



The Agile Dashboard: Speed, Interaction and Pivot

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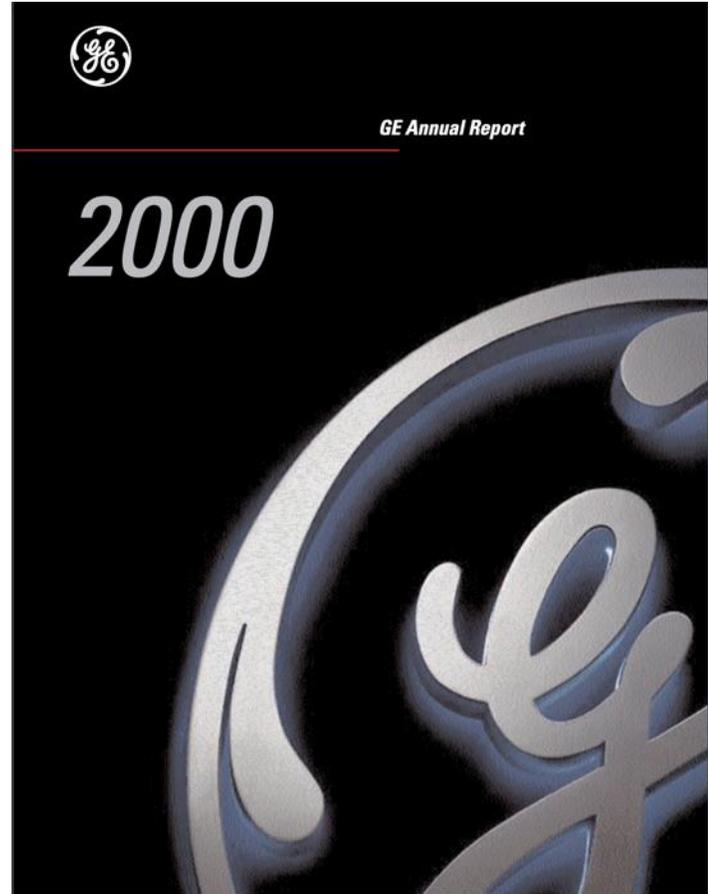
Duke
CORPORATE EDUCATION

An overhead view of a business meeting around a large wooden table. Several people are seated around the table, each engaged with a different piece of technology. One person is using a laptop, another a tablet, and others are using smartphones. The scene is brightly lit, and the wood grain of the table is clearly visible. A semi-transparent white banner is overlaid across the middle of the image, containing the text.

Why Strategic Agility?

We've long believed that when the rate of change inside an institution becomes slower than the rate of change outside, the end is in sight. The only question is when.

Jack Welch, CEO 2000 GE Annual Report



What do these companies have in common?



How Long Are Companies At The Top?

What was the Average Lifespan of a Company on the S&P 500 in 1975?

61 Years

49 Years

What is the Average Lifespan of a Company on the S&P 500 today?

37 Years

26 Years

18 Years



Exponential Change and Complexity

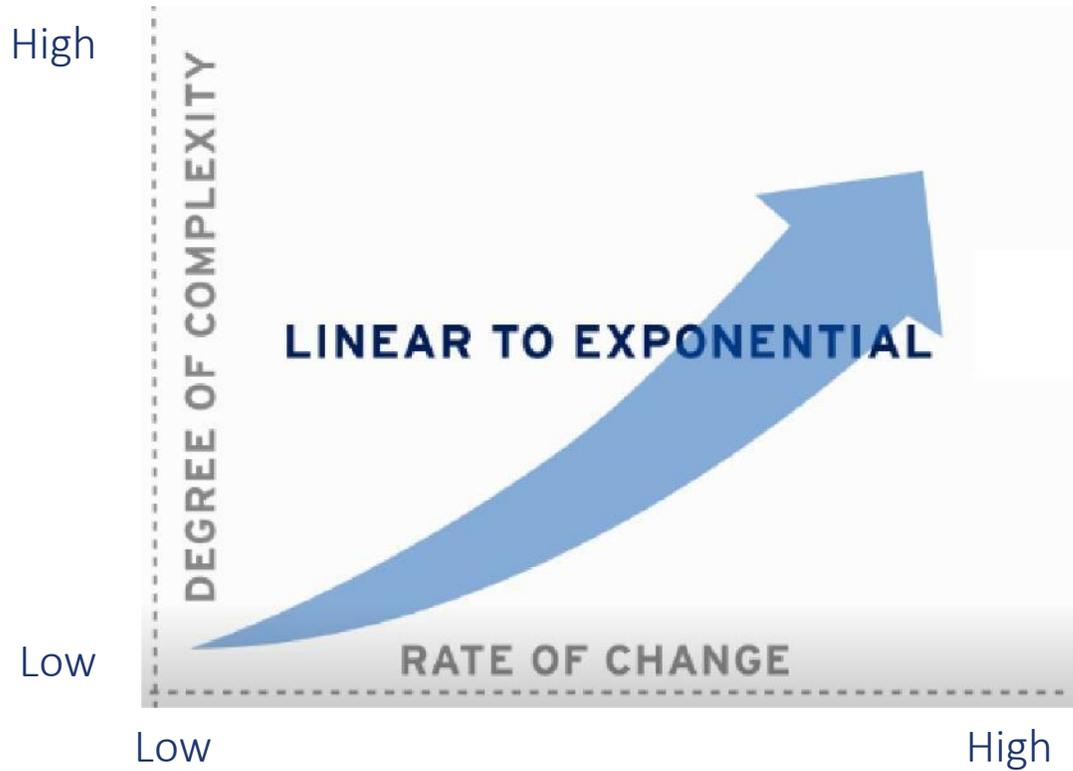
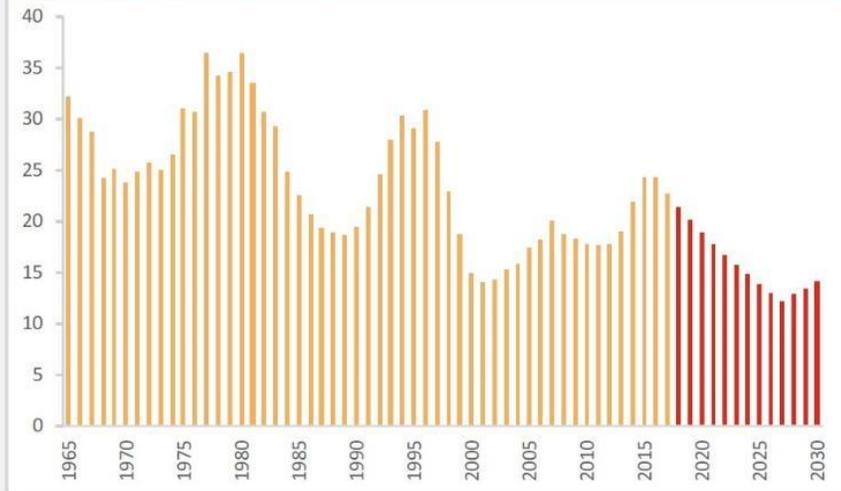
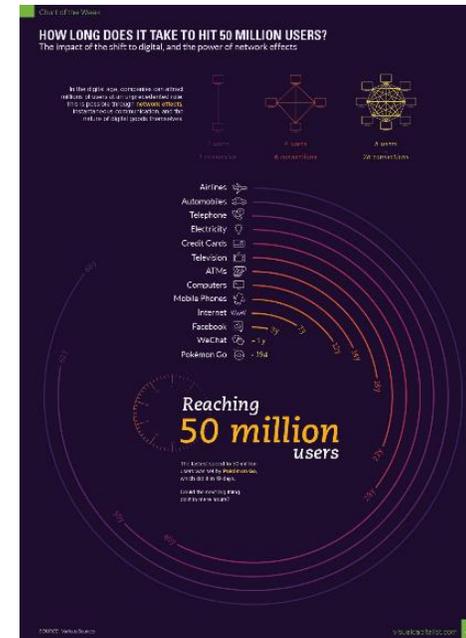


