

BAD DEBT

LATE DELIVERIES

COSTS

BLOCKAGE

DELAYS

**MIND  
THE  
GAP**

**Fast track your  
business growth...**

# Executive summary

The economy has started on a journey of growth after a long delay in a deep recession, but growth is not always a smooth journey and will stretch existing processes and systems, creating gaps into which businesses will fall. Doing so will constrain growth at best and at worse may cause business failure. To fast track growth, businesses need to mind those gaps and cope with the 'growth challenges'. This requires systems and processes that offer total visibility, close control, and the ability to recognise and react to changes in close to real time. Equally, systems within organisations, and those that lie between supply chain partners, must be capable of working together seamlessly. The buffers and delays inherent in the old business models, which could absorb and smooth volatility, aren't there any more (or at least they shouldn't be).

But do our businesses have these seamlessly integrated systems across their supply chains? Do they even have recognisably best-in-class systems in their old-style separate functions of procurement, production, warehousing and distribution. Research carried out over the past year for Access suggests that many companies can benefit from seamlessly integrated software for warehousing, production, scheduling, business intelligence and finance. This will help them to hasten their growth journey and bridge the gaps into which their competitors will fall.

# Mind the Gap: fast track your business growth

Growth creates a challenging journey that will stretch existing processes and systems. With seamlessly integrated software for warehousing, production, scheduling, business intelligence and finance, businesses can hasten their growth journey by minding the gaps into which their competitors will fall.

Its official – the economy is growing again. GDP is roughly back to pre-recession levels and the UK is growing faster than most industrialised countries. Now is the time for business to go out and grab a piece of the growth that they have been missing for the last half-decade.

But a word of caution. The recovery phase can be a dangerous time for companies. Production and operations have to be ramped-up although any spare capacity has probably been downsized. Retailers and other sales channels, after years of running on minimal stock, now plead for more inventory to stock their shelves. Key staff may have been let go, or not replaced. And there has probably been little if any investment in systems and processes over the past few years.

So addressing the new growth opportunities poses very real risks of proliferating overtime costs, expensive ‘rush’ orders, and uncontrolled expansion of inventory with dire effects on both ‘profit and loss’ and working capital (and the cost of capital can only go one way from here). Companies fail like this.

That isn’t the only problem. The recovery isn’t simply a return to business as before. The business environment has changed dramatically while we’ve been in the bunker, most notably with the rise of e-commerce.

## Emergency timetable in operation

For all sectors, one significant result is that even with growth, demand patterns have become increasingly unpredictable. Demand is highly variable and can ‘spike’ in

a matter of hours as social media increasingly influences consumer buying. Product life cycles, ‘seasons’ in fashion industries, are greatly compressed, manufacturers can no longer base their plans on the aggregated quarterly demand from their wholesalers and retailers. Life is too fast for that.

So the growth environment has expanded business challenges and is very likely to have created gaps in their existing processes. Firms that cannot adapt their ways of working and fail to mind the gaps of these growth challenges will miss out on the growth they are seeking, if they survive at all.

Clearly, to cope with these challenges and fast track growth, businesses need systems and processes that offer total visibility, close control, and the ability to recognise and react to changes in close to real time. Equally, systems within organisations, and those that lie between supply chain partners, must be capable of working together seamlessly. The buffers and delays inherent in the old business models, which could absorb and smooth volatility, aren’t there any more (or at least they shouldn’t be). In short, systems that allow a business to mind the gaps and set out on a smooth growth journey.

## Cross-platform interchange

But do our businesses have these seamlessly integrated systems across their supply chains? Do they even have recognisably best-in-class systems in their old-style separate functions of procurement, production, warehousing, distribution (which as we have seen can no longer sensibly

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be regarded as separate entities)? Research carried out over the past year for Access Group, paints a disturbing picture, although in fairness larger companies at least are aware of the problem.

Consider, for example, Supply Chain Management processes. Even in the manufacturing and engineering sector, arguably less exposed to the new volatile business environment, beyond the staple concerns of cost and efficiency, over 40% of companies report real challenges in meeting demand without inflating inventory, (even recording, let alone optimising, inventory is seen as a challenge), in achieving the required speed of fulfilment and in running efficient JIT. They face production bottlenecks, excessive numbers of ‘rush’ orders, inability to cope well with customers’ changing orders, and in ensuring supplier reliability. Significantly over a quarter of firms report problems in communicating with suppliers and customers, which would explain much of the above and is strongly suggestive of poor, absent, or ‘unintegrated’ systems and processes. Almost half of firms surveyed are using nothing more sophisticated than spreadsheets to run their supply chains.

