

Lisa Anderson's Profit Through People® Newsletter



Enabling Scalable, Profitable Growth No 182, February 2022

As our inaugural newsletter from LMA Consulting's founding in 2005, Profit through People remains our flagship brand because although most clients call us because of our manufacturing, supply chain and technology expertise, the 80/20 of success goes straight to people!

Lisa's Note

Happy February!

My [ASCM/ APICS](#) (Association for Supply Chain Management) group had our first in-person member appreciation event earlier this month. It was good to see folks again, and we had the opportunity to give CSUSB a big check to establish an endowed scholarship in memory of our former president, Ben Schlüssel. I did one of my first consulting projects with Ben at a chocolates manufacturing facility:-).



I enjoyed visiting a key client in Sabetha, Kansas recently. Great progress / results. Great people. Great town. It is a family-friendly, small town with a significant manufacturing presence - with great pies to boot. If you are a laser operator, saw operator, press brake operator, or paint operator and are interested in moving to a family-friendly town and working at a company with great leaders, contact [Charlotte McElroy](#).

IN THE NEWS

I continue to be excited about media pickups & accolades.

- Named [Best ERP Blog Writer](#) by *Softwarepath*,
- Published on the cover of *Brushware Magazine* on "[When Will Supply Chain Disruptions End?](#)"
- Quoted in Harvard Business Review on "[The Future of the Customer Experience in Manufacturing](#)".
- Quoted in "[11 ways CIOs select and implement an ERP system](#)" in *ARN*.
- Spoke for *Today's Medical Developments*, *Today's e-Mobility* and *Aerospace Manufacturing & Design* on the [future of supply chain](#).
- Featured in *e-Commerce Times* on "[Piecing Together the Supply Chain Puzzle](#)"
- Named one of [15 Supply Chain & Logistics Experts to Get \(and Stay\) Ahead of the Curve](#) by *RateLinx*.
- Quoted in *Kitchn's* article "[The State of Grocery Shopping in 2022](#)"
- Quoted in *Today's Medical Developments* in "[2022 Forecast: Adapting to change](#)".

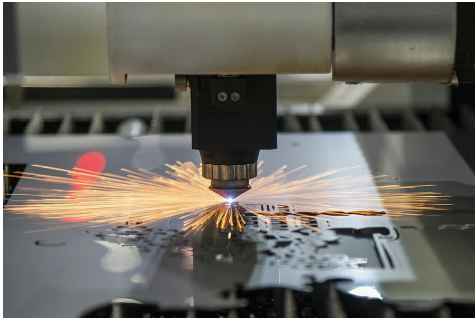
Enjoy,
Lisa

[Email](#)
[LMA Consulting Group, Inc.](#)

P.S. Know anyone who is interested in getting ahead of the surge with strategies to thrive in 2023 and 2024? Refer them to [us](#).

STRATEGY

Taking Control of Customer Success Using SIOP (S&OP)



We are in a new era with more opportunity to grow than ever before. COVID is largely in the rearview mirror, and the strong companies are getting stronger. Consumers have returned to the scene and are robust purchasers of products, homes and services. Are you ready to grow and scale? Have you taken control of your end-to-end supply chain so that you can take advantage of the opportunities?

Taking Control of Your End-to-End Supply Chain

To support customer needs and be prepared to pursue revenue opportunities, the smart are taking control. They aren't waiting for the supply chain to straighten itself out. Read my recent article in [Brushware](#) about how the global supply chain will not realign anytime soon. Instead, we must take control! Answer a few questions to determine if you have control of your supply chain.

- If a supplier to your critical material or component is disrupted, do you have a solution to carry on without noteworthy interruption.
- If your customer changes product needs on the fly, are your manufacturing operations and supply chain agile enough to change on the fly?
- If your customer or supplier reconfigures its supply chain, is your supply chain resilient to accommodate successfully to changing conditions?
- If your product, ingredients or raw materials get caught up in global conflict, protestor delays or weather-related events, will you be able to serve your customers?
- If you gain new customers, will you be able to adjust your manufacturing schedules to accommodate for the new requirements?
- If your revenue grows by 50-100%, can you scale up successfully?