Chart 1: Average Company Lifespan on S&P 500 Index
Years, rolling 7-year average



Data: Innosight analysis based on public S&P 500 data sources. See endnote on methodology. www.innosight.com



Increased Uncertainty Creating Decision Chaos

COMPLICATED



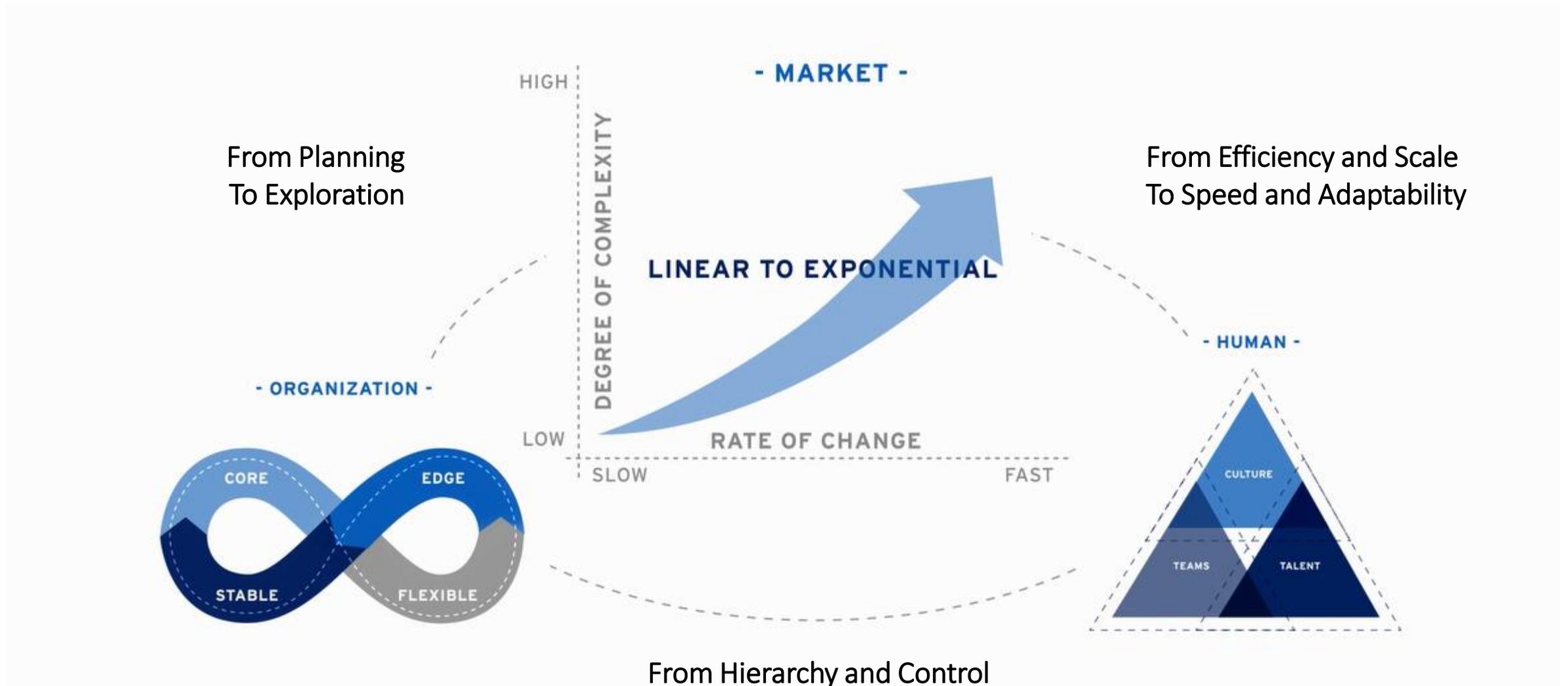
COMPLEX



An overhead view of a business meeting around a large wooden table. Several people are seated around the table, each engaged with a different piece of technology. One person is using a laptop, another a tablet, and others are holding smartphones. The scene is brightly lit, and the wood grain of the table is clearly visible. A semi-transparent white banner is overlaid across the center of the image, containing the text.

