

Big Missed Opportunities

Common practice is often not common sense!

Optimisation Gone Wrong!

If every part of our organisation operates at its best performance, then our business will be optimal! Based on management behaviour that seems to be what the majority believe. And yet we all know that a football team that plays as a true team often defeats a team of stars that don't. If it's true for team sports, why isn't it true for business teams?

Common Practice usually isn't Common Sense

Most businesses are large and complex enough that management must divide them up into parts – sales, marketing, finance, R&D, HR, production etc. Since each of these must perform 'optimally', management uses key performance indicators (KPIs) to ensure every function does operate at its best. Here is a source of missed opportunities – ambitious managers do their best to show excellent performance. In doing so managers from different departments get in each other's way – optimisation actions by one are often detrimental to the performance of others. The business as a whole must be sub-optimal!



The Weakest Link – Your Leverage Point

Somewhere in every organisation there will always be a weakest link. How well you exploit (deploy) the weakest link determines the performance of your business as a whole. If other resources' actions are detrimental to the weakest link's performance then the entire business must suffer – it will make less money than is actually possible! Do you and your managers know which of all your resources is the business's weakest link? Even if you know what or who the weakest is, can you honestly say all the other departments act in a way to support the weakest link – even if this means sub-optimizing their own departments?

How Big are the Missed Opportunities?

Since the business goal is (usually) to make money then we have to measure the impact to the bottom line. Since the weakest link blocks making more money, then optimally exploiting the weakest link will have a big impact. Let's assume your business has a 10% profit margin and 50% of your cost is materials (variable cost). Of a 10% increase in sales, half will go straight to the bottom line. Your profit increases by more than 1/3rd! Is that not a huge impact?

VISTEM Can Support You

Vistem consultants using the Theory of Constraints, their experience and your knowledge of your business help you find your weakest link – the constraint of your business (that thing that is blocking your organisation from achieving more of whatever your goal is). Once you know where or what the weakest link is the consultants can help you decide how to best exploit the weakest link together with the most difficult job – how to motivate the rest of your organisation to support your weakest link correctly.