How are Clients Taking Control of the Supply Chain?

Our most successful clients are taking control of their end-to-end supply chain. As customer needs evolve, you will need to make the appropriate changes (operationally, financially, R&D/ new products, supply chain, etc.) to meet these changing customer needs and support revenue growth while meeting profit/ EBITDA objectives. How are the best clients pivoting to take control of their supply chain?

Certainly, it depends on your particular industry, company strengths and position, and so it could take many forms. For example, a client supplying the building products industry has been vertically integrating manufacturing capabilities to quickly pivot to changing customer needs and to grow market share. Another client has been sourcing new manufacturing partners both regionally and around the world to build offload capabilities to meet increasing revenue opportunities. Other clients are expanding key manufacturing capabilities, purchasing equipment, and hiring people to grow inhouse capabilities whereas others are proactively expanding their footprint to provide greater flexibility in the future. Other clients are rationalizing skus and prioritizing strategic and profitable customers. Last but not least, another client is evaluating its supply chain network of outside distribution centers to reposition, consolidate and/or expand to

meet changing customer conditions while continuing to manage working capital closely.

Taking Control With SIOP (S&OP/ IBP)

Our most successful clients are utilizing customized and collaborative SIOP (sales, inventory and operations planning) processes to understand customers' needs, create revenue predictability, and, most importantly, to define what's required to be able to deliver these needs successfully, predictably and profitably. Our most successful clients are definitely taking control to meet significant revenue opportunities whereas the mediocre continue to hope the supply chain will straighten out on its own.

During the monthly SIOP process, the potential and probable revenue opportunities are highlighted with enough clarity so that the executive team can take control over the strategic decisions required to support profitable growth. For example, a life sciences manufacturing client took control over the supply chain by building an additional facility to support growth. However, you don't build a facility and gain customer approval for the new process quickly, and so they had to take control and develop an interim solution as well.

They knew they had to get a better handle on their forecast so they could carefully navigate how to increase interim production and meet customer orders. After reviewing historical growth rates by customer and product line, incorporating quotes with high probabilities of success, reviewing inventory agreements, monitoring new growth channels, and reviewing with sales and product teams, we defined a base forecast to launch the SIOP process. This enabled manufacturing to see into the future and define the specific proteins required to support the growth trajectory prior to the expanded facility availability. This allowed the manufacturing leader to take control and scale these specific proteins, reallocate space, build skills, purchase equipment, and order long lead-time materials to support growth, and it enabled the quality and bottling leaders to plan capacity accordingly to meet the interim demand. Additionally, modifications could be made to the frequency, volume and manner in which the manufacturing facility replenished its European and Pacific Rim locations to ensure customers' needs were met. You'll find more examples of how to grow and take control of your business by being directionally correct with sales and operations planning in my podcast with [WBSRocks](#).

Customer Success with SIOP

SIOP is not a magical off-the-shelf solution. It is tailored to each client and the unique circumstances, strategies, differentiators, people, processes, systems, and data. As you get a directionally-correct monthly cadence going with cross-functional and potentially cross-organizational engagement, strategic issues and related roadblocks will emerge. These issues become the focus to create customer success. Whether success is created by improving OTD/OTIF (on-time-in-full), reducing lead-times, or simply scaling production and logistics to meet increasing and evolving customer demand, SIOP will provide a framework for success.

Refer to our [blog](#) for many articles on SIOP. Also, read more about these types of strategies in our eBook, [Future-Proofing Manufacturing & Supply Chain Post COVID-19](#). If you are interested in talking about what it would take to pursue the SIOP journey in your business, [contact us](#).