How is this approach to Agility different?

New Paradigm: Building Strategic Agility Requires A Systemic Approach







Sporting Agility

Physical abilities - speed

Cognitive abilities – scanning the field, anticipating moves of others and making good decisions

Technical abilities – the athlete's body positioning, and ability to pivot and change direction



Business Agility

Speed – How fast your organization can move

Interaction – The rate at which your organization can Scan, Understand, Discern and Decide (SUDD)

Pivot – The ability to act and execute a change in direction

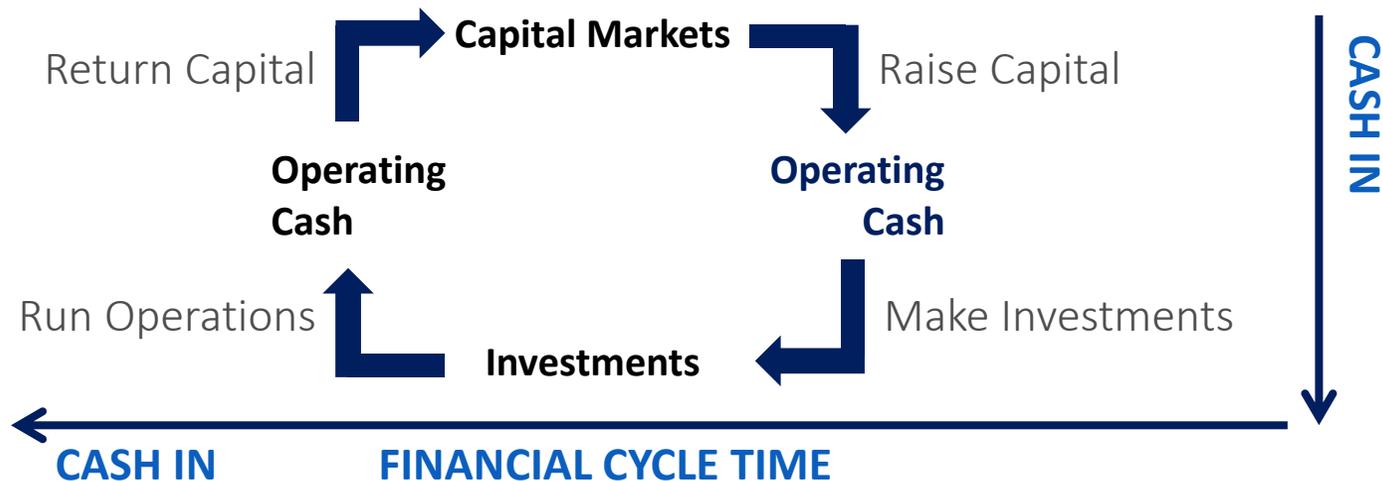
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How do you measure speed?

What is Financial Cycle Time?

Financial Cycle Time...

- measures the average time it takes to turn a dollar of investment into a dollar of sales
- is a measure of the productivity and efficiency of the organization
- It uses the financial statements to measure productivity and the speed of the organization
- can be a source of competitive advantage



Who would you rather own?

	<u>Company A</u>	<u>Company B</u>
Profit Margin	\$ 0.08	\$ 0.08
Days	267	135

Where would you invest your \$1 of capital?

Who would you rather own?

	<u>Company A</u>	<u>Company B</u>
Profit Margin	\$ 0.08	\$ 0.08
Days	267	135
ROIC	\$0.11	\$0.22

Where would you invest your \$1 of capital?

ROS	Productivity	Days	ROIC
20%	0.5	730	10%
10%	1.0	365	10%
5%	2.0	183	10%
3.3%	3.0	122	10%
2.5%	4.0	91	10%
2%	5.0	73	10%
1%	10.0	37	10%

Agile Dashboard: Speed

Financial Cycle Time (FCT)

How long it takes to turn investment into sales

$$\text{FCT} = \frac{\text{Invested Capital}}{\text{Sales}} \times 365$$

Production Cycle Time

How fast you can take a new product to market

$$\text{FCT} = \frac{\text{Core Working Capital + PPE}}{\text{Revenue}} \times 365$$

Decision Cycle Time

How fast you can make decisions

What is the target date for making the decision?

What is the actual date the decision was made?

What's the difference between the two dates?

What percentage of the information did you have when the decision was made?

Nike vs Under Armour



	2018 Financial Cycle Time (FCT)	2018 Production Cycle Time	Cash Tied Up Per Day (\$ millions)	FCT Financial Disadvantage	FCT Financial Advantage
Under Armour	195	112	\$14 million	51 Days \$714 m	
Nike	144	77	\$100 million		51 Days \$5.1 billion

Nike Wins the Race



FINANCIAL TIMES

Nike results top view despite 'volatile' environment

Sportswear maker's direct selling pays off, sending shares 5% higher



Mamta Badkar in New York SEPTEMBER 24 2019

Nike, which faces competition from Adidas and Under Armour, has been investing to pitch its products directly to consumers and cut out the middleman. The moves have come as the sportswear maker looks to speed up product development, reduce the time taken to get its products to shelves and give it more control over pricing.