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## Rolling stock

Over in the warehouse there is a similar story. A third of warehouse operations run without any formal warehouse management system (WMS), either standalone or part of an ERP suite. It is probable that most operators still use the systems that were installed when the warehouse was built or last re-equipped. Yet the warehouse environment has changed significantly. Wastage is becoming a significant problem for many – as product life cycles diminish, goods are over-ordered,

pass their sell-by dates, they or their packaging become obsolete. Returns management has become a major issue – in some fashion-driven sectors up to half of the stock is on its way back to the warehouse as customers order multiple variants from which to select. For many firms the very nature of warehouse operations has changed or needs to change. Operations that previously despatched full homogenous pallets now have to create mixed pallets, or even pick individual items for despatch.

As order numbers and skus grow, along with fulfilment expectations, more sophisticated picking techniques and technologies are needed, from wave picking to voice or light-guided operation, and systems need to support these – time taken simply moving people and goods around the warehouse is now an evident restriction on profitable growth.

And as in other areas, continued reliance on wholly or partially paper-based systems is not only costly in administrative labour but invites error, resulting in incomplete or unfulfilled orders and lost sales and customers.

Survey work shows that one in four financial professionals struggle to obtain an understanding of product costs, costs of wastage, rework and returns, distribution and labour costs, at least at the level of the individual order, customer or product, **and as a result are in the dark as to the impact of rush orders, discounting, service costs, etc, on the profitability of particular lines**

## Signal failure

Given the relative scarcity of up to date supply chain and warehousing systems, it is no surprise that both long-term capacity analysis and, especially, quotidian production planning suffer.

Planning systems are rarely well integrated, and they struggle to receive and react to timely and fine scale signals of demand change (assuming such signals exist amid the noise of inadequate sales and order process, supply chain and warehousing, planning and scheduling and business intelligence systems).

Planning & scheduling

Warehouse & distribution

CRM

Production

Unsurprisingly, none of these systems, where they exist, are likely to be linking effectively with financial systems – that’s quite a gap to mind. Survey work shows that one in four financial professionals struggle to obtain an understanding of product costs, costs of wastage, rework and returns, distribution and labour costs, at least at the level of the individual order, customer or product, and as a result are in the dark as to the impact of rush orders, discounting, service costs, etc, on the profitability of particular lines.

But then 41% of finance professionals use only spreadsheets or manual calculations and even among those with access to more advanced IT, around half reckon that up to 40% of calculations are still done the old way. Again this is a significant source of cost and error.

The good news is that, across these functions, many or most firms are aware that their operational IT systems are, to varying degrees, inadequate and that they are a major constraint on current profitability and future growth. Smaller and newer firms are, worryingly, rather less likely to be concerned, perhaps because their scale and complexity of operations remains small enough to control manually. But these are precisely the sort of firms that have a chance of being transformed by sudden, rapid, perhaps Internet-fuelled growth. Without established reputations and legacy resources to fall back on, they will only get one chance to make the step change – so can they afford to ignore their absence of fit-for-purpose IT?

What to do? Pre-recession, the advice for firms of any reasonable size might well have been to invest in an ERP suite, with the various bolt-ons available for supply chain, warehousing and other functions – indeed, typically a quarter to a third

of firms run these functions that way. ERP has a, not entirely deserved, reputation for being both expensive and disruptive to install and operate. But in the new environment there is a more fundamental objection. ERP is essentially an aggregator – it takes all the individual materials, labour, capacity and other demands and combines them into monthly or quarterly or annual reports.

This is important, even vital, for long term financial and cashflow planning, for setting up long-term supply contracts, for predicting future capital investment requirements and so forth, but it is of little use, indeed may be a snare and a delusion, when it comes to satisfying demand that may be changing by the day or by the hour. By the time the new situation has been analysed, the world has moved on once more.

### Now boarding

Specialised software is now available, at reasonable cost, that is designed around the new needs of the various operating functions both in terms of the new business models and the new technologies it will need to support. It allows business to mind the gaps that constrain growth. Developers have taken on board the need for each software application to integrate seamlessly with its neighbours, inside and outside the organisation, and of course with the major ERP and financial packages.

Generally, the new generation of software does not require the owner to rebuild the warehouse or redesign the production process to fit (although for the reasons outlined above, this might actually be desirable). And crucially, developers have recognised the implausibility of ‘big bang’ implementation, over weeks or months, in businesses that have to grab every growth opportunity that the fast-changing environment offers.

