



5 Tips for Operational Strategy

Author : Nick Novy, Founder and CEO of Korpack



With the potential recession looming ahead, operational efficiencies are more important than ever. In this article, I will recommend 5 key areas to focus on that I feel are the most important for any organization that wants to continue to grow and stay relevant.

- Nick Novy, Founder and CEO of KorpacK



Labor Optimization



Automation



**Reliable &
Consistent Supply
Chain**



Space Utilization



Proper Forecasting

Labor Optimization

Labor Selection

We all know having the right amount of people is an absolute must. What often gets overlooked is the damage that can be done by having the wrong people. Having people that don't understand the vision of the company or don't practice the core values that the company is built on can negatively impact the productivity of not only themselves, but others as well. You also may have heard the term, "You are what you tolerate," which speaks to the fact that if employees see that you consistently tolerate someone being late, disrespectful, or insubordinate, then they may either do the same or feel less valued for everything they are doing right. At Korpack, we use personality assessments for all applicants, no matter the level of the role, and are diligent about asking the right questions to ensure a strong core value fit.

Automation

If we are more selective in our employee selection process, the pool of great people gets smaller. I recommend you spend a lot of time thinking about where the "right" people could be utilized within your organization and where other tasks can be easily automated. Instead of bogging down these ideal employees with menial tasks, they can use their full potential to impact business itself.

Engineered Design

Engineering your facility and systems around eliminating waste is an absolute must to increase productivity. When you have the right people, you want them to spend at least 80-90% of their time adding value to the organization, instead of spending a lengthy amount of time looking for items that should be easy to find or wasting time putting together overly complex packaging. At Korpack, we also look to design packaging that can be assembled faster, easier, and safer. Some packaging designs may cost an extra 10%, but will decrease labor by 25%.

Ergo-Friendly Workspace

There are some obvious benefits to having an ergonomically friendly environment in the way of risk mitigation from lawsuits and workers' compensation claims. However, I don't feel enough emphasis is put on productivity when considering this. Employees that are having to perform any kind of action that puts unnecessary strain on their bodies tend to get more tired throughout the day, and cannot output the same level of productivity or quality of work they are capable of under the right conditions.

Automation

Over the last two years, and particularly as a result of COVID-19, I have seen a major shift in the necessity for automation. We used to primarily talk about automation to increase profitability by way of reducing headcount. The determination of whether or not to purchase automated equipment almost completely revolved around capital expense, budget availability, and time of ROI. Since then, automation has become much more about consistency and dependability. During the pandemic, many facilities came to a screeching halt due to COVID infections, call-ins, and job hopping. This massive fluctuation in personnel forced many companies around the world to short orders to their customers, or even worse, the back orders pushed their customers to cancel orders and find the products elsewhere. This issue netted a loss in the billions of dollars across the globe for certain companies and unfortunately put others out of business. Machinery does not get sick, does not need to be trained (AI excluded), and will not quit for a \$0.25/hour raise. Machinery will provide a hard ROI, but the unapparent and long term gains can be priceless.

New Equipment

We typically recommend looking at new equipment when automating a task that is not currently automated. What many may not typically know is how many different levels of automation there are between entry-level and fully autonomous. We have "entry-level" automation options for all categories of packaging and some of them start at less than \$50!

Used Equipment

We only recommend purchasing used equipment when it has been fully refurbished by a reputable party, certified by the original manufacturer, AND has some kind of warranty attached to it. Buying equipment "as is" is not worth it, in my opinion, but if it is something you would like to do, please contact us and see if one of our service technicians can do a no-to-low-cost assessment of the equipment and do the maintenance that may be recommended to get it into close to new shape.

Return on Investment (ROI)

Put the burden of proof of ROI on the equipment supplier. There is a lot of analysis that typically needs to be done, but it does not need to be done by you or your team, and this is almost always performed at no charge. If you can have an ROI analysis performed at no charge without a commitment needed, do it. The evidence may be much more obvious to move forward than you think.

Preventative Maintenance (PM)

If you have already invested in equipment, it is an absolute must to have it professionally maintained. This does not mean that the PM has to be outsourced, but if you are going to be doing it in-house make sure to follow the exact recommendations of the OEM (original equipment manufacturer). We have seen well-maintained equipment last for well over 50 years. The key takeaway here is "preventative"; waiting until something needs attention or breaks will reduce the overall longevity and reliability of the equipment. Korpac has dedicated people and programs to handle all of your equipment's preventative maintenance schedules in order to ensure optimum performance.

Reliable and Consistent Supply Chain

Successful Just-In-Time Inventory (JIT)

Later I will touch on the importance of having just-in-time inventory. However, what is essential to executing a JIT program properly is the sophistication and accuracy of your supplier's ability to manage the inventory on their end. Korpack does this better than anyone by utilizing dynamic calculations to reassess reorder points weekly based on average daily demand, production lead time, and the deviations of both from week to week. Time and time again we see stock-out issues when companies are working with a supplier that does not have an ERP system that adjusts automatically to trends.

Vendor Managed Inventory (VMI)

This is an option where your supplier will come into your facility once or twice a week, check your on-hand inventory levels for you and process an order to top off levels of inventory based on agreed upon min/max levels. This can be very valuable to those companies that do not have a better way to keep track of their own inventory levels. This works especially well for items that are not part of a bill of materials (BOM), such as janitorial and tertiary packaging items like stretch film, tape, and strapping.

Vendor Consolidation

It is always interesting when I hear a company's philosophy of "not putting too many eggs in any one vendor's basket" or needing to get three quotes for every new project. If you have a few vendors that you trust and you want them to make you a priority, I recommend you give them more opportunities to serve you. If you have a few third-rate vendors that supply a product you need but have not been pleased with their service, give one of your more trusted suppliers an opportunity to supply that product to you. There is a good chance that your best vendors can supply you with the same product at an equal or lower price if you just ask. Having a strong partnership with your best suppliers and consolidating as much of your spending as you can with those select few, will enable you to get significantly better service than other vendors with little to no customer service.

Distributor vs Manufacturer

One of the biggest misconceptions I see and hear about all of the time is that "manufacturers are always less expensive than distributors". This could not be further from the truth. The truth is that most manufacturers prefer to sell to distributors because there are fewer customers to service, they have a better understanding of their manufacturing process and limitations, and their spend is significantly larger than a single customer. When manufacturers have a strong partnership with their distributors, they offer pricing that allows the distributor to be competitive in the market. Operationally speaking, a distributor is able to provide products that come from an infinite number of different manufacturers and can supply all of these products together within a single order. This keeps freight costs down, purchasing activities reduced, time spent in accounts payable and overall organization streamlined.

Space Utilization

Just-In-Time Delivery (JIT)

Having your suppliers ship in only what you need for a few days' worth of production or what's needed to ship a few days' worth of outbound product, will free up valuable space. This is space that can be allocated to an increase production or output of goods. Transfer the burden of worrying about ever-changing lead times and managing large volumes of non-value-added materials to those specializing in JIT.

Packaging Design

There is also a lot we can do with packaging design or re-engineering to maximize the utilization of cubic volume in a warehouse. This also translates to transportation. All of this allows for more space for product, operations, and lower costs in shipments.

Proper Forecasting

This one probably goes without saying but many of the fires we have to help put out on a daily basis stem from someone in the line not properly forecasting their upcoming needs. Having a better grasp of this allows for much better labor allocation, space utilization, cost control, and happy customers. Utilizing all or most of the strategies outlined in this article can help with proper forecasting and prepare your business for the unexpected.