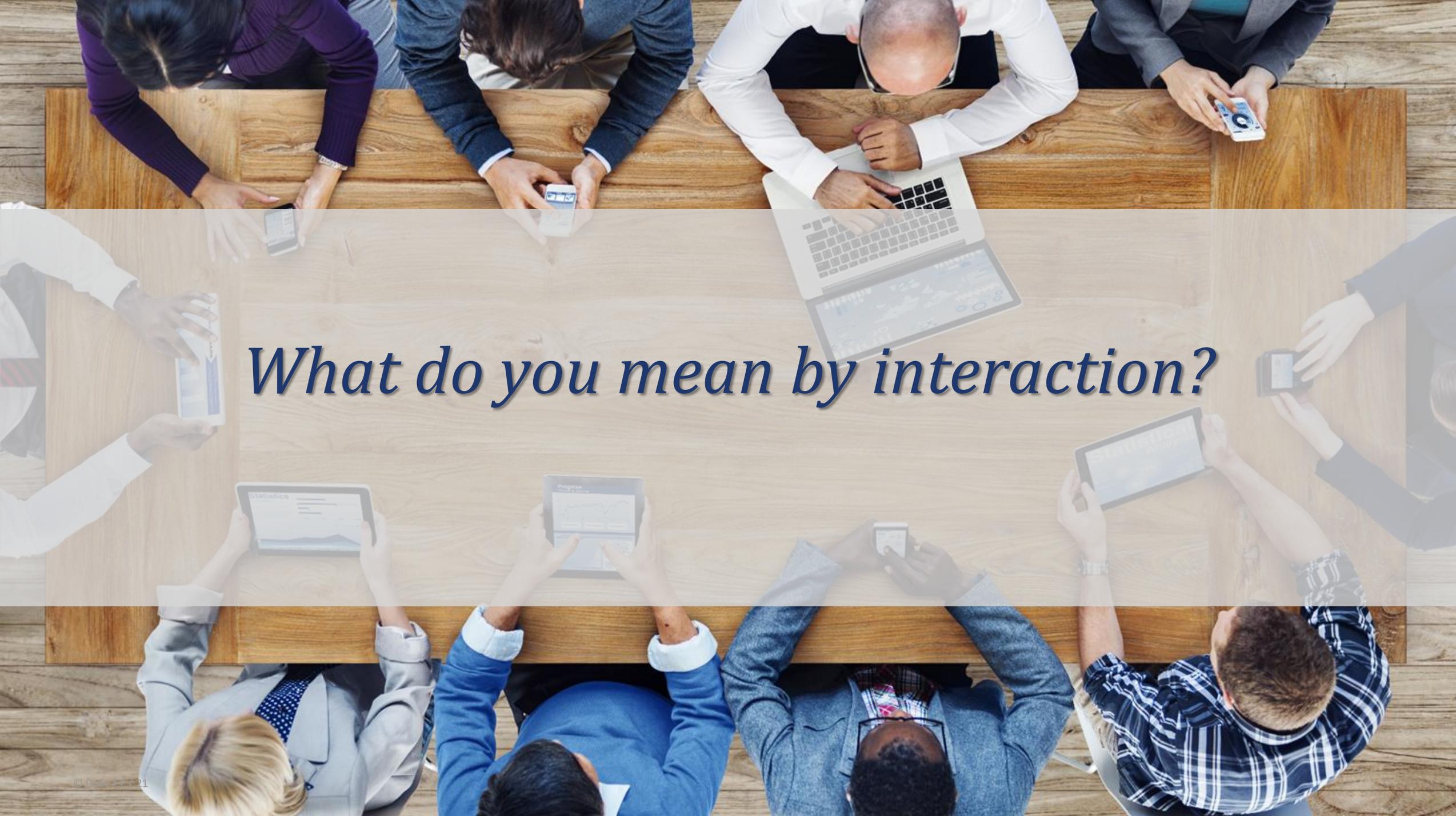
2019 Rankings

TABLE 1

WINNERS IN THE 2019 FCT RANKINGS

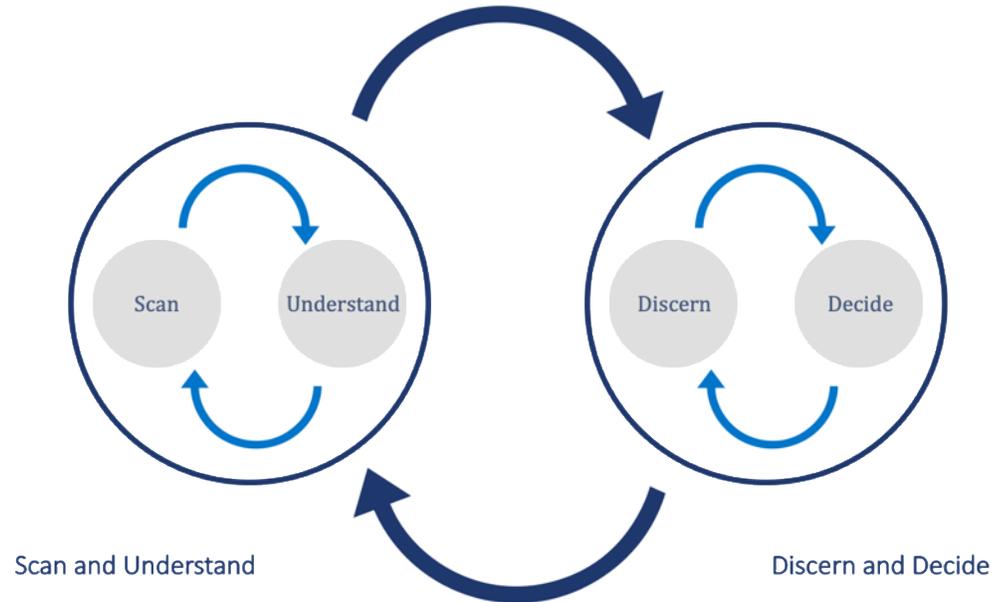
INDUSTRY	FCT award	Company	Production Cycle Time (PCT) – days	Financial Cycle Time (FCT) – days	Invested Capital Per Day – US\$
Technology, Hardware Storage & Peripherals	Gold	NetApp	54	(51)	16
	Silver	Dell Technologies	(8)	(8)	248
	Bronze	HP	(57)	0	160
Entertainment	Gold	Netflix	(14)	(21)	43
	Silver	Activision Blizzard	10	56	21
	Bronze	Electronic Arts	5	56	14
Multiline Retail	Gold	Magazine Luiza	9	66	11
	Silver	Wesfarmers	44	116	260
	Bronze	Nordstrom	92	139	43
Pharmaceuticals	Gold	Pfizer	126	49	147
	Silver	Johnson & Johnson	51	89	224
	Bronze	Allergan	15	93	43
Textiles, Apparel & Luxury Goods	Gold	VF	72	122	32
	Silver	Puma	74	132	11
	Bronze	Nike	77	144	100
Household Products	Gold	Reckitt Benckiser	4	63	27
	Silver	Church & Dwight Co	61	76	11
	Bronze	Clorox Company	66	82	17
Speciality Retail	Gold	Dufry	32	63	24
	Silver	Best Buy	19	36	117
	Bronze	Fnac Darty	3	21	18
Machinery	Gold	Paccar	22	41	64
	Silver	Stanley Black & Decker	62	46	38
	Bronze	Meritor	71	55	11

