



BUILDING ENTERPRISE VALUE BY CORRECTING OPERATIONAL DEFICIENCIES

Are problems in your operations contributing to a “leaky P&L”?

Is your company struggling to fulfill orders? Do you have quality control problems? These and other indicators of unsatisfied customers may be signs of operational deficiencies and come with hidden costs that show up in your gross margin or flagging



sales. Diagnosing and correcting them is directly linked to building enterprise value.

In this edition of *Executive Issues & Insights*, we explore key insights

drawn from the extensive C-suite and Board experiences of the NextLevel team on how to build enterprise value by correcting operational deficiencies.

NEXLEVEL CASE STUDY

Sports apparel group corrects operational deficiencies and nearly doubles in value

The team sports division of a \$200M apparel group was experiencing declining sales, poor customer satisfaction, excessive inventory growth, and deteriorating financial results. Consequently, management decided to replace the existing president with a new executive who had extensive strategic and operational experience.

The new president, now a NextLevel partner, conducted an in-depth assessment to determine the source of the company’s problems. He uncovered several major issues, including an absence of good forecasting and procurement tools, weak control over procurement and inventory management, unqualified people staffing several key management positions, and a siloed organization that contributed to a culture of alienation and conflict between teams.

To address these issues, he refocused the company on core business strengths and transformed the manufacturing and supply chain process, cutting overhead expense *(more)*

NEXLEVEL INSIGHTS

Assess what’s wrong by walking around

Meet with and listen to employees at all levels to gain accurate insights and understand the concerns, frustrations, and feedback they receive from customers, as well as assess the skill pool. It’s important to go outside your immediate staff to get a complete picture. Vendors, customers, and partners are also valuable sources to listen to. Inspect every facet of your operation to find inadequacies, bottlenecks, and opportunities.

Ensure your organizational structure is effective and staffed appropriately

Since each organizational structure type has advantages and disadvantages, be deliberate about the one you choose, taking into account your company’s unique needs and staff talents. Make sure the right responsibilities are assigned to the right functions, there is one clear leader for each organizational unit, and the people in each position have the right skills, experience, and background so your organizational structure is working for instead of against you.

Align operations metrics with company objectives

How do your operational units measure success? Do those indicators align with overall company objectives in market share, customer satisfaction, and bottom-line performance? If operational units are using outdated or nonaligned metrics, they could be working hard toward a goal that isn’t tied to the success of the company, such as decreasing overtime when what’s really needed is more throughput. Continually assess to ensure operations is driving toward satisfying customers effectively and efficiently and that all team members understand their departmental metrics and how to achieve them. *(more)*



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by 25 percent. In addition, he installed an MRP system module and warehouse locator system to improve inventory control, order management, order picking, and processing. Strengthening the leadership team and reshaping company culture were also critical corrective actions. He hired a new design, merchandising, and marketing team to revitalize stale product offerings, and fostered a customer-centered teamwork culture by breaking down department silos and improving internal communication.

As a result, sales increased over 10 percent annually and inventory was reduced by 50 percent with improved turns and better availability. The new product offerings received accolades from both customers and sales staff, and morale and customer satisfaction improved dramatically. The value of the company also nearly doubled, with EBITDA improving from 8 percent of sales to 15 percent.

**“OPERATIONS EXISTS TO SERVE
COMPANY OBJECTIVES.”**

**Find the roadblocks in personnel,
processes, and culture, and remove them.**

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Document your policies and procedures

Companies with few or no documented policies and procedures almost always have operational problems. When your company is small, it can seem like extra work to write everything down. But as your company grows, outsources some of its processes, or experiences staff turnover, inefficiencies introduced by the lack of documented standard operating procedures and written policies get magnified. Start documenting early and then update periodically.

Break down silos with cross-functional teams and training

Cross-functional teams know how their work relates to processes before and after them, and how the inner workings of the company relate to one another. This decreases operational friction that can hurt overall performance. Cross-functional training can also ready employees for greater responsibility in their next position in the company, leading to quicker onboarding and less downtime.

Build a better culture

Operations is ultimately about the “blocking and tackling” needed to satisfy your customers efficiently, and culture has a huge impact on how well this is done. Building a better culture can be challenging, but leaders modeling the cultural values of taking action when they see a need, sharing information, working together toward shared goals, and embracing continuous improvement can have significant impacts on operations and, ultimately, enterprise value.

KEYS TO BUILDING ENTERPRISE VALUE BY CORRECTING OPERATIONAL DEFICIENCIES

- **Your assessment style:** Are you walking around, observing, and listening to everyone?
- **Your organizational structure:** Is it working for you or putting up roadblocks?
- **Your operations metrics:** Are they fully aligned with company objectives?
- **Your policies and procedures:** Are they fleshed out, documented, and current?
- **Your teams:** Are they trained as to how their work affects the rest of the company?
- **Your company culture:** Is leadership modeling the values that improve it?

More Information

To learn more about how NextLevel can help you build enterprise value by correcting operational deficiencies, call us at (800) 833-NEXT or email info@nlbev.com.

