

Chunking Your Business

By Steve Epner

Brown Smith Wallace Consulting, Inc.

Center for Supply Chain Management Studies,
Saint Louis University

It happens every few years. A question arises that force us to take a hard look at our businesses and what we are doing. Stepping back and looking at our companies can be necessary, but overwhelming. Whether it is done to consider a new application, to improve operations, or simply to establish better control procedures, it usually requires an overall look at our processes.

But, where do we start? How do we make sense of all of the different things that have to be done? What can we do to make it manageable?

Our consulting practice has to deal with this issue almost every day. Over the last 30 years, we have developed a set of processes that clearly and simply break the operation of a distribution company into easier to deal with segments. Our divisions should help anyone to breakdown the company into manageable “Chunks” of processing requirements.

Following is a list of the primary Chunks and a short explanation of each. This will be the basis for a number of future articles delving into the details of the various processes.

Prospect to customer

How do we get new customers? It starts with pure marketing. How does the message get out? It includes printed, emailed and web based communications. As prospects are identified, it is critical to start capturing their demographic information, where the lead came from, and everything else we will want to know and track through their lifecycle as a customer.

Here is where the initial contacts are recorded, any special deals which may be set up, and the tracking of their activity, pre and post the first sale. Completion of data entry into a CRM (the old customer relationship manager – now more correctly referred to as the Enterprise (or just plain) Relationship Manager) is a must. Plus, there is a great deal of potential reports to help manage the process.

Quote to order

Many distributors need to provide quotes or other formatted responses to bid requests. Quoting is a complete process in itself. Every proposal should be tracked, followed up on, and have a disposition. Over time, analysis will help any organization get better. One can begin to learn why some quotes have better win rates. Do some customers just ask for

quotes to be able to shop their needs elsewhere? If we know that, we can stop wasting time on them. Or, we might charge for the service with a discount equal to the charge when they actually place an order for product.

Converting the quote to an order should be very easy. The steps need to be defined and controls put in place to capture changes to the original quote when the order is confirmed.

Order to cash

Here an order is approved after a final credit check. Inventory is committed and/or ordered. Products are picked, packed and prepared for shipment. Invoicing is done and cash is applied. Collection procedures fall into this area.

Credit card processing (including PCI compliance), cash only sales, statements, and anything else required to convert the order into cash is covered. Special order handling, deposits, drop shipments, and “will call” all must be controlled.

Purchase to pay

Inventory control, product quality control, returns, and expediting are all handled here. Matching purchase orders to receiving tickets and invoices allow payment for the received goods. Discounts are calculated and taken. Exception processing such as “ship & debit” and other special handling are all tracked and completed.

Dock to stock

When product is delivered to the warehouse, it must be received, checked and put away in order to be available for sale and shipment. Often times there are special quality control checks that are necessary. In some cases, material needs to be sent out for special processes before it can be sold. Lot tracking, serial number tracking, and managing “dated” (anything with an expiration date) merchandise must all be considered. Where possible, cross docking is used to shorten the time from receipt to shipment.

Recruit to hire

Companies are always in need of the right kinds of people. Recruiting is normally an ongoing process. This is where the enterprise relationship manager can be a big help. All prospects are tracked for current or future opportunities. This data can become the foundation for the permanent employee record after they are hired.

Hire to inspire

Everyone pays lip service to the importance of our employees to our success. Here, a true human resources application makes it easy to track performance reviews, training, promotions, and bonuses. It is important to stay on top of what is happening with employees if they are to be asked to outperform their counterparts in other companies.

Data to wisdom

This is often referred to as Business Intelligence. But that is only the first step. This is where we make sense of all of the raw data that is available to us in our computer systems. Here is where we learn to use that information to improve operations, increase profits, and generally improve our results.

Together, these eight processes provide a roadmap to improving any business. Use the Chunks to break down any project into manageable segments. Then go to work and be successful.