Production Cycle Time: PCT represents the number of days it takes for a dollar of core invested capital to result in a dollar of sales.
 Financial Cycle Time: FCT represents the number of days it takes to turn a dollar of operating investment including leases into a dollar of sales. Note that some companies, e.g. Netflix, are paid in advance and have negative FCT.
 Invested Capital Per Day: this figure indicates how many dollars of cash are tied up for each day of FCT.

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What do you mean by interaction?

Agility Dashboard: Interaction - SUDD



The OODA Loop

“Every combatant observes the situation, orients himself...decides what to do and then does it. If his opponent can do this faster, however, his own actions become outdated and disconnected to the true situation, and his opponent’s advantage increases geometrically.”

Source: A Vision So Noble, John Boyd quoting a Marine Officer

Scan, Understand, Discern and Decide



- 2000 Netflix offers to sell for \$50 million
- Explains they are the online future and should partner
- Blockbuster CEO focused on market share laughs at Reed Hastings offer
- Blockbuster goes bankrupt
- Netflix is worth \$117 billion on 9/30/19

Source: Vanity Fair, September 17, 2019

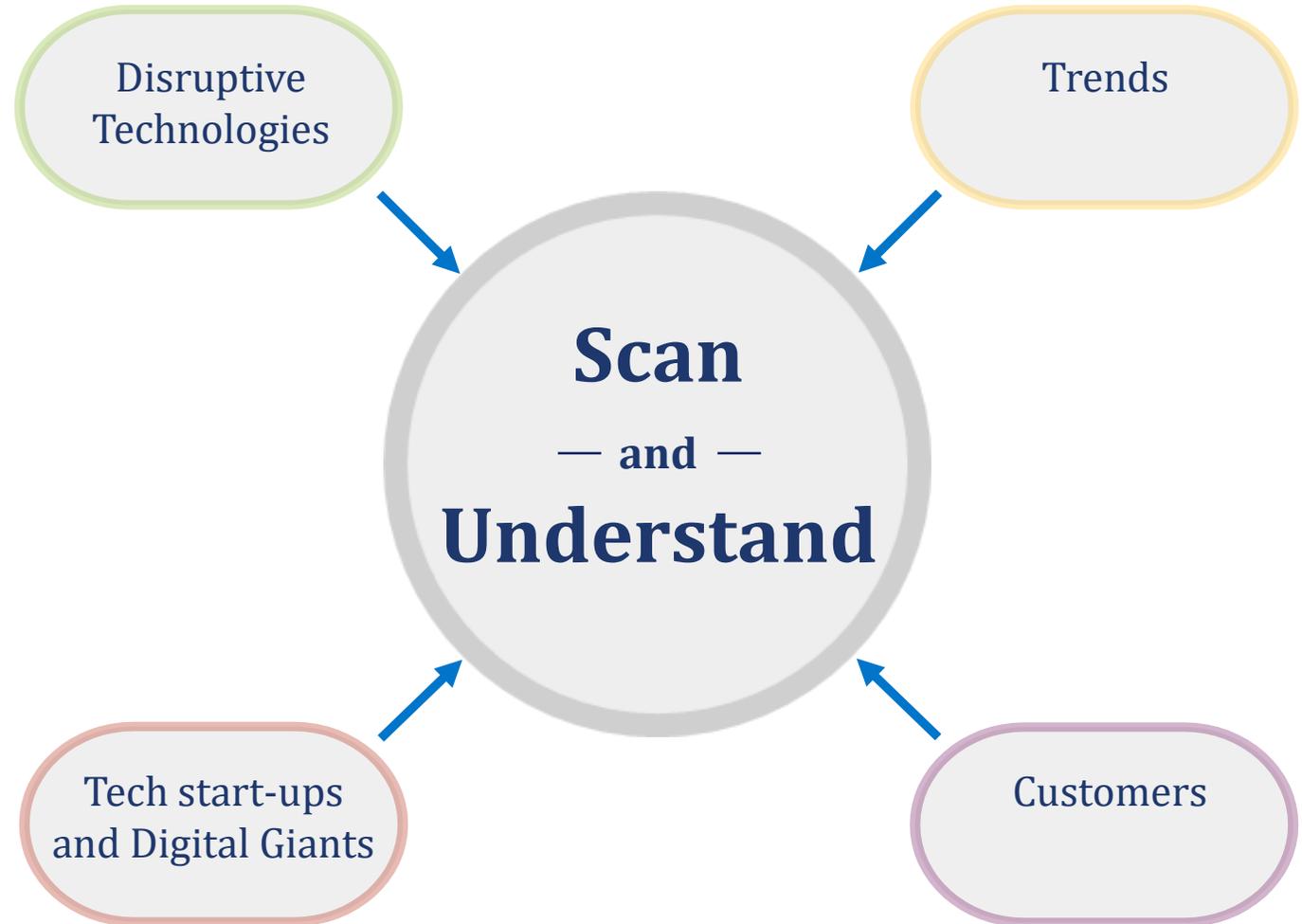


- 2017 Chewy offers to sell for \$3.35 billion Explains they are the online future and should partner
- PetSmart acquires Chewy
- Today Chewy is valued at \$11 billion

