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Tight Curve. To Where?

Not only the company created superior operational capacity as it became more competitive. Are you interested in this strategy?

It is understood that 2009 will be, for most companies, a year for decreasing risk , with credit access more difficult. Guaranteeing that funds exist to cover working capital is imperative. It will also be a year of acute competition, because of demand contraction. In short, a tight curve. Assuming this, one of the questions that arise is: what strategy should a production company follow?

There will be several possible alternatives, but only one solves the first challenge - reducing the risk of the company - which is reducing the working capital. For the second challenge, the solution is to increase responsiveness - customers prefer companies with greater responsiveness to their changing needs, keeping all the rest.

So, how do we reduce the working capital of a company? Three alternatives can be suggested, not mutually exclusive: the exchange of resources for information, the exchange of resources for flexibility, and the reduction of the work unit – not necessarily increasing production capacity.

The first alternative, considering a production company, means a better understanding of what is happening in the production system, controlling it in real time. With a superior control and synchronization of the production process, stock levels of both finished and semi-finished products can be reduced.

The second alternative, considering the same type of company, should be implemented by investing in the creation of controlled overcapacity, in order to increase the ability to adjust to demand peaks, reducing the need for early stocks increase, as the key mechanism for responding to demand peaks.

The third alternative, keeping the same type of company in mind, is rethinking the operation from planning to production, making it economically possible to have small batches of goods, which, in turn, would make the reduction in raw materials and components order lot size possible.

As a whole, these three tactics, each on their side, will enable a strategy for emptying the company's stock of raw materials, products and semi-finished products, making it economically more agile.

Surprisingly, or maybe not, the three tactics also respond to the second challenge of the strategy - to increase responsiveness - by increasing the flexibility of the operating system.

The cherry, expectable - the administrative costs of the company's business supervision and management will be reduced. This will be due to the integration and automation of production control and management systems. The same applies to the stock ownership cost – yes, this will be reduced - also lowering the operating costs.

Concluding, not only the company created superior operational capacity as it became more competitive. Are you interested in this strategy?

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