

Lisa Anderson's *Profit Through People*[®] Newsletter



Enabling Scalable, Profitable Growth No 188, October 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

It seems to be one whirlwind after another. I just got back from speaking at a healthcare products conference, the [MPO \(Medical Product Outsourcing\) Summit](#) in Austin, TX, and I was able to take a few days off to see the area as well.

Since the Formula 1 was in Austin, it certainly brought inflation to life for hotels, car rentals, and the like. On the other hand, it brought an interesting viewpoint to the trip and allowed my colleague and friend, Diane Garcia to see the race since she used to race cars in a former life. That's what's so funny about our picture at the historic Driskill hotel on the Formula 1 podium. I was pictured as #1 by winning at rock, paper, scissors. You have to excel at something!



Of course, I have been busy, busy, busy. My business partner in the [Society for the Advancement of Consulting \(SAC\)](#), Linda Popky, and I held a successful Annual Meeting, [Reinvent for Success](#). Putting together a successful conference is not for the faint of heart, but we had excellent speakers, engaged attendees, and were excited to recognize top consultants globally with the Advancing Consulting awards. There has been significant progress with client projects on topics ranging from [planning and scheduling](#) to [SIOP/ supply chain strategy](#) to [inventory management](#) and margin enhancement [recession proofing strategies](#). I'm also thrilled to share a recent [client video](#) on their experience in working with us and the results we achieved. Last but not least, we are in the final stretch of publishing a SIOP eBook on achieving supply chain resilience. Stay tuned for its release later this year.

IN THE NEWS

I was thrilled to be quoted by [Barron's](#)

And for the rest:

- Quoted in a *World News Press* article "[China's Shadow Is Looming Over the US This Week](#)" and in an *Inventa* article, "[Apple can't quit China, Why?](#)"
- Quoted in *Pepperi's* [2021 FMCG B2B eCommerce Benchmarking Report](#)
- Quoted an article "[Inflation Busters: Protecting Costs as Profits Rise](#)" in *Turf News*.
- Published an article, "[Using ERP Plus Related Technologies to Automate, Digitize and Thrive](#)" in *Brushware*.

- Published an article, "[Gaining a Logistics Edge with Inventory Management](#)" in Adhesives & Sealants (ASI).
- Quoted in NPR "[A Deal to Avert A Rail Strick Is On Track But It Won't Fix U.S. Supply Chain Issues](#)" which was picked up in [Tellmebest](#), [Ideastream Public Media](#), [WUSF Public Media](#), and [WSKG](#).
- Featured in a [Novigo Supply Chain Expert Series](#) talking about resilience, technology, vertical integration, JIT and more.
- Interviewed by [NewsNation WGN](#) about supply chain disruptions and quoted in *NewsNation* article, "[UK shipping port strike adds to fragile supply chain](#)" which was republished in [New Jersey News](#)
- Featured in *Flexport's* article "[Supply Chain Career Advice From Women Who Paved the Way](#)"
- Featured on Interlinks podcasts "[Inflation Busting Strategies](#)" and "[Supply Chain Update for Summer 2022 from Europe, America and Australia](#)"
- Quoted in Florist's Review on an [inflation busters article](#).
- Published in press releases about [mentoring](#), [visibility and SIOp success](#), [cross organizational alignment](#),
- Our press releases were picked up by [Southern CA CEO](#), [Supply Chain Quarterly](#), [Today's Medical Developments](#), [CSCMP](#)

Enjoy,
Lisa

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](#).

The **STRONGEST LINK** in Your Supply Chain™



STRATEGY

Taking Control: Reshoring, Nearshoring, Friendly Shoring & Manufacturing Expansion



The Global State of Affairs

The bottom line: It is a mess!