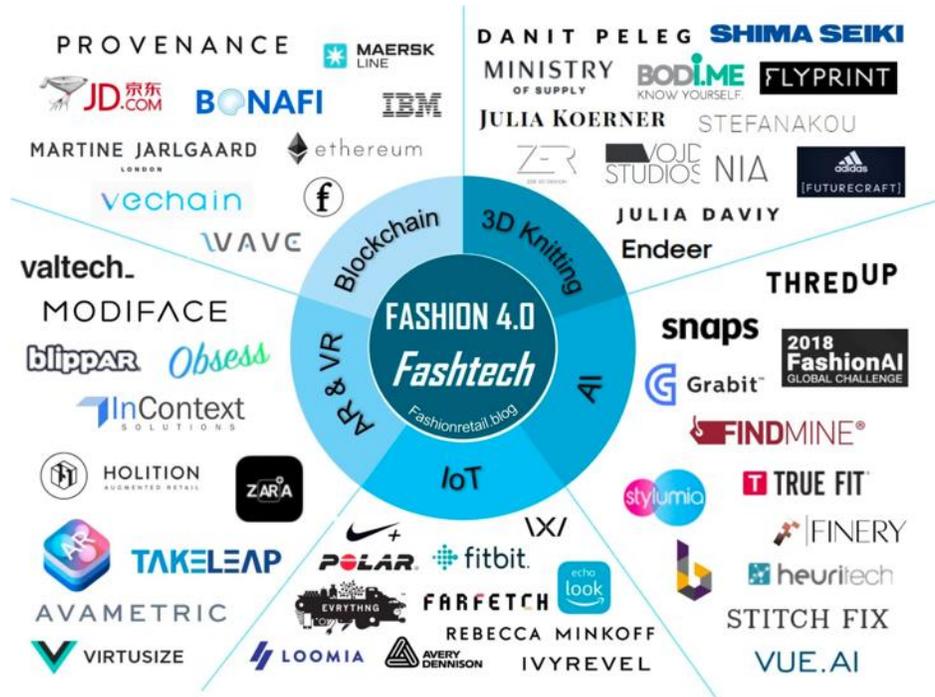
Source: wsj.com September 30, 2019

Scan and Understand

How do we build more sensors in the right places to SCAN and Understand the environment and pick up the weak signals?



Scan and Understand



Source: Fashion.Blog

Plug and Play Announces Partnership with PVH Corp.

Partnership provides PVH with direct access to qualified and strategically aligned early-and-growth stage startups that are making an impact

NEWS PROVIDED BY
Plug and Play →
 Jan 17, 2019, 11:00 ET

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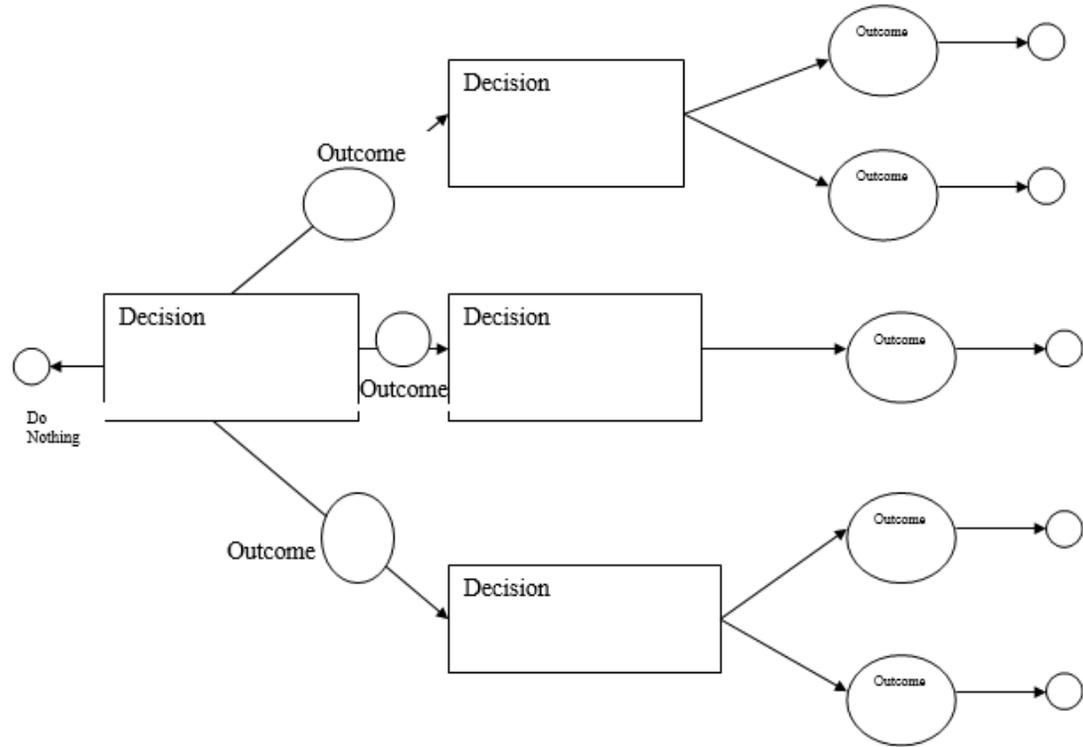
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SUNNYVALE, Calif., Jan. 17, 2019 /PRNewswire/ -- Plug and Play announced today its strategic partnership with PVH Corp., one of the world's largest apparel companies and owner of iconic brands, including CALVIN KLEIN, TOMMY HILFINGER, Van Heusen, Speedo, Warner's and IZOD. The partnership will help PVH continue to drive ongoing strategic growth initiatives related to supply chain, technology, digital capabilities and consumer-centricity.

