

Achieve Your Potential

Dynamically utilize all of your assets.



by John G. Carlson

TODAY, MANY SALES MANAGERS are underachieving on their revenue and profitability potential by the very controls, systems, and processes they use to manage the business. Much money is spent in non-productive control functions, while traditional accounting standards, financial reporting mechanisms, costing assumptions, and budgetary processes often hinder operating performance measurement.

How then can you cut through all this clutter to both:

- Improve the application of controls to achieve quality governance and compliance with regulatory requirements?
- Identify, measure, and exploit the real drivers of performance, not only for how the business currently operates, but for achieving its full potential?

The solution lies in applying an enterprise-wide view for assets, and in completing utilization analysis for these assets. You best maximize revenue growth, margins, and profits when you dynamically utilize all of your assets.

Redefining Assets

The term “strategic assets” describes the parts of a business that have the greatest value in an M&A transaction. These often are intangible in nature, such as intellectual property, brands, market positions, and key staff. Extending this strategic thinking to the day-to-day operations facilitates performance improvement and measurement.

The most important assets in knowledge-based corporations are commonly not on the balance sheet. Comprehensive identification and valuation of strategic assets is an operational matter that best achieves value for performance management when:

- Recognition is applied universally to intangible, tangible, and financial assets within and outside the firm.
- Valuation is applied to those assets most critical for creating revenues and for efficient operational cost performance.
- Strategic-asset profiling considers all assets that now exist, plus those that could exist to benefit the business.

By redefining strategic assets, priori-

ties for revenue, margin and profit growth receive new prominence as control systems are enhanced. Asset utilization analyses come first while financial analyses follow. This inversion of financially-based best practice enables you to emphasize revenue creation and generation before spending and cost-reduction priorities are established. It also raises productivity measurement to a higher standard based on asset-utilization analysis for every element that adds value.



Emerging vs. Diminishing Assets

Asset creation occurs constantly. New ideas and discoveries create sources of intellectual property and a competitive edge. Similarly, the integration of knowledge for application with customers, suppliers, and service providers represents a means to build the asset value of key technologies, products, and intellectual property to increase revenues, reduce costs, and drive up profits.

Unlike static accounting-based valuation, operationally-based asset valuation and utilization analyses are dynamic. Their application enables better recognition, protection and leveraging of the emerging assets to generate revenues. And, it enables careful harvesting of the value of diminishing assets. Revenues and costs are best managed with the development of lifecycle insight for individual assets, asset classes, asset groupings, and parts of the business.

For example, taking products and services to market successfully requires more than what is captured directly in a product line P&L or project management system. Likewise, building a company’s intellectual property asset base involves more than what is captured in R&D department accountabilities and patenting activities. The missing pieces for effective

management are the intangible assets and relationships. Anything, then, that can be done to improve executive visibility and control for dynamically utilizing intangible, as well as tangible and financial, assets is essential for competing effectively.

Lifecycle Management for Assets

Lifecycle management for enterprise assets is a tool for achieving this higher level of business integration in executing strategies. The same benefits that come from applying lifecycle management to products are also derived when a firm applies lifecycle management to its portfolio of strategic assets.

This approach represents a new way to model any business. Instead of being transactions-focused, a lifecycle model for strategic assets generalizes around the operational processes that increase the utilization of any asset. Though the mix of assets will differ, the management of intangible, tangible, or financial assets will not vary greatly across businesses and business models.

In fact, common lifecycle processes can be modeled across all asset classes or may be common to an asset class. For example, an executive will benefit from directly monitoring the acquisition cycle for all assets, whether the assets are customers, intellectual property, critical talent, equipment, or key data.

Application can be made to any business to obtain new performance improvement insights and leverage, or to a start-up business to provide a roadmap for what assets need to be developed and deployed at various stages. This approach vastly simplifies operational management and provides a cost-effective way to document best practice within operations.

Breaking out of the low-revenue-growth and low-margin trap does not require finding the next breakthrough product or service. Instead it involves strategically, operationally, and financially rethinking and modeling the real assets of the business to improve their utilization on a sustainable basis.

The potential for performance improvement often sits within operations among existing talent, knowledge base, intellectual property, and infrastructure and across the supply chain of potential customers, licensees, and partners. Moving to higher operating performance requires rethinking how assets are valued and best utilized. **SSE**

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