[Did you like this article? Continue reading on this topic:
Prescient Strategy & Manufacturing Resilience Using SIOP \(S&OP\)](#)

Bizgnus Podcast Interview

Supply Chain Disruptions & Reshoring/ Nearshoring



PLANNING

Recovering Capacity with Production Planning Best Practices

Increasing Throughput with Production Planning

Every production planner has the challenging job of managing a complex set of conflicting priorities - meeting customer requested ship dates and new product trials, supporting manufacturing and logistics performance objectives, and addressing finance's objectives as it relates to inventory levels and cash flow. Almost every plant manager or production planner believes their customers and sales organizations throw large orders over the wall with unrealistic due dates. If they don't ramp up quickly enough, they will be blamed when the customer complains. If they do ramp up, the customer changes its mind, leaving manufacturing holding the bag with obsolete inventory, extra costs, and excess people they will have to get rid of when corporate or the Board meets again. So, how do we schedule the customer's orders while not left holding the bag?



There are production planning and scheduling strategies and techniques that provide a directionally-correct production plan that Operations can execute against to deliver customer requirements while increasing throughput and accelerating working capital. There is no magic bullet as each situation is unique with different circumstances (types of skills and availability of people, work center and machine capacity and utilization, equipment flexibility, surge capacity flexibility, backup capabilities). Instead of thinking there is one road to success, get a handle on your situation and start with a dose of common sense questions.

Common Sense Questions

From a best practice point-of-view, get on top of your demand. Ideally, you have a SIOP/ S&OP process (sales, inventory & operations planning) process with a clear picture of demand. However, in 80% of the situations, this is not the case. Thus, start with demand although don't get too wrapped up in creating the perfect demand plan that you lose sight of your production plan.

Use a directionally correct approach, look at historical sales and growth rates and include input from Sales, Marketing and Customer Service to quickly develop a base demand plan. For more details on developing a demand plan, read about [creating predictable revenue with demand planning best practices](#). The bottom line is that you'll need a place to start with what to produce, but don't waste time. Focus your energies on your production plan and start by thinking through common sense questions:

- How does your demand plan (orders, quotes, forecast) translate into a base unit of measure such as hours or units?
- Which machine groups require additional attention to meet your forecast?
- Do you have capacity bottlenecks in meeting your customer commitments?
- Will you need to move and/or cross-train people to meet your production plan?
- Do you know the optimal sequencing for your key machines?
- Can you focus continuous improvement lean efforts on reducing changeover times and increasing flexibility on your critical machines?

- Can you level the production schedule by planning ahead with capacity requirements?
- Can you plan ahead for peak season by producing lengthy production runs of C's during low season to prepare for peak season?
- Can you better balance capacity from other facilities to meet customer demands while maximizing throughput?
- Can you fix the production schedule to the timeframe required to create stability in your manufacturing process (but not longer)?
- Can you stabilize the schedule so that you can ensure a reliable supply of materials/ ingredients will replenish the line without creating disruption?
- Can you schedule to produce the products requiring additional skills and/or maintenance and engineering support when those skills are available?
- Can you utilize outside processors and/or offload capacity of machine operations to maximize the capacity at your key constraints?
- Can you create strategic inventory and/or capacity availability to support changing customer needs?
- Can you allow for a certain percentage of your production schedule for drop in orders?
- And keep thinking.....

Develop a Master Production Schedule

Start with whatever products are required based on orders and forecasts, and start by putting into groups by work centers, production lines, or cells. You'll have to start by prioritizing by due date or time periods. At this point, you'll have items or work orders required in certain timeframes. Then, you'll evaluate these requirements vs. inventory levels, economic order quantities, order multiples, and other variables. If you have systems / tools such as ERP/ MRP, it will do the 80/20 for you so that you can review the recommended work orders. Otherwise, you'll have to manually calculate. This will create your base schedule.

Now comes the tricky part that is as much art as it is science. How you will account for and incorporate the answers to the questions above into your production schedule will be important. Frequently, the key is who to prioritize, how to account for the impact on throughput and efficiencies, and how to create flexibility in your scheduling process. The way these issues are incorporated into the production schedule will dictate your ability to grow and will determine your level of customer service, inventory, obsolete and slow moving inventory, underutilized capacity, manufacturing performance etc.

