and working with the customer-sphere. This created a level of trust and a strong relationship with the firm's medium and large clients.
- IT Systems – The reservations system was upgraded to include a friendlier interface and more tools for reservation agent productivity, along with customer information database capabilities. This allowed faster, more efficient, and more accurate creation of reservations.
- Human Resources – The firm concentrated on hiring people with the right level of customer service skills, or interest in customer service. Previous ownership hired people interested in traveling, which did not necessarily translate to good customer service.
- Readiness – All agents were fully trained on necessary topics. This included not only system training but also knowledge of destinations and routes. Knowledge of these areas enabled them to be strategic in their travel planning.
- Service Execution – Through the use of enhanced IT tools and their training, agents became adept at quoting routes and plans quickly, efficiently, and at competitive rates.

- Marketing/Sales — New emphasis on agents developing relationships with their clients led to higher sales and greater overall customer satisfaction. Agents became “relationship focused” instead of the traditional industry model of “transaction focused”.

Results and Benefits of the AgileXnt Zone

Four years after the owner purchased the then-failing company, it was acquired by a unit of a larger, national travel company. At the time of the later acquisition, the regional firm’s revenue levels were about \$5.9 million, with a 9.7% gross margin, a more than four-fold increase in gross margin levels. The net profit was about \$250,000 after ODC (owner’s discretionary cash), a \$300,000 positive swing in profits. Customers were for the most part extremely happy with the level and quality of service from the firm.

Case Study #3: Healthcare

(Note: This is a hypothetical case of a regional multi-physician practice, to illustrate how the AgileXnt Zone can bring benefits to a healthcare organization.)

Situation

A regional ophthalmology practice has 10 physicians and 5 optometrists, along with a staff of 95 employees who comprise the other functions needed in the organization. With a total of 6 locations, one serves as the main office while the other 5 are satellite offices. At the main office, patients can receive eye exams, surgery, and be fitted for eyewear. The other 5 satellite offices are primarily for eye exams only but also contain smaller eyewear fitting operations. The focus of process improvement would be on the main office, where some patients experienced wait times as long as 75 to 90 minutes before seeing a physician. Patients in general were particularly unhappy with the wait times.

Issues and Solutions

The AgileXnt service/healthcare BAM is used to

evaluate this organization for its issues and opportunities for improvement. Here are some of the issues that were uncovered:

- Most of the reasons for the wait time stemmed from the issue of coordinating two primary stages of an office visit: the EPIC refraction exam performed by a technician, and the eye exam performed by a physician. As was discovered, there was great variance of time for the EPIC exam, depending on the technician’s level of experience and even on the patient who was being examined.
- The technician time also included taking the patient’s histories, therefore widening the variance. If a technician had a particularly talkative patient, that would affect exam time.
- Patients would arrive in varying degrees of lateness or earliness relative to their appointment times. Since there was no formal system of handling these off-appointment arrivals, that created more stress on the system. Some patients would get lucky and be seen even earlier than the appointment originally scheduled before them.
- With the variance of the patient history-gathering and EPIC stages, the doctors experienced waiting room “pile-ups” as patients became available to be examined, but no doctor was available yet.

These were the solutions instituted for these issues, affecting mostly the two BAM activities of Readiness and Service Execution.

- More formal training for technicians was supplied on a more regular basis. This helped reduce the variance of exam times across technicians. Training was not restricted to technical issues – technicians were also taught how to politely conclude a conversation without appearing to cut the patient off. This alone helped keep EPIC exam times on schedule.
- A policy of keeping patients to their appointment times was established and communicated. If a patient was early, he would have to wait until his appointed time. If he was late more than 30 minutes, he might possi-

bly have to be rescheduled. This measure not only preserved schedule integrity, it also reduced the level of customer complaints in this category.

- With the patient history and EPIC stages more predictable time-wise, the practice could migrate to more of a “pull” system compared to the former “push” situation: where patients coming from EPIC were pushed on the doctors, ready or not. Reducing the variance on the front stages allowed the scheduling system to essentially work backwards from the physicians’ availability, schedule the EPICs, and minimize the wait time for patients in between stages.

Results and Benefits of the AgileXnt Zone

Because variances were reduced in patient arrival times and technician processing time, the scheduling of doctors’ time became more predictable. Scheduling could be performed more efficiently, with less patient waiting time. With new measures in place, the average patient wait time dropped to approximately 20 minutes from the previous high of 75 to 90 minutes. More importantly, overall customer satisfaction was higher due to the perception of a smoother-running office and fewer waiting room pile-ups. In the competitive field of ophthalmology, this was an important gain.

Conclusion

The AgileXnt BAMs for product-focused companies and for organizations in the service and healthcare sectors are useful to create a framework of analysis for process improvements. Application of these models can uncover opportunities for more efficiencies that can get the firm into the AgileXnt Zone and keep it there.

Profiles

Gary Lim is the founder and president of Aurarius LLC. His career prior to Aurarius has spanned 20 years of creating revenue growth in Silicon Valley companies. He has held senior executive and product-line positions at Hewlett-Packard, ROLM, XEROX, Novell, as well as at several start-up and early-stage companies. Gary earned a B.S.E. *cum laude* in electrical engineering and computer science from Princeton University, and a Masters degree in organizational management from University of Phoenix. He first came to Upstate New York from Silicon Valley as the inaugural director of the Entrepreneurship Program at Syracuse University’s Whitman School of Management, and is now Visiting Professor of Entrepreneurship at SUNY College of ESF. Gary is the bestselling author of 3 business books, with another in the works.

David Parker is a principal at Aurarius LLC, bringing more than 30 years of comprehensive experience in management and operations in a variety of industries, including healthcare, higher education, automotive, and training. He has held senior executive positions at General Motors, Blue Cross/Blue Shield, Precision Systems Manufacturing, and Westplex Industries. Dave has also held senior administrative positions at Rochester Institute of Technology, and Onondaga Community College. At OCC he was founding director of The Lean Institute, which won a national award for excellence. During the years when Dave was part of the Rochester business community, he acquired Advanced Automotive Training Services Inc., increased revenues seven-fold, and subsequently sold the company to a major corporation.