



Maximizing Core Competency: How One 3PL Makes it Easy for Manufacturers

A sophisticated third party logistics provider helps manufacturers hone their competitiveness by focusing on its own core competency and outsourcing the rest

For savvy CEOs and senior execs, “focus on your core competency and outsource the rest” has been the corporate mantra since 1990, when Prahalad and Hamel introduced the concept in a Harvard Business Review article. “While leveraging core competency - the one thing you do better than competitors - was considered a decade ago, it’s not an option today,” says Kathy Krueger, CEO of Kenakore Solutions, a sophisticated third party logistics provider (3PL) which devises a supply chain management solution for manufacturers.

“With margins thinner and global competition harsher, every business element must be best in its class,” says Krueger. “Manufacturers must ask ‘What am I great at and what won’t I let myself be distracted from any longer?’”

Kenakore decided to walk its talk, understanding the flip side of core competence is judicious outsourcing.

“We challenged ourselves,” says Krueger. “We asked, ‘Can we fund business functions at the level of our core competency on an ongoing basis? Where the answer was no, we looked for capable partners who could.’”

Kenakore now focuses 100% of its investment, staffing, and training efforts on keeping its core competency of inventory management and warehouse logistics state-of-the-art to provide manufacturers a supply chain management solution. The sophisticated 3PL has outsourced all other business functions, including Sales, Marketing, and Accounting. The most difficult step was deciding to outsource all business functions outside their core competency.

“There’s resistance to outsourcing due to the belief you’ll lose control,” explains Krueger. “The key is agreeing on a performance plan with mutually defined metrics that determine the relationship’s success.”

The right outsourcing partner, in other words, will hold itself accountable for measurable results - such as inventory fill rates of 98% within 48 hours as the sophisticated 3PL does for an automotive supplier.

According to Krueger, another key to establishing a successful outsourcing partnership is finding a partner that can tell you more about your business than you know today.

While many manufacturers profile their own inventory, for instance, few analyze it to find the product availability rate of their key revenue generating products. The sophisticated 3PL routinely does this when it partners with manufacturers by analyzing order patterns and product in/outflow. At one manufacturer’s distribution center, such analysis helped to improve the product availability of its key revenue generating products by 30%.

Another key is to beware of outsourcing partners that promote inflexible templates or packages. “Because no two customers are alike, the right outsource provider must flexibly adapt to each business they serve,” explains Krueger. “Ideally, they’ll integrate with your company’s culture and processes so transparently they’ll be invisible to your customers.”

Krueger notes that outsourcing has come a long way since 1990, when the concept of core competency was introduced.

“There are many more companies capable of successfully partnering with you now than in the 1990s, whether you’re considering a 3PL or not,” concludes Krueger. “Much of the learning curve is gone, and in today’s global manufacturing environment, if you’re not considering outsourcing or partnering to leverage your core competency, you’re compromising the future of your business.”

For more information:
E-mail: sales@kenakoresolutions.com
Phone: (419) 661-1233
Web: www.kenakoresolutions.com