For example, in a food manufacturing client, it was important to create a product wheel cycle of products to increase reliability, level load the facility and maximize throughput. As you can imagine, it makes sense to produce light colored food items (such as vanilla) prior to dark colored items (such as chocolate) for the same reason it is easier to replace white paint with black paint rather than vice-versa. Thus, you create a product wheel from light to dark with key changeovers as you go. Of course, it is never that easy. You need to account for difficult to run flavors such as caramel, and you have to be careful not to mix allergens and non-allergens. In certain circumstances, you had to plan for a Kosher Certification. How these nuances are incorporated into the production schedule will recover capacity and increase throughput or not. Listen to a [client success story](#) to hear more about the results that can be achieved with a solid planning and scheduling process.

Incorporate the Master Production Schedule into Monthly Review Cadence

Review your master production plan as a part of your monthly S/OP/ S&OP process. Gather inputs from Planning, Purchasing, Operations, Maintenance, Engineering, Quality, Continuous Improvement, New Products and whoever touches the manufacturing process. Continually update your master production schedule, compare with available capacity and make adjustments to product wheels and/or production groups or realign across sites so that you can increase and recover capacity from a directional point-of-view. If you are chasing pennies, don't bother. Spend 80% of your time on the 20% of your product groups or machine groups that will drive a directionally-correct master plan on a rolling 12-month basis. This will highlight strategic decisions and/or bottlenecks that require attention to meet your customer needs .

Refer to our [blog](#) for many articles on demand planning / sales forecasting. Also, read more about these types of strategies in our eBook, [Future-Proofing Manufacturing & Supply Chain Post COVID-19](#). If you are interested in talking about what it would take to pursue the demand planning and S/OP journey in your business, [contact us](#).

Interviewed on Growth Igniters Radio

Talked Reshoring/ Nearshoring with Pam & Scott Harper



ERP & RELATED TECHNOLOGIES

Achieving Customer Growth by Turning Data Into Insights

Every successful client is experiencing rapid growth and changing customer requirements. To support this growth in a scalable, profitable manner, turning data into insights is of paramount importance.



Data Overload

Every client has an overload of data. Whether using a modern ERP system or struggling with a complex maze of manual spreadsheets, the one item in common is an abundance of data. We have worked with clients with archaic ERP systems, but so long as we can extract data, progress can be made. On the other hand, we have worked with clients with Tier 1 ERP systems such as SAP or Oracle, but if they cannot get data out of their systems, the client is in a worse situation than the one with an archaic ERP system. Every manufacturer has products, defines how to produce those products (whether captured in someone's head, in spreadsheets, or via an ERP system), has customers, receives orders, purchases from suppliers and so on. Each of those transactions and associated data is stored somewhere.

Data and related transactions adds up quickly. If you think about your typical day, you receive an overload of data before you even arrive at work. Your phone gives you the latest news and alerts. The news provides additional insights into key events. You drive by billboards and listen to the radio or talk with people on your way to work. You receive automated reports in your inbox. You most likely receive thousands of inputs before even arriving at work. Its no wonder we are overloaded! Since the pandemic might have cut out your drive, you might have replaced it with a walk or workout although you are still receiving data via the radio, a podcast or on the phone. To make matters worse, we employ people to run reports and track metrics on spreadsheets. Every time corporate, a Board member or a customer asks a question, another metric is created. Soon, we employ loads of people to publish data that no one uses to make decisions. How do we throw a line to save ourselves from drowning in data?

Take Stock of Your Data

Collect your data. It is likely to be an eye opening exercise. Take stock of standard reports your ERP system provides. Find out which reports are run frequently, and ask those people what they do with the information. Find out if the reports have to be massaged or adjusted to provide useful information. What has to be changed and why? Take a survey of the metrics your organization is collecting, tracking, or publishing. Ask who is using the metrics and what decisions are made based on the information.

In addition to understanding the volume and use of data, check into your data accuracy. Can folks make directionally correct decisions with your data? Or are there several exceptions that have to be discussed before taking action? If someone not intimately familiar with the data evaluated the report or dashboard, could he/she make a decision?

