



Business Constraint Analysis™

Advantages

The process is well defined and produces powerful information in a timely manner

The output of the process justifies the expense - only pay for value received

Focuses on the existing business and its inherent constraints

Output is a prioritized list of areas to address

Strategies and tactics to achieve results are shown with projected business impact

Key Features

Works with any business committed to making a profit

Output is specific to the individual business - impossible to use a one-size-fits-all approach

Focusing the Team on the Key to Success

In today's extremely competitive global marketplace, "good enough" is rarely a winning strategy. Every senior executive is challenged to find the next best strategy and tactic to move their business forward. One is not limited by choices - in fact there are many more candidate "solutions" than time or resources. More importantly the senior team is challenged to find the "right" action now, not two or three tries later.

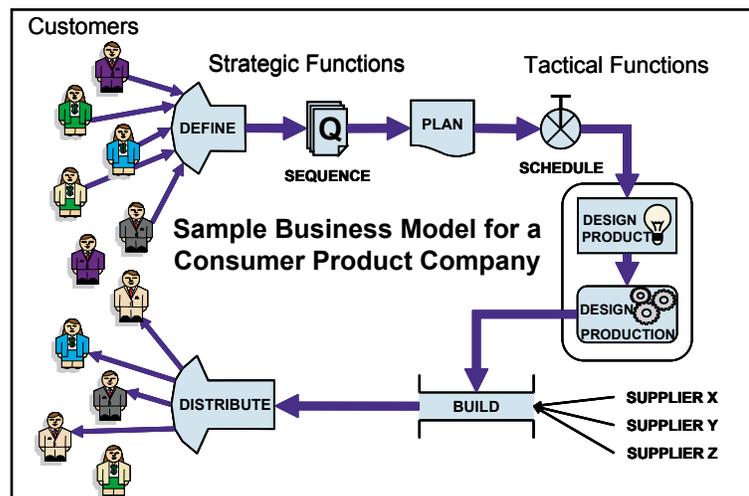
Historically, most companies take many actions that fail to produce a fraction of the bottom line increase they promised at the outset. No one can afford the cost of an unproductive strategy. Finding the proper lever is critical to long term success.

The Business Constraint Analysis looks at the existing business with the single goal to discover the key part of the business where investment in time and resources will have a significant positive impact on the bottom line. In most cases one finds that immediate improvement in a business can be found by exploiting what they do well rather than by moving into a new market or taking on a major business improvement program.

BCA

The fundamental truth is that every business must have at least one primary constraint or else its sales and profits would continuously expand without bound. The insight is that any action used to directly expand the throughput of this constraint will have immediate impact on the entire business. Every potential solution is not created equal.

The BCA process looks at the current business from initial customer contact to the receipt of payments. The business cycle is defined and examined for its total potential throughput. The key is the discovery of the part of the business which is the rate limiting piece of the business cycle - this is the primary constraint.



The BCA Process

The goal of the BCA is to examine the business with the purpose of leveraging existing success. This is achieved by analyzing the past activities which have produced the best revenue growth. The overall business is then modeled to detect the barriers or constraints limiting future and larger successes.

The underlying principal of BCA is to identify the primary constraints of the business and then to develop surgically precise strategies and tactics to deal with them. The analysis begins with examining the cash flow through the business. Businesses can be viewed as a highly interacting set of processes that through organizational structure are almost always independently managed. The Business Constraints Analysis concentrates on finding the root constraints which limit revenue, growth, throughput and net income.

Businesses can be modeled as a series of actions that build upon each other to create the final revenue generating output. Since the business is a continuous flow system, these individual actions can be thought of as sections of pipe connected end for end. The capacity of the system is limited by the diameter of the smallest section. This is defined as the constraint of the system.

Increasing the diameter of any of the larger pipe sections has no effect on the smallest pipe (the constraint). Improving capabilities in non-constrained areas does not improve the revenue of the organization. In contrast, increasing the diameter of the smallest pipe has immediate positive impact on the throughput capacity of the system. The effect of this in a business is to increase capacity which can be applied to revenues, throughput and profits.

Applying BCA

The overall BCA process involves a data collection step, analysis, and reporting to senior management. The analysis starts with the business financials of the unit. These are recast as Revenue, Variable Cost, Operating Expense, and Profit.

The BCA process consists of:

- Initial phone conversation
- One day of on-site research. This usually consists of reviewing the requested financial information and detailed interviews of the senior staff.
- Off-site analysis
- Report to senior staff – written report, and a detailed briefing

The fundamental business processes are examined and include when appropriate:

- Management processes
- Overall business/revenue model
- Infrastructure
- Examination of the current marketplace
- New product creation process
- Project portfolio management
- Enterprise project management process
- Manufacturing
- Customer service
- Marketing and sales
- Supply chain
- Fact finding about the industry in general

The throughput of a business is limited by its primary constraint. Understanding the constraint allows one to develop strategies and tactics to leverage the current success of the company for significant improvement.

