Rethinking Business Processes to Boost Margins

Brian Shannon, Principal Business Process Management Strategist, Dolphin Corp.

Many food manufacturers struggle to keep profits high amid thinning margins and must continuously seek new and innovative ways to reduce costs. Companies across the spectrum of food manufacturing, whether it be a purveyor of customized ingredients for the food and beverage industry, a leading spice manufacturer, or a multi-national food and beverage company, have all found a recipe for success and profitability by optimizing their near-cash processes.

Follow the Money

Near-cash processes, such as Accounts Payable (AP) and Accounts Receivable (AR), are responsible for moving cash through the enterprise and provide a very direct way to control the flow of cash and drive greater profitability. While many manufacturers are quick to introduce modern manufacturing techniques and advanced distribution systems in a bid to stay competitive, they often overlook the fact that near-cash processes require innovation too. Unlike other changes in manufacturing that can be very resource intensive, simple improvements to near-cash processes can make an immediate impact on the bottom line.

Align Process Changes with Corporate Objectives

Successful process optimization projects starts by aligning any process changes with current corporate objectives. If reducing costs is a corporate goal, it is important to find ways to leverage existing infrastructure investments and build simple, sustainable processes. Making optimal use of your human resources is also important. When processes are truly optimized, human resources provide the skills

and critical thinking that is needed to support continuous process improvement and larger organizational goals.

If growth is on the agenda, it is important to ensure that the processes can scale to accommodate the projected growth. How will the company be able to handle increased transaction volume after a merger or acquisition? Will the company be able to keep cash flowing and the day-to-day business running if processes breakdown under the strain of rapid growth? Near-cash processes are the lifeblood of any organization, and yet they are rarely addressed during times of corporate change. By aligning your near-cash processes with your corporate goals you will be able to build a solid foundation for operational expansion and ensure the future growth of the company.

Eliminate Manual Work – A Competitive Differentiator

In general, eliminating manual work is the fastest and easiest way to optimize near-cash processes. It provides a competitive differentiator against other companies that have not yet updated their old, inefficient processes. By eliminating manual “touches” at all stages of a process, companies can significantly improve cycle times. Adding or making greater use of technology such as workflow and OCR can also help streamline and automate near-cash processes, shaving minutes, hours, even days off of existing processing times. With faster, more streamlined processes, companies can maximize the discounts that they take from vendors, negotiate better payment terms, and more effectively manage customer deductions, all of which contributes directly to the company’s bottom line.

Standardization Supports Centralization

Standardization is essential to making processes work more efficiently. The same principle is true for near-cash processes. However, due to the unique nature of food manufacturing, which handles perishable goods and local suppliers, many aspects of near-cash processes are frequently handled on site, across many distributed plants and warehouses. Large ERP systems, such as SAP, provide manufacturing companies with ways to standardize near-cash processes across multiple locations. Local users can access these centralized systems through web and mobile technologies, so it is possible to standardize processes across the entire company while still providing individual locations with control over the transactions that affect them directly.

Once near-cash processes are standardized and centralized, it is possible for companies to adopt new business models that will further reduce costs and enhance profitability. Shared service centers, for example, allow companies to concentrate their near-cash processing resources to achieve maximum efficiency. This model is similar to the benefits achieved by adopting large distribution centers.

Seeing is Believing

Many food manufacturing companies rely on real-time information available through

advanced reports and analytics to fine tune their production lines and achieve maximum efficiency. Ironically, many of these same companies rely on manual, paper-based processes to move cash through the organization. Without real-time information on near-cash processes, these organizations cannot get a true view of their cash flow. Food manufacturers must look for solutions that provide a real-time view of their near-cash processes, so they can manage cash just like they manage their production lines. Establishing metrics is also important, so that companies can measure their performance and move towards continuous process improvement.

Putting unstructured documents, such as invoices or payment remittances, online in easily accessible storage is another way to improve visibility across the organization. Individuals across the organization, whether they are in local plants or in corporate headquarters can view the documents instantly. Easy access to these documents is even more important in an industry where FDA requests must be addressed in very short time frames (sometimes in as little as 24 hours).

By implementing simple changes to Accounts Payable (AP) and Accounts Receivable (AR) and related upstream processes, it is possible for food manufacturers to improve productivity and lower risk while also improving cash flow. In an extremely competitive industry, innovation in near-cash processes provides the easiest way for companies to make an immediate impact on the bottom line and support future plans for growth.

About the author:

As Dolphin's Principal Business Process Management Strategist, Brian Shannon is focused on business processes and financial solutions that help companies maximize return on investment. He has more than 15 years of SAP experience and his background includes thought leadership, knowledge management, project management, training and SAP consulting with extensive experience in the consumer packaged goods, oil and gas, retail and utility sectors. To learn more or to contact Brian, visit www.dolphin-corp.com *[1].*

Source URL (retrieved on *10/21/2014 - 11:26pm*):
http://www.foodmanufacturing.com/articles/2014/08/rethinking-supply-chain-processes-boost-margins

Links:
[1] http://www.dolphin-corp.com/