

## AN MCM POV REPORT

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# The Cost of Doing Nothing:

## How Complacency Can Stunt the Growth of your Business

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 consider organizational or cultural effects on your organization, today and in the future.

For this example, let’s assume an ecommerce organization called Company X was at a crossroads for its business. Due to high demand, the three-year sales forecast was 2.5 times the previous year’s actual sales. Company X’s warehouse had the capacity to handle only a 50% increase of last year’s outbound volume. The operation could adjust from its current outbound strategy or evolve to one with a higher capacity.

Changing from the current strategy would require an investment in IT system, material handling equipment and associate training.

Company X developed three alternatives to the current method. The first was to do nothing, namely,

not expand the business. Alternatives two and three were both expansions and their expected return on investments (ROI) were compared against the first alternative. The company determined that alternative two would be the best solution to meet its future demands. It would increase outbound productivity by 50%, outbound capacity by 3x 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.



When making their decision to select alternative two, Company X considered all the factors that went into the project's ROI. The 12-month productivity payback was not the only factor that determined the true ROI. Additional outbound capacity was viewed as an opportunity to accommodate up to 300% of additional sales. Increased order accuracy would help improve customer satisfaction. The decision to choose action over inaction helped Company X secure its future rather than wonder if they will have one.

## Implications Down the Road

What harm comes to your business by doing nothing? Turning your back on continuous improvement or modern technologies can negatively impact your current operational metrics. The impact can vary depending on the situation but the results can be dramatic and affect the future of the company. Some of the costs of doing nothing include:

- ✓ Lost sales due to extended processing times
- ✓ Increased processing costs resulting from decreases in productivity
- ✓ Inadequate storage capacity that requires off-site storage or more frequent order placement
- ✓ Potential increase in safety risks as warehouse storage capacity reaches maximum levels
- ✓ Losing customers to competitors who have embraced newer technologies that enhance the buying experience

These factors will result in higher costs and lower net profits. More importantly, the long-term outlook for the business grows dimmer when a do-nothing approach is taken.

## Invest in the Future

What are the long-term costs? By not decreasing your operational costs today you may be able to stay ahead of today's competition for the moment, but what about tomorrow? As times evolve, competition evolves, and using your current competitors to benchmark your success can be a fatal measuring stick for your organization. New competitors may enter the market as they see opportunities created by failing businesses.

Without increasing your capacity, how will your organization handle business growth? You must be able to adapt your 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.

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

## 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.