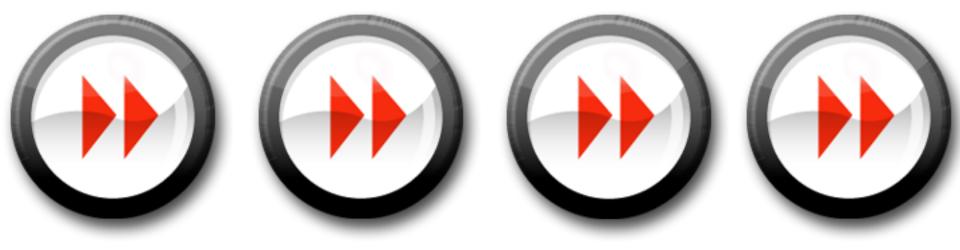
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# Find and Sell Excess Capacity

# Find Excess Capacity - Assumptions

- Our Business is One system
  - From our enterprise to our customer to the end user
- We have One clear goal
  - To reach our sales & profit targets for the period
- We create the Constraints
  - Anything that keeps us from reaching our goal
- Find and Resolve Constraints
  - Where is the weakest link in our business system?
- Focus on Throughput
  - Increase sales revenue and reduce operating expenses

### Our Business is One system



OurOurOurEndSuppliersEnterpriseCustomersUsers

### We have One clear goal

- Quotas (sales goals) per product, per product group, per channel, per industry, per segment, etc?
- Budgets by cost type, cost location, etc?
- Asset goals per type of inventory?
- Goals for headcount ratios?
- Customer satisfaction?
- Training or other forms of competence?
- Speed, cycle time, etc?

#### or

- 2X our business within two years from January 1, 2010
- Grow our sales at 20% per annum over year 2009 base

### We create the Constraints

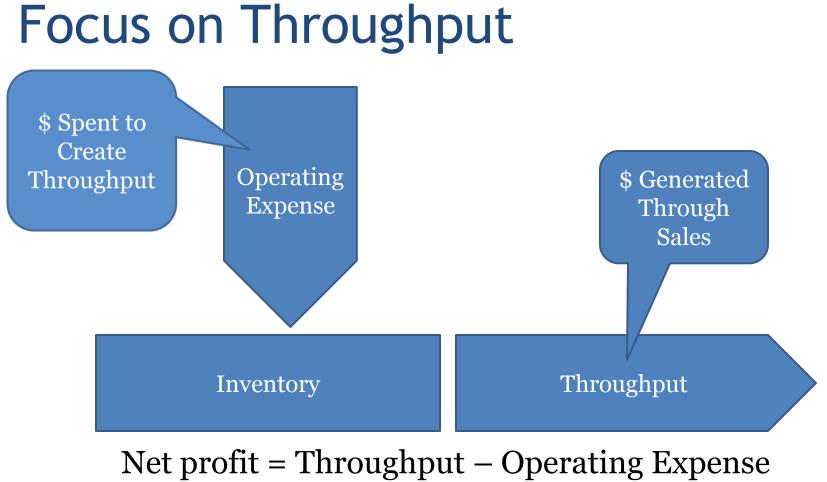
- The System is made up of connecting links
- Where is the weakest link?
  - Internal resource?
  - Internal process?
  - Internal policy?
  - External conditions?



### Find and Resolve Constraints

- 1. Identify the constraint. Determine exactly what is the weakest link. What needs changing?
- 2. Decide how to exploit the constraint. Wring maximum efficiency from the constraint in its existing configuration.\*
- 3. Subordinate everything else. Let the constraint set the pace. Synchronize all other system components with the constraint.
- 4. Elevate the constraint. Decision time. If you have not resolved the constraint, increase capacity at the constraint.
- 5. Go back to step one. Avoid inertia, the improvement cycle never stops. There will be another weakest link.

\*[Six Sigma: <u>D</u>efine-<u>M</u>easure-<u>A</u>nalyze-<u>I</u>mprove-<u>C</u>ontrol]



ROI = (Throughput - OE) / Inventory

# Sell Excess Capacity

- The Unrefusable Offer
  - Beyond value proposition
  - Making an offer that the customer cannot refuse and competitors cannot match
    - Lead time example
    - Quality example
    - Competence example

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