

Hawkeye Consulting Advisors

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



Our
Suppliers



Our
Enterprise



Our
Customers



End
Users

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?

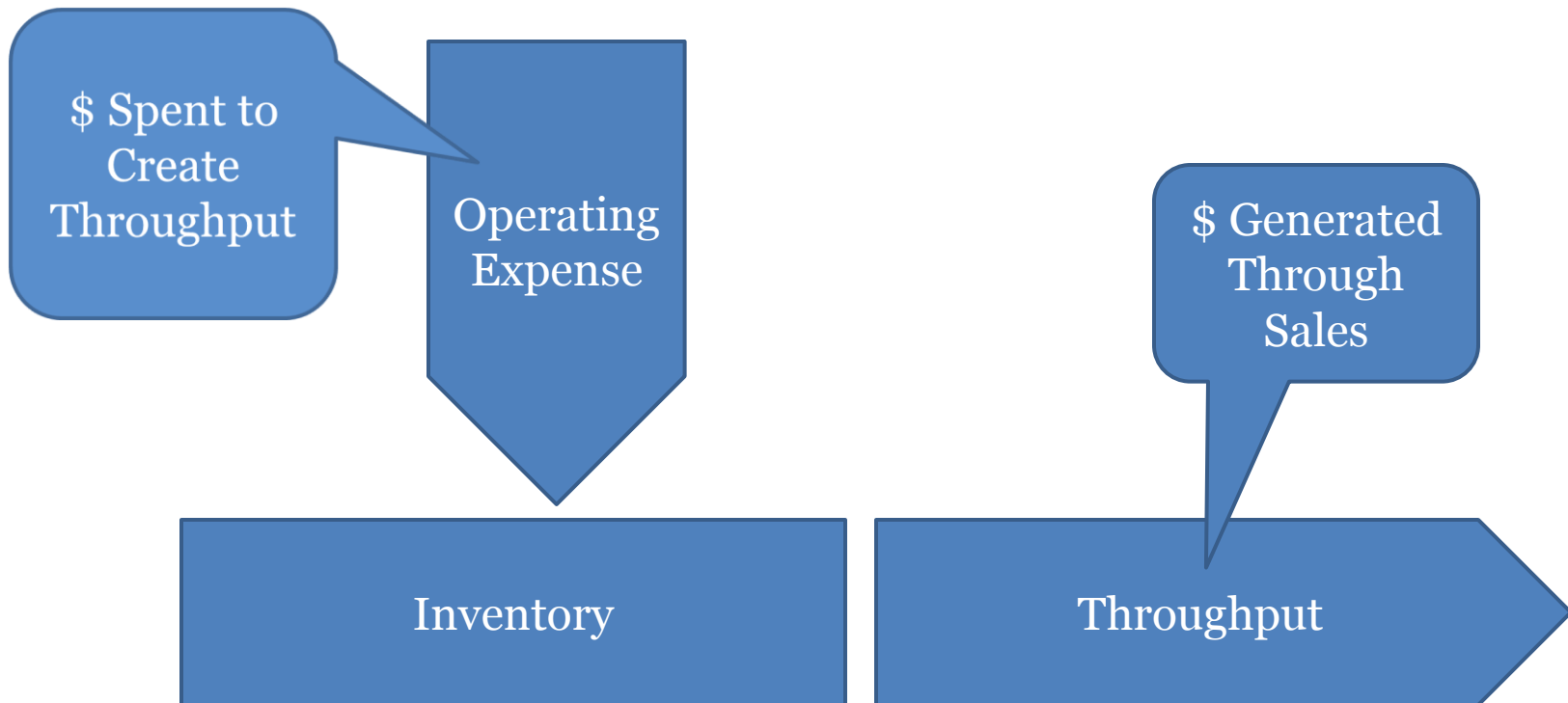


Find and Resolve Constraints

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: Define-Measure-Analyze-Improve-Control]

Focus on Throughput



$$\text{Net profit} = \text{Throughput} - \text{Operating Expense}$$
$$\text{ROI} = (\text{Throughput} - \text{OE}) / \text{Inventory}$$

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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When do we start?

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