Plug and Play is the largest global innovation platform, bringing together the best startups and the world's largest corporations. PVH will engage with two of Plug and Play's multiple verticals, Brand & Retail and Supply Chain & Logistics. Within each of these verticals, Plug and Play offers access to startups that will help PVH foster ongoing strategic growth initiatives and at the same time explore potential innovative solutions for the future.

"Partnering with Plug and Play is an important next step for PVH as we continually look for ways to deliver on our commitment to meet the ever-evolving needs of our consumers," said Mike Shaffer, EVP and Chief Operating & Financial Officer, PVH Corp. "With access to ideas, investors and new partners, we're excited to leverage Plug and Play's network to drive innovative solutions that will support our business goals."

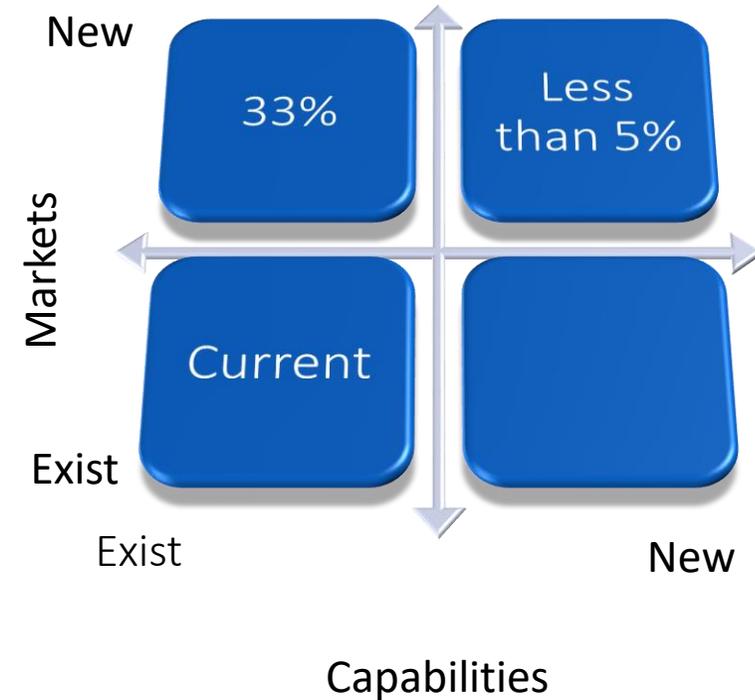
Discern and Decide



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What is Pivot?

Bain found that when a business moved into an adjacency where it had existing capabilities, it had about a 33% chance of success. But when the company strayed further from its core, where it lacked capabilities, the odds of financial success quickly dropped to 5%.



Source: Bain, HBR

Goldman Sachs and Marcus

2016 Goldman Sachs enters retail banking under the Marcus brand

Goldman Sachs losses total \$1.3 billion to date and counting

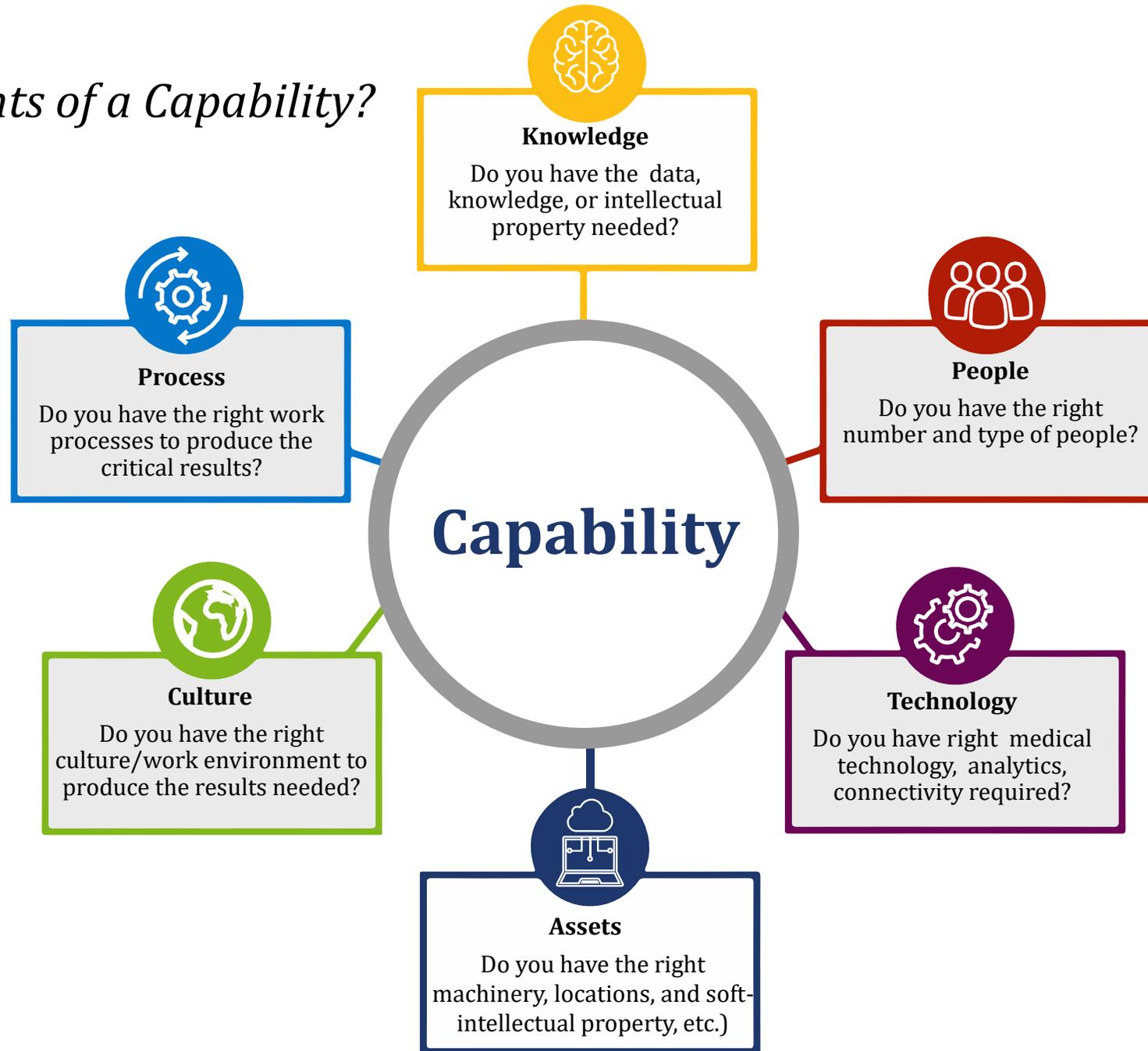
“Marcus launched without a collections team to chase down delinquent borrowers, resulting in early loan losses, people familiar with the matter said. A credit card developed with Apple Inc. was a coup, but a costly one: Thousands of engineers across Goldman were diverted to finish it in time for an August debut, delaying other projects. Apple ads for the card carried the phrase: “Designed by Apple, not a bank”—a line that didn’t appear in a giant banner ad in Goldman’s lobby this fall.”

