



# MAKE DO AND M + E + N + D

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*Factum*



**WHEN IS IT BEST TO BE ADEQUATE?**

Despite some green shoots of recovery, with key market indicators like Gold and Crude at four and five year lows respectively, the consensus is that harder times will continue. In turn, IT Investment budgets – driven by estimated profits – based forecast market prices - continue to be put on hold, even for the bigger companies that have traditionally had deeper pockets.

Regardless of a reluctance to spend, new opportunities will arise and existing activity must continue. With restrictions on expenditure, increasingly the question is no longer “should we buy or build?” but “should we enhance what we have?” – or to “make do and mend” as I heard it (somewhat frankly) referred to recently. That term was coined from a UK Government initiative in the 1940s, which encouraged the use of what was available to best effect, while minimising waste and unnecessary spending.

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Hardly rocket science, but a frequently under-adopted approach, “make do and mend” proposes that rather than opting out when the perfect solution is not attainable, businesses should still be able to find an acceptable approach by better leveraging what is available. Perhaps it should be referred to as the Adequate Operating Model (AOM) - leveraging existing assets with some additional rigour for a satisfactory, but not ideal solution.

It sounds good in theory, but does it work in practice? Yes it does – but not without a little dose of Caveat Utilitor.

The concept of “sweating the asset” is not new and in many cases it is the norm for smaller or budget driven companies, as opposed to only being a special measure in leaner times.

Importantly, these firms are experienced in the approach and know they have to abide by some fundamental, inter-related principles to make the model work.

**Understand** an AOM is not a zero cost option, even if it only incurs an opportunity cost. Additional staffing or task re-assignments may be >

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required. Hardware may need updating. Software functionality extending, amending or simply correcting. The point of an AOM is not to avoid spend completely, just limit it to the least spend necessary. To achieve the minimum standards of operability for an AOM some investment may still be required.

**Communicate** to the business what adopting an AOM means. It is not an intuitive concept, often contrary to the usual mode of working which encourages solution over-engineering. It needs endorsement and a mind-set change within the organisation in question. Once understood, it is more easily adopted and avoids some of the “I just can’t possibly live without this...” conversations.

**Accept** the human effort and manual intervention an AOM requires. There will be analytical work required upfront and throughout the life of an AOM and there will usually need to be manual processes as part of the AOM itself which will require additional effort and diligence in execution.

**Identify** your real minimum operating processes and standards. There will be a minimum set of factors that must be maintained – KPIs, such as PnL, exposure, position, cashflow. There will be a minimum set of processes to conduct, such as reporting, documentation, invoicing and payments. Finally, there will be a finite appetite for all aspects of risk – market risk, credit risk, operational risk, etc. Nevertheless, thinking back to the tenet of “make do and mend”, it is likely that some tolerances and buffers can be reduced before the business becomes non viable.

**Adhere** to those minimum operating processes and standards to ensure control and accuracy. Adopting an AOM may not always mean higher odds of failure, but it may mean a greater impact of failure or a more onerous recovery process. Emphasis must be placed on ensuring an AOM is followed stringently and on understanding the potential failure points, so it’s clear how to deal with a problem if one arises. A temporary information loss or process break may be acceptable, but a longer or more serious outage could put you out of control and beyond simple remedies.

**Review** an AOM regularly. Set a realistic timeline for the target solution to be implemented and assess that periodically. An AOM should not be allowed to become permanent without it being a conscious decision – but if proven to be sustainable, then make it so. Just don’t let it become the norm through indecision or complacency - it introduces inherent operational weakness and a legacy time bomb. You do not want to hear the immortal words “but that’s how we’ve always done it...” as an endorsement of best practice.



Following the above should mean “making do and mending” by using an AOM is an absolutely valid approach. However, it most certainly is not a panacea or silver bullet. An AOM is not an easy option, a zero cost option or an indefinite solution. Assuming any of these could mean “make do and mend” might just become “won’t do and spend”, which is exactly what was being avoided in the first place.