

## PICK A DEGREE OF DIFFICULTY...

**Perfectly executed off a three metre springboard, a back four and a half somersault with pike is three times more difficult than a simple forward dive**

It is the sort of dive that only the very best attempt to execute in competition, because you might elect to do a high degree of difficulty dive, but you have to pull it off too.

The final score on a dive is an aggregate zero to 10 score from multiple judges multiplied by the degree of difficulty. So, in a competition, you elect an appropriate degree of difficulty that you believe you can complete successfully, and then you need to score highly on the execution. What you decide to do will depend on your current position in the field, and your confidence in achieving results.

You don't want to overreach on the degree of difficulty and bomb the dive, but equally you don't want to aim too low, execute it perfectly, but achieve below your best potential score.

Managing inventory and purchasing is very similar. It is all too easy to adopt overly simplistic methodologies like weeks of cover or one PO at a time; reactive, reorder point purchasing approaches.

With the techniques available today, you can do far better than these and other basic approaches. They might be easy to understand, but you will severely limit your potential results if you do not challenge yourself to do better.

Equally however if you attempt to do things that are way beyond your ability to execute, you will simply create confusion and chaos. Yes you will make a big splash. You will belly flop and fail. This can easily happen if you do not have the right tools, if your staff lack the right training or the master data is not maintained to a level to support your desired level of performance.

### Win more by adopting new tricks

A diver will start with a simple forward dive, then add a somersault and a twist, and then some more somersaults and twists; scoring higher as they pull off higher Degree of Difficulty dives. Each new trick is built on the confidence built from doing simpler tricks and, with practice, the diver's repertoire will grow.

Similarly, you could add to your capabilities as you grow more confident in how you manage inventory and purchasing. So:

- rather than just adopting a reactive reorder point approach (see the August article), can you adjust the safety stock in advance of when it is needed for a seasonal product? After all, safety stock is positioning you to be able to handle variability with the next PO that is to arrive. You have to have the safety stock in place before it arrives. To do this, you must look not just at the next order but also at the one after that. Not a big change by itself, but a bit like adding a twist or a somersault – and you will score more highly if you do.

- you might be calculating how to manage cross docking, but are you optimising your choices as to whether or not you should ship directly or cross dock? Are you recalculating what is to be done with an incoming PO which is intended to be cross docked? Are you adjusting how much is to now be sent to Sydney and Melbourne from Brisbane three months after the original order was placed, and now demand patterns have shifted slightly?

Each additional feature in your inventory management system will add a bit more to your repertoire. Potentially, you will be able to do a lot more automatically, and therefore achieve more benefits, and in turn even decrease the level of difficulty in managing your inventory. It also might mean more complexity and greater resistance to adopting techniques that people do not fully understand.

### It does not have to be that difficult

Of course, with the right approach, it does not have to be that difficult.

For example, just consider how your iPhone employs calculations based on the Special and General Theories of Relativity to determine your GPS position. Clearly you do not need to be Einstein to utilise your iPhone and your son or daughter probably may not even be aware of the need to consider Relativity to improve GPS positioning. They do not even care, they just accept it.

It is similar with inventory management. We ought to be able to take advantage of many new innovations – rather than pulling out the old paper road maps and reverting to basic techniques, we ought to be able to take advantage of more sophisticated approaches as they become available.

What therefore do we need to do to make sure we execute at a higher level and do so consistently? Some of the strategies which can be employed include:

- Demonstrating the levels of benefits that can be achieved with basic functionality and then turn on new features and see how they produce better results. With the right modelling capabilities this is so easy to do, and can help build people's confidence in new techniques.
- Walk people through the different technique elements. Let them see how individual aspects of optimisation add value to different calculations. Show, for example, how considering the use of Common Quantities will help improve the quality of min and max values and how this subtle change can have big effects. After all, if something is always used in twos, having one, three or five units in stock is just wasting working



capital. Have that sort of mistake over a lot of items, and it could easily add up to lots of \$\$\$\$. Put in that context it would not be a subtle twist, but rather an important and fundamental technique improvement.

- Ensuring that people understand the value of the different techniques in different contexts. For example, with really slow movers that only ever sell in quantities of two it would be critical to consider Common Quantities whereas these techniques are less applicable with higher volume items. Of course you can do all this very easily for the thousands and thousands of items where it might apply.

Over time, provided you are prepared to look at new ways of doing things, you can gradually do more and more and do so more easily than you perhaps thought possible originally.

Standing on the board it may look daunting at first. The competitors are doing better with each dive. You might however discover that once you take that first few steps and dives that your confidence and your capability will grow and that will be able to perform to a whole new level

## ...and EXECUTE WELL



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