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Solving the Paralysis Problem

By Paperitalo Staff

Last week we talked about "Paralysis by Precision" and I promised we would talk about some ways to overcome that this week.

The first place to start is to assess your company's willingness to take risks. Often, this is not discussed at all--for some reasons executives do not make the connection between being risk averse and being nimble, even though there is an extremely strong link here. The assessment and policy needs to be determined at the highest levels--the Board, CEO, and perhaps senior vice presidents. The reality not often faced is that the more risk averse your company is, the less nimble it is and the more likely competitors can eclipse you.

Just because your company makes expenditure decisions a certain way is no indication any of your competitors do. How and when you spend money for capital investment, raw materials, supplies and service support has a great deal to do with your level of success. For in reality, expenditures, product quality and delivery are the only things you can control. Purchase price and market demand for your products are out of your control to a large extent.

Take capital expenditures. Often companies in the same grade, with the same data, make purchasing decisions within weeks of each other. It is remarkable, but this tracks back many, many decades. The result is that in a given cycle, the first to make a decision gets a good price from the suppliers and a great delivery. Everyone else pays more and has a longer delivery, for the equipment manufacturing shops load up. Buying anti-cyclical may provide great savings.

Also in the area of capital expenditures, some companies competitively bid everything down to the last bolt and nut. This takes time and costs money. I have seen other companies make the conscious decision to duplicate the last project--they negotiate with the suppliers, but they do not go through rounds of bidding. Saves time and gets them to market faster.

The capital approval process is often another area for improvement. It seems easy to put various business functions on the approval routing. However, this really needs more thought. Categorize the approvals and keep the approval list as short as possible. If your company has a strong aptitude towards risk, make your approval process one that is disapproval by exception, in other words, if you do not say "no" within so many business days, it is assumed you have said yes. This works, and, quite frankly, I have not seen any diminished quality of results by doing this.

Raw material purchases, of course, need to be handled by specialists. The approval process needs to be as flat as possible, after all, if you have the right specialists buying raw materials, adding layers of approvals to the process will not enhance the quality of the decisions.

Finally, and this is cultural--if you have a culture where people get fired for small purchasing mistakes, you need to reassess this. You can have the loosest risk taking policy in the world, but if the reality is making a small mistake (however you define a small mistake) results in losing one's job, no one will take any risks whatsoever.

For safety, let's remember when it comes to safety, no risk taking is acceptable.

Be safe and we will talk next week. ##