



THE MANAGEMENT OF MOTION™



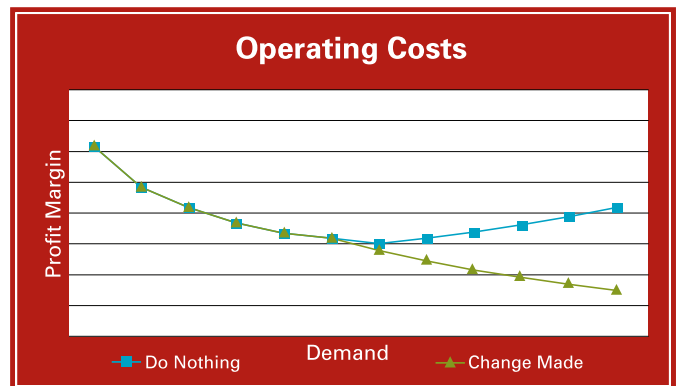
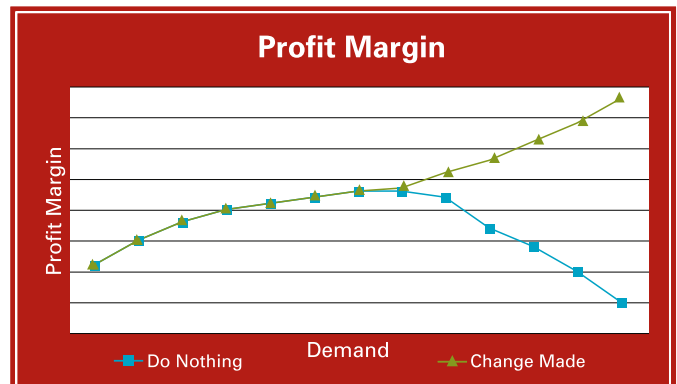
WHITE PAPER

The Cost of Doing Nothing

When looking at future choices for your organization, the “Do Nothing” alternative needs to be considered in your decision making process. What does it mean to “do nothing”? It means that you continue to take your business down the same path. It means that you make no changes and things remain the same, not getting any better, not reaching your operation’s true potential, and failing to improve your products or services for your customers.

It’s critical to consider all possible alternatives within a project — including a “do nothing alternative” — to select the best option for your organization. While assessing alternatives, evaluations should not be limited to economic advantages. Rather, alternatives should take into account organizational or cultural effects on your organization, today and in the future.

For example, an ecommerce organization, Company XYZ, was at a cross-roads for their business. Due to high demand, the three-year sales forecast was 2.5 times the previous year’s (year A) actual sales. XYZ’s warehouse had the capacity to handle only a 50% increase of year A’s outbound volume. The operation could adjust from its current outbound strategy or evolve to a higher capacity outbound strategy. Changing from the current strategy would require an investment in IT system changes, Material Handling Equipment and training of the associates. Company XYZ developed three alternatives to the current method. Alternative A, was to do nothing, not expand the business. Alternative B & C were two expansions, and both were analyzed with their ROI’s against Alternative A. Company XYZ determined Alternative B to be the best alternative to the current operation. Alternative B would increase outbound productivity by 50%, outbound capacity by 3 times, and raise outbound order accuracy to 99.5% from 98%. The project had a three-month implementation period and with labor savings alone provided a 12-month payback.



Passing up Efficiencies

What harm comes to your business by “doing nothing”? Because you’d be turning your back on continuous improvement, you would not improve your inefficiencies or decrease your operating costs, which both affect your profit. If you don’t increase your capacity, you will not increase your outbound, inbound, or storage potential.

You’ll continue to live with the limitations you have today. Without change, as volumes increase, your productivity will decrease and your costs will increase per unit or SKU. Without improving your inventory management, you’ll never decrease your storage costs. If you don’t improve your products or adjust to your customers’ changing needs, you only give them reasons to shop around for someone who does it better. If you disregard improvements for safety, you risk injuring employees. If you fail to maintain your WMS, with time you put your company’s daily operations and data at risk.

“Some say opportunity knocks only once. That is not true. Opportunity knocks all the time, but you have to be ready for it. If the chance comes, you must have the equipment to take advantage of it.”

Louis L'Amour (American writer, best-selling author, 1908-1988)

If Company XYZ chose to stay with their current outbound strategy, they would be choosing to do nothing. They would not take advantage of the increase in outbound productivity and an increase of quality of product. By not increasing the capacity of the operation for the future growth, they would be risking the future of XYZ.

Implications Down the Road

What are the long term costs? By not decreasing your operational costs today, you may be able to stay ahead of your current competition for the moment, but what about tomorrow? As times evolve, competition evolves, and using your current competition as a measure of your success can be a fatal measuring stick for your organization.

Without increasing your capacity, how will your organization handle business growth? Your organization must be able to adapt your business strategy as your business plan evolves. If your products don't improve, another organization may improve them before you. And without improving your operation's safety levels, you may be sacrificing the future of your company's biggest asset — your people.

Company XYZ considered all of the factors that went into the ROI of this project. The 12-month productivity payback was not the only factor that determined the true ROI on this project. Additional outbound capacity was seen as an opportunity to accommodate up to 300% of additional sales. Increased order accuracy was seen as a way to increase quality for the customers. In the end, the risks of “Doing Nothing” proved to be the bigger risks for the organization.

Invest in the Future

Is there any benefit in “doing nothing” today? Sure, you may save capital now, but what will it cost you eventually? If your business is not working to constantly improve, then what is it you are working for — are you just waiting for opportunity to knock on your front door?



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Montgomery Ward “did nothing,” or very little, to ensure its survival. Big, rich, and powerful retailers also “did nothing” as Wal-Mart grew from 125 stores in 1975 to become not just America's largest retailer but its largest company. Eastman Kodak “did nothing” for years as the digital world exploded around it. Xerox “did nothing” as the future of traditional copying became grimmer, and Xerox's own inventions — the mouse, the graphical user interface — were grabbed by Apple. The major airlines “did nothing,” even as they saw Southwest achieving the supposedly unthinkable: satisfying customers and making money simultaneously. Sears “did nothing” as two guys who got fired from their jobs, Bernie Marcus and Arthur Blank, built Home Depot into a chain of more than 1,400 stores. Unilever, the maker of Lipton, “did nothing” for years while Snapple drank its punch. Procter & Gamble and Kraft General Foods (the makers of Folgers and Maxwell House, respectively) “did nothing” as Starbucks redefined the coffee category.

At hundreds of points along the way, any of these companies could have broken their patterns of paralysis, but at each point the consequences of change were deemed greater than the risk of “doing nothing.” No single decision to delay or defer action ever appears monumental at the time. Inaction takes time for its foolishness to be revealed.

“If the change on the outside is greater than change on the inside, the end is near.”

Jack Welch, While CEO of General Electric

Be the Model for Success

Right now the American economy is brimming with potential case studies for the dire consequences of inaction. Don't be one of those companies. Be proactive, not reactive. Invest in improvement now so you always maintain an edge on your competition. Your future depends on it.

About AHS

AHS is a full-service provider of supply chain solutions that helps streamline processes, improve employee productivity, and increase return on investment. AHS is uniquely equipped with multiple divisions to provide the complete spectrum of products and services to develop the best solutions for our clients. Whether re-designing an existing distribution center, building a new facility, or simply updating equipment, AHS can assist you with any project.