SPECIALIST MACHINERY SALES

AUSTRALIA, NEW ZEALAND & SE ASIA

SUPERIOR MACHINERY STRATEGIES

Flexibility Study Part 4

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SUPERIOR MACHINERY STRATEGIES

PRELIMINARY STRATEGY IDENTIFICATION

I. STUDY SUMMARY FOR PRELIMINARY STRATEGY IDENTIFICATION

(i.e. Strategies Meeting Technical Needs)

Flexibility study generates the following data:

Flexibility Type	Product Flexibility F1	Process Flexibility F2	Volume Flexibility F3	Machine Flexibility F4	Product Flexibility F5
% Gap					

% Gap is the percentage difference between the actual and the needed measure of flexibility.

Estimate of Flexibility gain provided: F1, F2, F3, F4 and F5 are the estimated flexibility gain provided by each solution for the five types of flexibilities listed above.

Strategy	F1	F2	F3	F4	F5	Acceptance (Single)	Acceptance (Mix)
e.g. - Saba							

ACCEPTANCE:

A single strategy is accepted if it closes the specified gap.

A mix of different strategies could be accepted to close the gap.

It is specified as either YES or NO

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STRATEGY IMPLEMENTATION

II. STUDY SUMMARY FOR STRATEGY IMPLEMENTATION

Feasibility Identification

Strategies qualified by the previous study summary are selected. i.e. strategies that meet the technical needs or which close the needed gap. If a mix of strategies is selected it will be treated as a single strategy henceforth and will be referred to as S1, S2 etc.

Affordability: This is the amount the Company is willing to spend initially and annually to implement the strategies.

Initial: $ Annual: $

DECISION CRITERIA		STRATEGY				
		S1	S2	S3	S4	S5
Estimated Cost	Initial					
	Annual					
Implementation Time						
Affordability (Y/N)	Initial					
	Annual					
Organizational Readiness						
Top Management Support (Y/N)						
Acceptable Payback (Y/N)						
Eligibility (Y/N)						

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ROI STUDY SUMMARY

Estimated Cost:	Cost to put in place or to implement the strategy.
Time:	Time to put in place or to make the strategy operational.
Organisational Readiness:	Evaluate whether the organisation is ready for implementing strategy with respect to infrastructure, experience, motivation, etc.
Acceptable ROI:	The company specifies this and the ROI for each strategy is calculated using the ROI study summary.
Eligibility:	Defines strategy as being one that has met all the prime criteria.

III. ROI STUDY SUMMARY

ROI will be calculated for each strategy qualified by the first study summary and if the company has specific ROI requirements.

Strategy:

_____

_____

_____

_____

_____

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ROI STUDY SUMMARY

$$ROI = \sum_{1}^{n} \text{estimated after cash flow per year (4)} - \text{cash outlay}$$

Estimated Net Gain per Year:	Increased after tax cash flow due to increased flexibility
Cash Outlay:	Estimated implementation cost to put strategy in place
n =	5 years or
1 =	assumed Technological Obsolescence time

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IDENTIFY VALUE-LOADED STRATEGY

II. STUDY SUMMARY FOR TO IDENTIFY THE VALUE-LOADED STRATEGY

We have listed all of the available strategies by selecting the ones that meet the technical needs (Worksheet 1) and implementation feasibility (Worksheet 3). Now, we will select the one with the lowest cost i.e. the minimum affordable or the value-loaded strategy.

Since the flexibility gap is the same for all strategies, the selection would be the strategy which closes the gap at the lowest cost which being defined as:

Cost = Initial Cost + Opportunity Cost

or

Where initial cost = cost to make the strategy operational (i.e. software, equipment, personnel, training etc.)

and

Opportunity cost = cost of implementation time in terms of forgone gains.

Strategy	Initial Cost	Opportunity Cost	Eligibility	Rating
S1				
S2				
S3				

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