

Question your decisions

Approach business choices openly by asking fundamental questions

Decisions! We make thousands of them every day. From what to wear, what to eat and what to say. In business, we make even more decisions: purchasing, staffing, relationships and customers. But are we making the best decisions?

To optimize decisions, it is helpful to ask fundamental questions.

Which problem am I trying to solve?

This question cuts to the core. In supply chain management, we saw many

companies outsource all production to China to create cost savings.

Now, however, there is a reverse trend going on. The added cost of managing production overseas and mitigating quality problems, combined with freight and customs charges simply did not create the anticipated cost savings. If cost is really the primary trigger, the decision begs a complete analysis.

Are the downsides of the preferred solution acceptable?

Like medication, decisions often have side effects. Another reason we now see reshoring is the need for flexibility. As customers get more demanding, it has become a competitive advantage to quickly replenish and customize goods. Depending on the industry and business model, price may trump speed.

Frequently speed will win, especially if the cost differential is minimal. The downside is a strategic impediment of long reaction times.

What is the best possible outcome?

It is time to dream. By answering this question, we will generate disruptive and incremental innovation in process and product developments. Because companies asked this question, many decided to do near-shoring where products are manufactured and distributed in proximity to the customers, but with productivity gains and knowledge transfer between the different locations.

What is the opportunity cost?

Too often, we forget that each time we make a decision in favor of one solution, we exclude other solutions. If we decide to move a factory from China with its increasing labor cost to Vietnam where labor cost is low, does that handicap our sales growth in the booming Chinese market?

How fast do we need to decide?

If we get stuck in analysis paralysis, the decision may be made for us. Consider Home Depot, which spent almost seven months analyzing suppliers after Staples experienced a hacker attack. In the meantime, hackers found a way into the Home Depot network and compromised millions of credit cards. Procrastination can have unintended consequences, sometimes of strategic importance. Ask what could happen if a decision is delayed.

To which cultural elements should my decision be aligned?

For each business decision, consider whether the decision is aligned with company culture. From the tone and contents of email to strategic decisions, cultural alignment should be part of the decision process.

Everyone remembers poor alignment such as when corporations get caught employing child labor. We have seen similar brand disasters around pollution and lack of acceptable sustainability practices. The trade off on cost savings versus preventive measures must be carefully considered.

Whether in supply chain decisions, marketing, governance, finance, staffing or any other part of business, asking the basic questions will lead to better decisions. ●



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