

## Idea Briefing – Business Improvement

*Knowledge is a process of piling up facts; wisdom lies in their simplification. - Martin H. Fischer*

**To improve your business, you need to either grow the business or solve problems**

### **GROW THE BUSINESS**

The opportunities are:

- **People**
- **Infrastructure** – processes, technology, management/professional staff
- **Capital**
- **Culture** - a mind set for growth, macro management with controls

#### **Growth Action Plan**

- You have to be willing to grow. Growth is different from something that happens to you. You produce it
- *Process is more important than outcome*
- Boost productivity – which means going beyond cutting. The focus should be on revenue productivity, which is about boosting revenues from the same cost basis rather than reducing expenses
- Set killer goals
- Multiply new products - innovation equals growth
- Make niche acquisitions
- Ask stupid questions - growth is fueled by desire and innocence. Assess the answer, not the question
- Real growth often happens outside of where we intend it to

### **SOLVE PROBLEMS**

*Here again, process is more important than outcome:*

- If process drives outcome we may not know where we're going, but *we will know we want to be there*
- Problems arise out of doing the wrong thing righter. The more efficient you are at doing the wrong thing, the wronger you become
- “It is much better to do the right thing wronger than the wrong thing righter. **If you do the right thing wrong and correct it, you get better**”

*Supply Chain Management* sits in the center of process-driven organizations, where it focuses on integration and partnerships in order to *meet customers' needs* on a timely basis, with relevant and high quality products, produced and delivered in a cost-effective manner

- It's *complex: from* ideas and designs *to* sources of raw material *to* the manufacturing plants *to* distributors *to* final consumers
- Ensures delivery of the *right* product (quality), to the *right* location, in the *right* quantity, at the *right* time (on-time delivery), in the *most profitable* (at the *right* price) manner
- Often a “*gating*” *factor* for increased growth is the ability of the supply chain to meet increasingly complex and growing customer demands for services and capabilities

## **Supply Chain Management Principles**

- View the supply chain as a strategic asset
- Work collaboratively with customers, suppliers, trading partners, & 3rd parties to change the way operations are viewed, performed, & measured
- Use Strategic Sourcing to *control costs*
- Outsource elements of the chain for flexibility, higher performance, & better asset management - *management time should be spent on integration & innovations (new ways to excel), not managing transactions*
- Invest or reinvest in supply chain knowledge, people, skills, & learning
- Invest or reinvest in supply chain information technology to manage flows end-to-end
- Think globally ... build regionally ... operate locally

## ***These lead to ...***

### ➤ **Strategic Sourcing**

A significant component of Supply Chain Management is Strategic Sourcing. With sourced or purchased products accounting for as much as **75% of your total cost**, strategic sourcing can be an invaluable tool to control those costs. Strategic Sourcing can leverage your suppliers' capabilities, low-cost position and technology solutions to improve your bottom line.

***Ultimately – it's less about getting the best price & more about finding the best supplier at the best price***, who will do what's necessary to make the relationship successful.

### ➤ **Outsourcing**

- Contributing to profitable growth - managing non-core competencies that are more efficiently and economically sourced from suppliers
- Utilizing employees better – by concentrating resources on fewer, more important areas
- Adding capacity when you need it

### ➤ **Supplier Management**

There is a strong correlation between trust and procurement costs

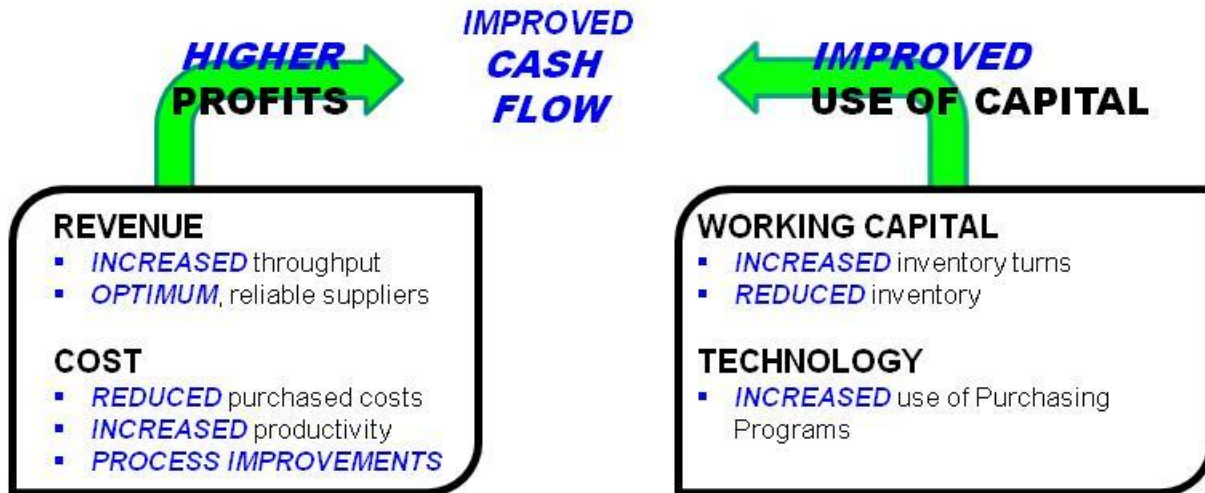
- Least trusted buyers' procurement costs were 5 times higher than most trusted buyers'
- Least trusted companies were the least profitable

### ➤ **Global sourcing**

It is more than just buying from a Low Cost Country (LCC). Some ***hidden, additional*** part costs manufactured in a LCC

- Inventory of goods in transit over long distances from the LCC
- Increased safety stock to ensure uninterrupted supply
- Out-of-stocks and lost sales caused by long lead times
- ***The potential, if you are using a contract manufacturer in a LCC, of your supplier soon becoming your competitor***
- Currency risks
- Country risks (political instabilities)

*Supply Chain Management results in ... BUSINESS IMPROVEMENT*



*Compare your business ...*



**Supply Chain Success Checklist**

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## Are you ...

|  | YES | NO |
|--|-----|----|
| Improving your competitive position and customer satisfaction?   |     |    |
| Impacting the organization's image and social policy?  |     |    |
| Scaling for growth?  |     |    |
| Ready with effective crisis response mechanisms to insure critical operations can continue during a supply chain disruption? |     |    |
| Detecting and recovering from fulfillment errors automatically, before customers do?   |     |    |
| Continually evaluating which value chain activities are core competencies and outsourcing the rest?                          |     |    |
| Buying for less ( <i>Leveraged Buy</i> )?  |     |    |
| Buying better ( <i>Linked Buy</i> )?   |     |    |
| Consuming better ( <i>Value Buy</i> )?   |     |    |
| Focusing on best value (TCO) instead of low price?   |     |    |
| Increasing efficiency and productivity?  |     |    |
| Recruiting supply chain professionals?   |     |    |
| Establishing Key Supplier Alliances?   |     |    |
| Using a formal supplier consolidation process?   |     |    |
| Using a supplier selection & approval process? Formal agreements?  |     |    |
| Using a Supplier Scorecard?  |     |    |

Michael McCracken is a management consultant specializing in Supply Management, Strategic Sourcing, Operations, and Strategy. Representative projects include assessing business strategy, implementing strategic sourcing and establishing DOD procurement.

Phone: (814) 467-3521

Cellular: (814) 341-0168

Email: [micyn@pa.net](mailto:micyn@pa.net)

[www.micynconsulting.com](http://www.micynconsulting.com)