Reduce the Number of Reports to the Meaningful

We have not yet met a client that wasn't collecting too much data. It is easy to get too ambitious

and lose track of what is meaningful. Ask who would notice if the reports weren't completed for a week? Go talk to that person and find out why. If no one knows or has a compelling reason to review the report, turn it off or tell the person compiling the information to stop compiling it for the next week or month. See if anyone asks about it.

Attend the meetings where data is discussed. Are people arguing about data or having meaningful discussions about what to do based on the data? If they are debating the accuracy, get the group together to develop ONE report that everyone agrees upon to illustrate the data. Eliminate the rest. For example, a building products manufacturer had several nuances to how they calculated OTIF (on-time-in-full), and so the team would debate the way the data was captured at each meeting instead of acting upon the data. We took a step back and aligned on the meaning of fields, how the data was captured and used, and we consolidated several reports into one cross-functional process to collect and analyze a single source of data. Although it certainly wasn't the only reason, having meaningful reporting supported key decisions and actions which led to an increase in OTIF by 30%.

Turn Data Into Insights

Simply reducing the number of reports isn't enough. It is essential to make the information meaningful for decision-making. Understand your sources of data. Connect the data. Cleanse the data. And turn [data into insights](#) with dashboards, data models or simply by retrieving the appropriate data for decision-making. It sounds much easier to do than it is in reality. For example, an aerospace client captured open orders and shipment data. Because they selected the data by the order creation date instead of the shipped date, the reports didn't contain the correct information and didn't reconcile to the invoicing data. Additionally, because they didn't have their customer segregated in a key field they used to pull the report, the records that were blank didn't get captured. Both were easy fixes but poor decisions were being made until the data was reconciled and cleansed. On the other hand, once the data was directionally-correct, they used it to determine the machine capabilities, capacities and staffing required to support their growth plans so they could get in front of their demand.

In another client, they had a proactive executive team for a small, rapidly growing building products company. They tracked potential sales leads, probability of success, sales history by geography and much more in their CRM system. Thus, they knew they needed to focus efforts on a key product line in the northeast because sales were lower than expected. By having this key information at their fingertips, they could target their sales efforts on the customers, products, and locations that would make a meaningful difference to their growth plans. They were recognized as the fastest growing company for several years in a row due to the expert ability to turn data into insights and take appropriate action.

You can turn data into insights no matter what systems you have supporting your business. It is far more important to have the appropriate processes and to focus people's attention on how to dig into data and use it to make meaningful decisions. With that said, if you can support your data efforts with a [business intelligence](#) solution, you will gain a leg up on the competition. The great news is that BI tools are scalable; start small and scale up with complexity as it makes sense to support your business. Once you can slice and dice data and have dashboard available with the push of a button, consider moving on to advanced data topics such as predictive analytics. Instead of solely using data for decision-making, you can take it to the next level and predict your future to get ahead of pack.

[Did you like this article? Continue reading on this topic:
Thriving Post-Pandemic: Turning Data into Insights](#)

Listen to Lisa Anderson on FOX Live NOW

Supply chain disruptions and labor shortages impacting Americans



Connections

THIS MONTH'S REQUESTS:

- If you know of a machine shop operator interested in a family-friendly lifestyle in Kansas working for a great company, please contact [Charlotte McElroy](#).
- If you know someone interested in working at Harvey Mudd College as a Professor of Engineering Management and Director of Engineering Leadership Program, please check out the job posting [here](#). Deadline is 2/28 to apply!
- If you have a supply chain or operations position, post it on our Association for Supply Chain Management Chapter (ASCM/ APICS) [website](#).
- Do you know a top notch investment banker in the Southern California area interested in growing his/her business and meeting top-notch trusted advisor colleagues in the Inland Southern CA area? My [ProVisors](#) group has an opening for these professions, and we have lots of referrals for these professions on a regular basis. Please introduce [me](#).

NOTE: To submit an item for this section, please send me an email with a short description of your needs and an email address. Please note that NOT all requests will be published as it must fit the guidelines and align with the Profit through People brand.

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