



Own Resources, bad faith?

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When we think about Logistics, responsiveness is an essential element, as well as efficiency. We all aim to obtain, or offer, a good responsiveness, that enables flexibility, at a reasonable cost. This is the paradigm of a good cost versus service ratio, which is the utmost objective of Logistics.

On this dynamic balance, resources are crucial, as their management determines responsiveness as well as operational cost. At this point we are at the essence of planning, where we can assume one of two attitudes: we can either start from the costs or from responsiveness. Obviously, at the end, the results obtained may be the same, but the attitude is different on each approach. Let us look closer at each one.

Under the first attitude (the cost one), we start by asking: having to utilize the vehicle fleet at 80%, what delivery frequency may we offer to our clients? Naturally, the grounds of this thinking imply a fixed point, resource utilisation, and a variable decision, delivery frequency. Despite the management skills of who is planning, this approach establishes, upfront, an orientation for action: to sacrifice responsiveness for operational efficiency. This leads to a planning closed over resources, closed over the company itself, potentially risking a market share reduction.

The second attitude (the responsiveness one), has us thinking: having to ensure a 24 hour delivery service, what can we do to maintain an 80% utilisation of the vehicle fleet? In this case, responsiveness becomes the fixed point, and the action required to optimize vehicle utilization is the variable. Of course, the paradigm under this way of thinking is not so closed over the company, and becomes more market orientated. The question itself "what can we do to ensure vehicle utilisation?" allows for a wider scope of action, with innovative solutions that enable resource sharing, for example.

It is clear that, at the core of the choice between these two ways of thinking, is the strategic vision capacity that exists within the company, but not only. There is also the context on which the company operates, as well as the managers' background and education. Let us look at some examples.

A company that operates a very expensive resource tend to focus its planning on that resource. This is the case of a car manufacturer, where planning is focused on avoiding stopping the assembly line, even if the vehicles assembled are difficult to sell. The same happens when those who manage and make decisions are constrained to a certain mindset, as was the case of Compaq. The company was willing to exploit economies of scale in the production and distribution of PC's, instead of producing the PC's that the customers wanted, necessarily at the moment they wanted them, as DELL did.

Therefore, we propose the readers to look closely at their particular situation, trying to find the answer to the following questions:

- What can we do in order to reduce the delivery lead time to 24 hours, where it is now 48 hours or more?
- What can we do in order to increase the delivery frequency from fortnightly to weekly, or from weekly to twice-a-week?

In both questions, it is intended to, at least, keep the distribution efficiency constant. This is precisely the challenge: to find innovative solutions, where resources are what we make of them.

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