After reading this whitepaper, you’ll understand how Access can:

**1** Offer total visibility, close control, and **ability to react to changes in real time**

**2** **Meet demand without inflating inventory** with speedy fulfilment and efficient JIT

**3** Aggregate all materials for **better reporting and long-term financial stability**

**4** **Be designed around you and your needs**

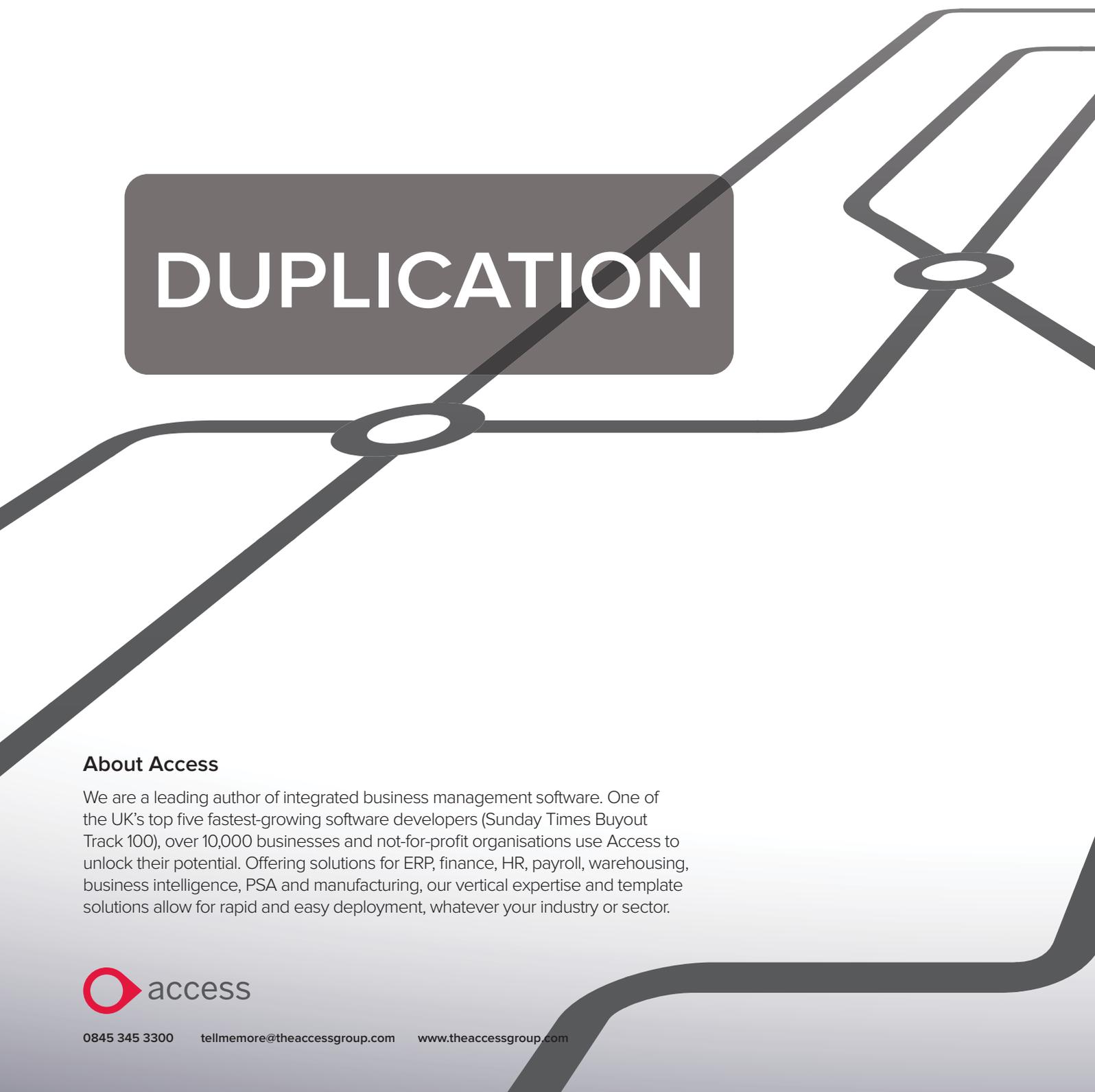
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# DUPLICATION

## About Access

We are a leading author of integrated business management software. One of the UK's top five fastest-growing software developers (Sunday Times Buyout Track 100), over 10,000 businesses and not-for-profit organisations use Access to unlock their potential. Offering solutions for ERP, finance, HR, payroll, warehousing, business intelligence, PSA and manufacturing, our vertical expertise and template solutions allow for rapid and easy deployment, whatever your industry or sector.