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Using postponement to advance operational excellence

To successfully compete, organization leaders must leverage operational capabilities along the four competitive dimensions of cost, quality, delivery, and flexibility. Over the past 40 years, the nature of competition has changed significantly, and, in turn, business approaches are being refocused in order to gain and sustain a real advantage. These strategies have included financial performance in the 1970s, downsizing and cost reduction in the 1980s, customer segmentation in the 1990s, and mass customization today.

In an era of mass-customized products, postponement has the potential to bring about real excellence. It is a set of operational strategies that enable a business to offer a high volume of made-to-order products at mass-production prices. Changing tastes, high demand variability, short product life cycles, global sourcing, consumer desire for shorter lead times, and competitive pricing all drive today's manufacturers toward postponement. In response to these forces, company leaders seek to pinpoint places along the supply chain to differentiate a product as late as possible without negatively affecting service levels or sales targets.

How does postponement help companies achieve quality-driven customer satisfaction? Opportunities exist in various stages, including—but certainly not limited to—design, sourcing, manufacturing, assembly, and distribution.

Opportunities to succeed

Postponement starts with design. With the exception of conformance to specifications, all of the dimensions of product quality—performance, reliability, features, aesthetics, serviceability, maintainability, and

perceptions—are influenced by design. Therefore, to be effective, strategic trade-offs must be made that give customers the opportunity to configure customized products while controlling the back-end challenges related to the complexity of these choices.

For many successful companies, the key is to reliably offer the fewest customization dimensions necessary to give customers an acceptable amount of choice. When such postponement strategies are executed seamlessly, both higher levels of customer satisfaction and higher revenues are attainable.


Postponement also can help with labor productivity and asset usage, which are two major operational measures affecting performance goals. Challenges emerge in manufacturing and assembly because the objective is to manage the production of generic elements of a product while meeting the service levels for finished goods. To accomplish this, business leaders make the most of modularization and standardization at various levels, including subcomponents, subassemblies, mutable support structures, platforms, and product families.

A study of the automotive industry, “Linking Product Variety to Order Fulfillment Strategies” (Holweg and Pil, 2004), discusses this in-depth, distinguishing between external variety (the options offered to the customer) and internal variety (how manufacturing and supply chain processes are affected). Interestingly, the authors found no correlation between the number of options available for a model and the sales for that model. On the other hand, internal variety had a much more significant effect because it also was a function of product mutability; meaning, the interchangeability of support structures.

While mutable support structures may improve manufacturing flexibility, these systems can result in increased costs. Operations management professionals must consider the underlying business model (build-to-forecast versus build-to-order). It is in these manufacturing areas that complex decisions and trade-offs are made.

Global logistics and supply chain management strategies offer even more opportunities to achieve operational excellence. Here, postponement strategies involve packaging, labeling, channel assembly, distribution, and on-site service assembly and repair. Company decision makers must take advantage of available cost efficiencies by sourcing globally while minimizing the volume of customized products in the distribution channel. Wherever possible, businesses must produce local products for local consumption.

Supporting excellence

In order to become truly world class, an organization's supporting operational strategies must deliver real results in terms of quality-driven customer satisfaction, labor and asset productivity, cost efficiency, and revenue increases. More and more, operations management professionals are seeking true operational excellence—and it's not surprising to find postponement strategies at work. 

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