What is going on? Unfortunately, there is a lot of volatility, and it will not smooth out anytime soon. For example:

Russia/ Ukraine war:

The Russia/ Ukraine war rages on and shows signs of

escalation. There are critical commodities in the

region, creating scarcity, shortages, and risks for any industry dependent on oil, computer chips, and certain food supply such as grains. The question isn't who will be impacted; instead, the question is who isn't impacted! These issues are widespread and will have long-term implications.

China/ Taiwan

Taiwan produces the majority of advanced computer chips in the world. Now that China's President Xi has been elected to a unprecedented additional term, his plans to take over Taiwan put the region at great risk. What more is there to say? This situation will have far reaching impacts throughout the world.

California Energy Grid & the War on Energy

Why put California's energy grid in a section about the world? Well, California is the 5th largest economy in the world, and it is a sign of things to come if we continue down this path. The infrastructure is insufficient, and there is no way industry can meet the regulatory requirements coming down the pike on time and yet still serve customers. There is risk on the energy grid, brownouts and blackouts causing issues for essential industries, and yet energy is vital to fueling our way of life. Look no further than Europe. They are struggling mightily to figure out how they will get through the winter season with limited Russian oil and with natural gas pipelines shut off. Yet Germany is a manufacturing powerhouse. It is a volatile mess.

Natural Disasters Such as Hurricane Ian

Weather events and natural disasters are commonplace around the world. Recently, Hurricane Ian pounded the Florida coast. This is a great example as many agriculture products are grown in Florida, and Florida is home to Mosaic Co., which supplies 50% of North American farmers' supply of granular phosphate fertilizer and 12% of the global supply. Delays and shortages will persist.

Potential Rail & Port Strikes

Although the US delayed a rail strike recently, there is still not a deal. If there is a rail strike, it will have a huge economic impact estimated at \$2 billion per day and impacts 30% of the transportation system. This will impact commodities, grains, and much more. The ports are also still negotiating to avert a strike. The unions don't want automated terminals; however, the US is [vastly behind China and other countries](#) in the ability to automate and use advanced technology.

The Great Resignation

The baby boomer generation is retiring rapidly and leaving a wake behind them. The pandemic made people rethink their life and change careers. The talent and skills gap remains a top concern. Additionally, family owned businesses are selling off in high numbers. The Great Resignation is changing the talent landscape.

What is the bottom line?

We must [reshore and nearshore](#) to friendly countries (also known as friendly shoring) immediately!

Essential Industries

Starting with essential industries such as food, healthcare (products, medical devices, medtech, biotech, etc.), energy, water, computer chips, advanced technologies, and industries related to national security, we need to go far beyond putting our toe in the water. We need to gain capabilities rapidly and produce at scale!

Reshape Your Supply Chain

To reshore, nearshore, expand & upgrade manufacturing and supply chain capabilities, you will need to reshape your supply chain. Think about the following priorities:

- [Manufacturing footprint](#): Where will you produce and invest in manufacturing

- capabilities? Reshore, nearshore, friendly shore, expand capabilities, find new partners?
- **Your end-to-end supply chain:** What risks do you have in your end-to-end supply chain? How can you secure supply of critical items?
- **Supplier footprint:** Does your supply footprint support your manufacturing footprint?
- **Suppliers or partners?** Who are you partnering with to ensure your end-to-end supply chain performs?
- **Logistics partners:** Do you have the appropriate partners in place to support your customers and your supply chain partners? Remember, supply chain is a system of systems and partners.
- **Technology:** Do you have the appropriate ERP, technologies & data and business intelligence systems to support your business?
- **Financials:** Do you have the appropriate finances in place to support your path forward?
- **SIOP Process:** Do you have a SIOP (sales, inventory and operations planning) process in place to support highlighting and making the appropriate strategic and tactical decisions to ensure resilience and success in today's volatile and risk laden environment?

