

Operations Strategy At Global Packaged Food Manufacturer: Helping Synthesize North American Supply Chain Capabilities Into An Optimized System

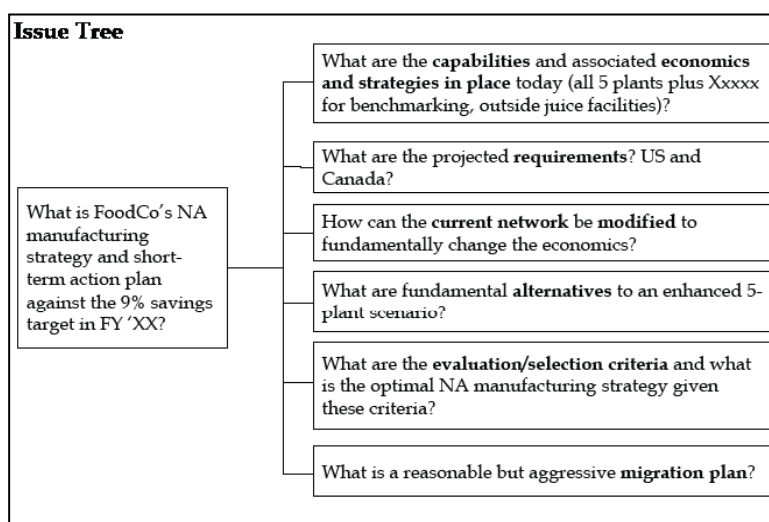
The Challenge: FoodCo was a highly successful and well-established global manufacturer of retail food products. In recent years the company had been highly successful in growing revenue, but focus had slipped away from the supply chain and management felt that the time had come to reconsider how the company delivered product to its customers. North American supply chain managers had been given the near-term objective of reducing conversion costs by 9% in the current fiscal year. In the long run, this team wanted to develop a broader approach to their supply chain which would help them minimize total delivered cost and their asset base while improving customer service and preserving flexibility to meet changing product demands. These managers asked us to help them develop both a plan to meet their near-term objectives and a longer-term strategy.

The Partnership:

Analysis: After spending a few days gathering the thoughts of key managers, our team (2 consultants and 9 operations managers) planned a 3-day workshop for all North American operations managers. This workshop had two objectives: first, to create and build support for a workplan to address strategic and cost-savings goals; and second, to overcome ingrained, subjective management beliefs which had driven a slow, incremental approach to network-wide improvements. The team carefully defined desired outputs for the workshop. The long-term, strategic-focused outputs included: a review of existing strategies and associated issues; two to three alternative strategies; and agreed-to analyses, with assigned responsibilities, to resolve the strategic issues which remained open. Outputs desired against cost savings goals were: a clear definition of the options available with financial impact estimations; requirements for success under each option and risk assessments; well-defined analyses, if required, to further develop each option; and a consensus around specific initiatives and next steps.

At the workshop, our team presented and supported their early conclusions that FoodCo had an excellent financial profile, powerful brands, a full product development pipeline, and a talented management group. We identified the broad long-term challenges to FoodCo as trade consolidation, untapped global markets for its products, and a need to better leverage investments that had already been made.

Strategy: The outcome of the workshop gave a structured view of the strategic issues to be addressed as shown in the figure to the right. These issues were translated into a detailed workplan which the combined team would follow to move toward both savings goals and further developing a long-term strategy.



Execution: Over the next four months the team performed detailed analyses of economics and local incentives, capacity, competitive environment shifts, capital spending processes, and cost savings opportunities. As the work progressed, individual opportunities to change processes such as new product development or inventory management materialized and were captured. Through the process, the array of strategic alternatives proposed initially began to narrow and a common vision for the future emerged.

The Results: The shared vision was to become, within five to six years, the undisputed supply chain leaders in the packaged food industry. It was agreed that, although care would be required in order not to miss savings targets while reaching for this vision, the savings plans developed and underway were very robust and already exceeding expectations. Based on the conclusions reached through the development process, the strategy gave priority to addressing specific gaps in network management and misalignment of management talent. In addition, needed changes to the capital allocation processes were identified. The client's objective for this study was to develop a strategy that they could implement without assistance; our strategy team accomplished this for them by presenting a detailed view of the current gaps and specific targets and clear migration plans for all of the component initiatives including milestones, estimated impacts, and contingencies.