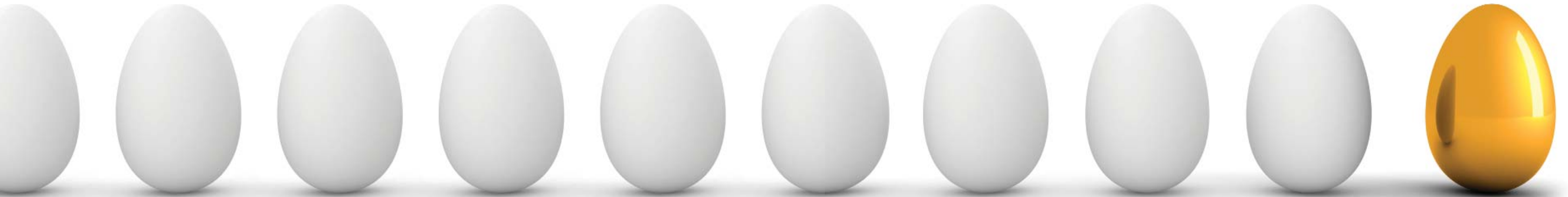


You need a full line of sight to develop a vision.



'A holistic perspective and process allows management to make the right decisions, improves

communication and reduces the negative effects of errors from one department to the next.'

Riding a recessionary roller-coaster with limited capital, demanding retailers and canny consumers, FMCG companies must learn to work more efficiently without compromising customer needs. *Cathy Johnson, VP at Celerant Consulting UK, believes that to succeed they must build their future inside out.*

Zig when others zag' may be a cliché, but it's a cliché because it happens to be true - and right now it's consumers who are zagging like mad. Household budgets have never been tighter, so their attachment to particular brands is under intense scrutiny and the concept of shopping around has taken on a whole new meaning.

This in turn has led to retailers putting the squeeze on traditional FMCG categories with new introductions and a demand for innovative solutions to expand more profitable categories. So how should a company 'Zig instead of zag' and prepare itself for a future that's so much in flux?

Blow up the silos

Increasing gross margins and product innovation are the clear route to the future. A long period of economic uncertainty means that growth must come from both new and existing channels, as well as completely different business models. Companies must ask how they can satisfy consumer and retailer expectations on issues like value for money, health or convenience and then quickly structure their organisation and operations to achieve that.

For example, right now across Europe more and more consumers are focusing on the quality and environmental aspects of the food they buy. They want to know how far it has travelled; whether there's a local alternative; what are the ecological consequences of its packaging? So smart businesses are looking for ways to offer their customers the top products and services that address these concerns by introducing Fair Trade products, limiting product packaging and taking steps to reduce their ecological footprint.

Industry leaders are going further by trying to anticipate what exactly consumers will want in the future and then innovating solutions to provide that in an agile, flexible manner. None of this can happen though, if a company operates in silos with a focus on departmental performance, rather than effectiveness across the whole organisation. To move forwards everything must be re-aligned to the new vision. And the best way to do that is from the inside out.

Get a full line of sight

The drivers of innovation are consumers and the market, but the enablers of innovation are a company's people and its capital. Capital can

either be harnessed externally or from within and in the current climate the most obvious and profitable option is to see what you can get from the inside. To do this leaders need a full line of sight on what they have available to them financially, operationally and from a people perspective. They must be able to see the real facts and cut through the fair weather reporting. So the line of sight must be holistic, yet on the pulse to deliver the right information at the right time and provide:

- A full overview of capacity – with the right measurements which link to the shop floor;
- The ability to manage the finances to allow innovation to succeed;
- The leadership to motivate and inspire people to deliver their best every day of the week.

In the current climate, innovation and project financing are more challenging and more expensive than they've ever been, so companies must focus on what they can actually control, cash and cost. They must become a lean operation and align their supply chain to respond proactively to rapidly changing markets. This means casting a critical eye on the amount of product sitting in the supply chain, whether in the form

of purchases, semi-finished goods or finished goods, then launching an efficiency review of the whole order-to-cash process, from the time between receiving an order and shipping the product out the door to receiving payment. CFOs must also carefully examine the real return on any acquisitions, the capacity management of previous investments and the willingness and ability of their COOs to make the best use of existing and available capacity.

Develop an innovative vision and share it

Companies must also factor in the real cost of innovation, not just for R&D and consumer testing, but also for the corresponding implementation. A change in packaging will probably require equipment upgrades or a reconfiguration of factory floor lines. On the human resources side, the skill levels required in innovation are increasing, so employee development has to be a priority, even during a recession. People must be steered in the right direction to allow creativity and inspiration within the framework of good business principles.

Whether a company is looking to optimise cash or cost, the key is putting the right information in the right hands at the right time. Managers

need to be focused on the right key performance indicators (KPIs) and to reject fair weather reporting in favour of an accurate, data-based picture of reality. Providing this information is not just the role of an IT system, but an integrated supply chain information flow from executive level to the shop floor.

To achieve this, leaders must examine specific roles and ensure that the right employees are performing the right tasks. Loosely defined roles, undefined expectations, and ineffective practices create a frustrating daily work experience with a great deal of lost time. Implementing a simple architecture with clear accountabilities is the first step in breaking this cycle, and each new role must be aligned with measurable expectations and supported with the tools necessary to achieve them.

A holistic perspective and process allows management to make the right decisions, improves communication and reduces the negative effects of errors from one department to the next. More importantly, a team that understands its contributions and feels connected to the entire business is more motivated to deliver results. ■