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Abstract:

Business in the 21st century is responding to pressures that will make processes and practices found common in the 1990's and 2000's lethally obsolete going forward. A combination of global business processes and marketplaces, loyalty no longer a key basis for a business relationship, and expectations for everything to be "fast" result in need for businesses to think about how they conduct business differently. One concept is to operate business "horizontally". This book describes the case for horizontal thinking and presents the mechanics for executing in that manner.

1. What do you mean by Horizontal Thinking in a Vertical World?

Think of the words "Horizontal Thinking in a Vertical World". When you look at how we operate many times we are working within our functions or silos/stovepipes. You are really acting in a vertical sense, looking up at the boss and figuring out what he/she wants. At the same time we are professing we really need to work horizontally, across our functions and companies up and down the supply chain. It is a challenge for organizations that have traditionally operated in that vertical world to begin thinking about and actually execute operating in a horizontal world. The "Horizontal Thinking in a Vertical World" tagline really captures the essence of the idea.

2. What is the business motivation to act horizontally?

Simply to be competitive. To be competitive today may be different than being competitive in previous decades. To be competitive today we are operating in a broad and global economy. The loyalty to customers is less today. This is not a good or bad thing, but simply a fact of life, particularly as we work through tough economic situations and cycles in whatever country we are in. To be competitive we must begin to think about getting the best of ourselves, our suppliers, and customers so that we maximize each other's strengths and minimize weaknesses.

Situations where we are strong at something and our supplier is weak at something present opportunities to maximize relationships…and vice versa. Many times our suppliers are going to be stronger at something than we are. Why not leverage that strength to create a win-win for both of us?

3. Thinking about scope, is this idea applied across multiple companies in a supply chain or could it apply within a single company across multiple functions?

Horizontal thinking is a vertical world applies to both.

1. Multiple companies across the supply chain.

Think about going from the OEM to the tier 1 to the tier 2, going down as far as you want. The idea here is that if I am sitting in that tier 1 situation, providing a system to an OEM, I want to figure out how I can best serve that OEM customer so that we can maximize the strengths and weaknesses of each other. I am also thinking about upstream what I can do to maximize the strengths and weaknesses of my suppliers in that direction. It clearly can work from company to company in the supply chain, or tier 1 to tier 2 etc.

2. Single company across multiple functions.

Within an individual company it gets even more interesting and personal because we are now talking about the idea of going from a customer order to procuring material, to getting material in house, making the product and getting it shipped. You can begin to think of this as your internal supply chain. Think about the number of situations where you see suboptimal decision making because you might be operating in a stovepipe. You will do everything you can to be successful in your stovepipe, but it very well could drive you to do something that is suboptimal for your whole business.

It works in both places. It gives you a different perspective when you look at the aggregate or the large supply chain, versus the internal or more micro supply chain.

4. What are the inhibitors to acting horizontally?

One of the most significant inhibitors is our set of performance metrics that we use in a company or function. If we really understand what our performance measures are driving us to do, not only what we think they are but what they actually are doing, it helps to begin to think horizontally. For example, if I am sitting in the logistics function and I am thinking about that stovepipe with a performance metric of driving the freight cost down as low as possible. I would be trying to save money on freight.

I could act unilaterally and might do some things to reduce the number of trips the logistics carriers make. It might reduce the frequency and number of miles paid for. However, it will also drive up the amount of inventory and possibly the amount of bulk dunnage, as opposed to dunnage that is better for presenting parts for the point of use. The unilateral decision I make may drive freight costs down, but at the same time I am causing costs to go up somewhere else within my internal supply chain.

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The performance metrics are the greatest inhibitor. Another inhibitor is that if we are not thinking about supply chain as a horizontal process, it is unlikely the people making procurement decisions up front are incorporating the design for manufacturability ideas up front. Therefore, we may go out and commercialize an arrangement with a supplier around the low unit piece price, which would be a suboptimal decision when you look at the whole.

5. Which improvement methodologies help to move companies and supply chains towards horizontal performance?

Three improvement methodologies will provide the meat to this answer. We can think of Lean, Six Sigma and Business Process Management as three distinct improvement methodologies, although we could argue that there is a lot of overlap. If you are looking at a Venn diagram of these 3, you would see overlap.

Each of these three improvement methodologies will help to address the horizontal issue or opportunity, if we know how to apply the right tool. Many times as we look at Lean and think of it in the tactical sense, we are probably working on things within a function or a few functions within a company. This has some impact on horizontal thinking, perhaps at a more local level in terms of the tactical execution. Lean thinking is something that should permeate the entire relationship.

The Six Sigma proven methodology is very valuable in going in and in particular looking at laser beam strikes where I need to drive variation out of the process. We tend not to use Six Sigma on a broad project but on something that is more narrowly defined. There is a very important role for this in the overall structure of the horizontal process.

Business Process Management (BPM) is an improvement methodology that is particularly valuable if you are looking at transactional processes in the sense of moving information more so than a physical product or widget. This especially becomes important when I start going across not only my functional boundaries within my company, but looking at information going upstream or downstream to my supplier or customer company. This is a bigger picture enterprise level at this point.

All three improvement methodologies have a role and are important. They are much like your tool box in your garage with a hammer, wrench and screwdriver. They have their place and you need to know which tool you need to attack a particular issue and how to create a portfolio of improvement initiatives that gets you to the point of thinking in terms of a horizontal supply chain.

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Potential Chapters: (create a subdirectory for each chapter and put relevant research information by chapter)

1. Horizontal and Vertical Thinking Defined
   - Provide clear definitions
   - Provide historical perspective

2. Why is This Important to Contemporary Business "Players"?
   - Who are the players?
   - What's going on in business world today that makes change necessary?
   - What's in it for the business players?

3. Mechanics of Horizontal Thinking
   - Process to begin to act horizontally
   - How people, process, and technology combine to make it happen
   - Implementation speed and scope

4. If This Makes Sense, Why Is It So Hard To Do?
   - Implementation roadblocks and challenges
   - Reasons for common failures
   - How to overcome failure
   - There's a light at the end of the tunnel

5. An Illustration from <u>Within</u> a Company
   - Examples from with within single companies
   - Examples of vertical stovepipes
   - Purist's way to implement
   - Practical way to implement
   - Leadership's role in implementing and sustaining

6. An Illustration <u>Across</u> Companies
   - Examples from with within a multi-company value stream or supply chain
   - Examples of vertical stovepipes
   - Purist's way to implement

- Practical way to implement
- Leadership's role in implementing and sustaining
- Big fish in a small pond or small fish in a big pond

7. What is Common and Different…Regardless of Industry
   - Items that are common
   - Items that are different

8. How Does Horizontal Thinking Make My Company More Competitive?
   - Ways to be more competitive
   - Be first…leave competition behind
   - Time is of the essence