

Questions, questions, questions. But what is the answer?

The world of business is largely about asking the right questions and coming up with the right answers. It is the process by which we respond to and take advantage of change. As the rate of change grows and the world becomes an increasingly uncertain place the problem for many is that the questions are becoming harder to answer and the consequences of a wrong answer more serious. No longer is 'gut feel' and past experience a sufficient guide to the future. So what is to be done?

For most business questions, the answers lie either in the numbers or in the processes. The trick is to uncover them and this is where modeling comes in. We can use models to follow a logical sequence of events or strategies and apply numbers and processes to them to make the task of predicting the likely result much easier and more open. This enables a more scientific approach to be taken and for wide ranges of scenarios to be tested.

There is a skill to modeling but most businesses do not have to do it often enough to build the necessary knowledge in-house. It has therefore become a core area of business for Consultancies. One of the most difficult aspects of the modeling process is that it appears to require predictions to be made. Many Managers find predicting the future in this more uncertain world – and after all it is that uncertainty that modeling is trying address – increasingly difficult.

In practice then better to think of scenarios and sequences of events than the actual timing of them because in our experience Managers often have a good idea of WHAT is likely to happen (or at least be able to narrow it down to a few options) but have much less idea of WHEN it is likely to happen. It is the WHEN rather than the WHAT that is the big problem. The model can then indicate the HOW.

At The Logistics Business we have adapted our models to address this issue. Most of our models are now event based rather than time based. So rather than simply have the model say that you need to “do Y by 2010” our models will say “when X happens do Y”. It may not seem like a big difference but it has made models much more useful in the real world.

Two other factors are critical to the success of modeling. One is the use of parameters as a method of testing different scenarios. Often it is not until the model has been run a few times and the results seen that some of the scenarios are thought of and the model must be flexible enough to deal with this. The other is the ability to load additional data. Simple spreadsheet modeling can present difficulties in this respect. The embedded calculations within the cells make the re-

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loading of data difficult. At The Logistics Business we get round this by combining databases and spreadsheets to enable data, perhaps for different time periods, to be re-loaded.

There are few business questions that cannot be modeled. With an approach that is suited to the modern context the answers will be more easily uncovered and more reliable.

If you would like to know about the models that The Logistics Business has developed and the bespoke modeling services that we can offer you please contact us on 01527 889060.