Stock significantly underperforming peers over last 5 years

Source: wsj.com September 28, 2019



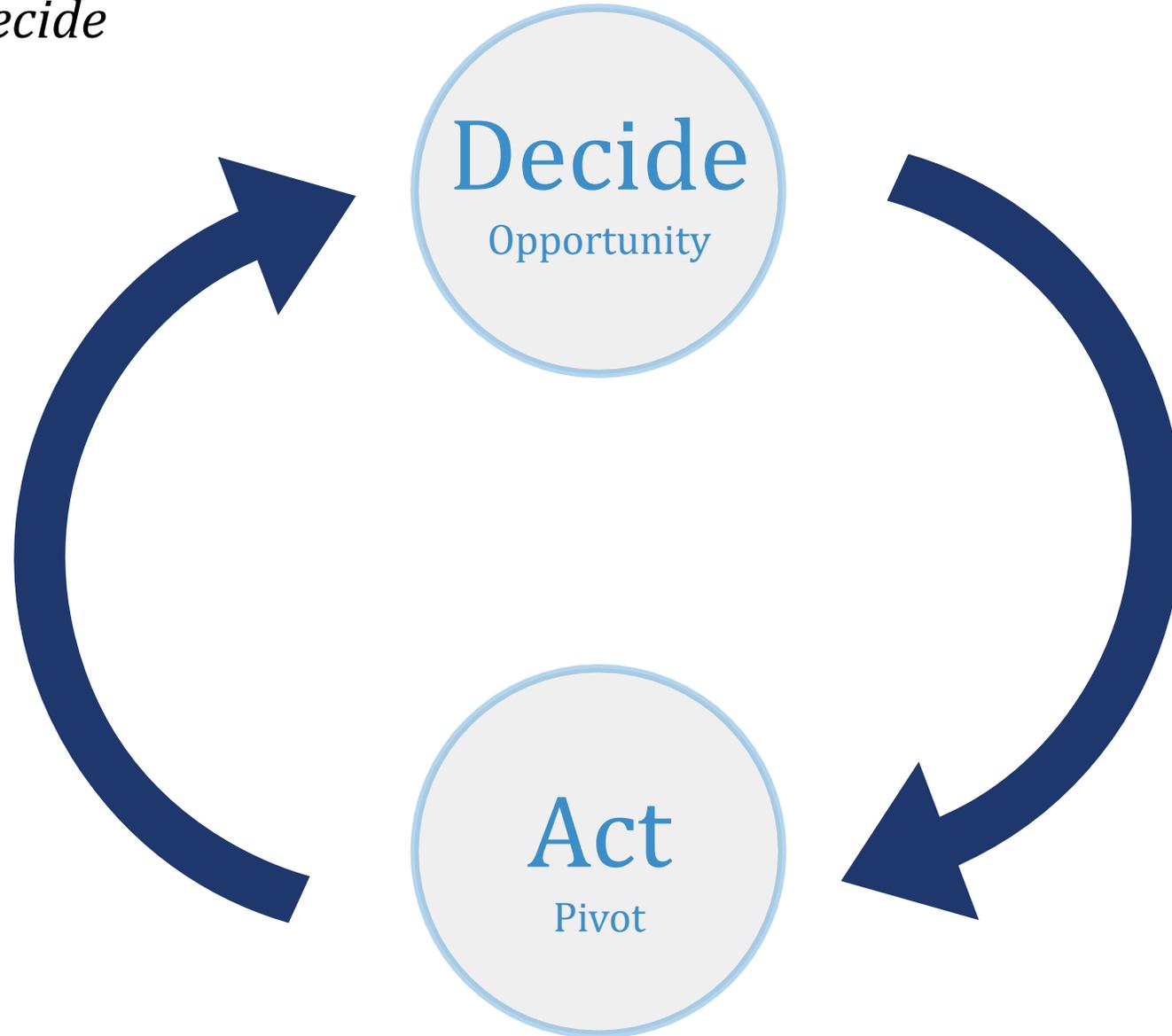
The Components of a Capability?



Exercise: Core and Edge Capabilities

What is your Core? (Business of today)	What is your Edge (Business of tomorrow)	What are your existing capabilities?	What capabilities do you need to acquire?

Discern and Decide



Q & A

Would you like to learn more?

Online Course: Building Financial Acumen

<https://www.dukece.com/courses/building-financial-acumen/>

Online Course: Building Strategic Agility

<http://www.dukece.com/courses/building-strategic-agility/>

Join the Agility Learning Community

<https://learningcommunities.com/agile/>

Chapter on Agile Governance

Handbook of Corporate Governance, 2nd Edition Wiley March 2020

<https://www.amazon.com/Handbook-Board-Governance-Not-Profit/dp/1119537169>

2019 Global Financial Cycle Time Rankings

<http://www.dukece.com/insights/speed-to-innovate/>

The Agile Dashboard

<http://dialoguereview.com/agile-dashboards-show-new-metrics-need/>

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