



The Pendulum Will Swing Again

By Rebecca A. Morgan
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Constantly changing external forces will impact your business. The challenge is to recognize when to stay the course, and when to vary from it.

The pendulums of government policies, business strategies and socioeconomic forces have swung widely over time. Union to non-union. Specialization of labor to cross training. Feudalism to mercantilism. The oscillation inevitably will continue, so the question becomes: How does operations deliver competitive advantage to the market despite, or because, of the pendulum swings?

First, pay attention to these influential external forces. No business, small or large, can close its eyes to such big picture issues. Consider the neighborhood gas station, the mom and pop grocery, and the local hardware store. Each could be a bastion of “high-touch” customer service, but instead EPA regulations and the advent of one-stop-shopping at big box stores offering cheap imports have led to their demise. They simply weren’t good enough at customer service or product selection to entice buyers to stay with them despite evolving options. Another example, a little over 20 years ago, Ma Bell was split into smaller companies, but that humpty-dumpty is almost put back together again, further showing us that the pendulum swings both ways.

Major external forces can—and will—swing from one extreme to the opposite in many arenas, any of which can impact your business. It is the role of operations to develop and deliver value-add to the market. It doesn’t matter who you are, where you are, or the nature of your business, these examples demonstrate how changes in the business topography require deft operations. An operation focused internally, and therefore unaware of coming market shifts, will find its methods and lack of flexibility crippling.

Next, a business impacted by external forces that can’t be controlled or even influenced at times must continuously reexamine what role operations plays in its success. For instance, encouraged by government rulings and the reemphasis of social responsibility, business strategies have begun to include the concept of sustainability. The impact of cradle to grave accountability on the supply chain and methods of production can

be huge, necessitating changes in how operations is designed and gauged. Similarly the cry for energy independence is opening markets for new technologies and increasing demand for domestic agriculture at the same time it increases the sales of hybrid vehicles made by foreign automakers. Companies that supply ethanol technology are bursting at the seams while automakers that have not yet developed acceptable fuel-efficient vehicles decline.

To ensure your business operations keep up, the processes for new product development and the implementation of new technologies must be designed as a repeatable, predictable process. Most small businesses give serendipity too big a role in determining their futures, and by doing this can miss opportunities, or worse, help hasten their own demise.

Third, an effective operational strategy requires an understanding of the market, but also of the Pandora’s box of the entire supply chain. Two current supply strategies, outsourcing and offshoring, typically mean increasing the geographic spread and the time between source and use. Is that compatible with sustainability or with flexibility?

Alternatively, Toyota credits much of its success to its emphasis on the development and utilization of local engineers, local suppliers and local workers to its manufacturing operations. Rather than search the world for the cheapest price, the company expands its concept of supply chain to all of its inputs and implements an operational strategy that reflects its business strategy, its goals and its core beliefs.

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The virtual company, where everything is outsourced, is a real possibility. Ask yourself if your own production operation is simply one more potential source of supply, or is it vital to your business strategy? Is your customer service a critical aspect of your value-add, or is it just another candidate for low-cost bidding? It is easy to follow the leader to Asia and its lower prices, but are you prepared for shifts in Chinese policies or events like the recent military coup in Thailand? Just because something can be outsourced

doesn't mean it should be. And just because you don't see the benefit of outsourcing doesn't mean you shouldn't keep asking the question.

For each business, the critical external forces likely will be different, and the pendulum will continue to swing and force businesses to shift their operational strategies. The challenge posed to your company is to recognize when to stay the course and when to vary from it.



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