Talent, Talent & More Talent

Talent, talent, and more talent will be needed to make this happen. The war on talent is real. We recommend leaders act quickly:

- **Find your stars:** In every client in 17 years of consulting, we've found a star. Many are overlooked, and so companies have vast potential with underutilized resources.
- **Provide mentoring, coaching & training opportunities:** They are all quite distinct. Mentoring provides practical examples and is often the best path forward. Coaching provides proactive support, and training can provide new skills. With the fast rate of retirement of baby boomers, JUMP on this while you can.
- **Leadership & performance management:** Those companies with strong leadership and performance management processes are at least twice as successful as the rest.
- **Project management:** 80% of success is not in formulation; it is in implementation.
- **Supplement your talent:** We have been working with several clients to upgrade their processes while also jumping in "hands-on" to support and supplement their resources. Find partners to help design, upgrade, expand, maintain, source, and more. Leverage your options to upgrade and scale more quickly.
- **Automate, Digitize & Thrive:** Provide the tools and technologies to support your talent.

Path Forward

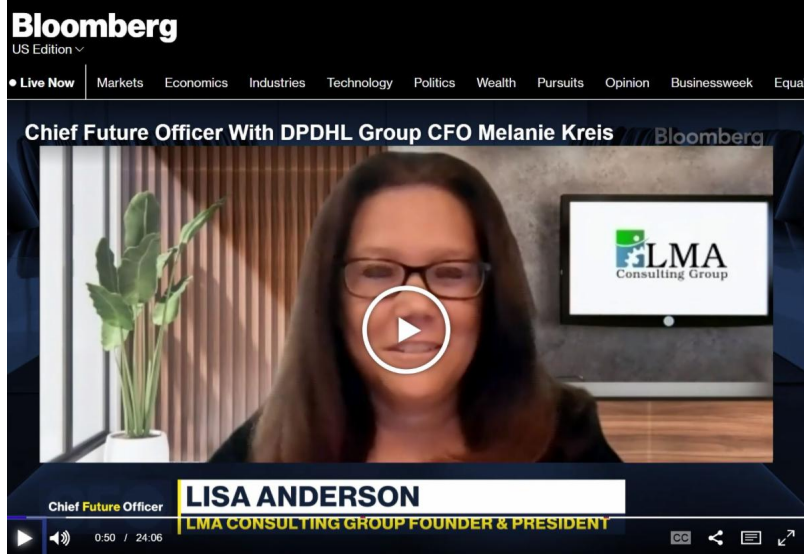
There will be more risk - and more opportunity - than at any time in history. The strong will get stronger, and the weak will wind down and exit. Although challenging economic times are ahead, the geopolitical risk is even greater. The smart will invest wisely and thrive for decades to come. Will you be on that path?

Refer to our [blog](#) for volumes of articles on these topics and read more about these types of strategies in our eBook, [Thriving in 2022: Learning from Supply Chain Chaos](#). If you are interested in talking about how to reshape your supply chain, get in front of it with a SIOP process, and successfully navigate these waters, [contact us](#).

[Did you like this article? Continue reading on this topic:
The Case for US Manufacturing](#)

Bloomberg: Expert Commentary on Global Logistics

Chief Future Officer with DPDHL Group CFO Melanie Kreis



PLANNING

Right-size Inventory to Thrive During Inflationary & Recessionary Times

Inflation, Recession, Both?

We are in unique times with inflationary pressures continuing while recessionary trends are emerging as well. In either instance, it is vital to right-size inventory. It will not change anytime soon. With interest rates rising rapidly, it will curb demand while increasing the cost of capital. On the other hand, with supply chain disruptions continuing and world events becoming more concerning, shortages will persist, driving up costs.



What Does It Mean for Inventory?

Whether inflation, recession or both, you'll want to right-size your inventory. In essence, you will want to have the 'right' amount of inventory in the 'right' place at the 'right' time. This sounds far easier to do than it is in reality. As demand changes and supply shortages persist, what is the 'right' amount in the 'right' place at the 'right' time?

During inflationary periods, you don't want excess inventory tying up cash unnecessarily, and it is especially problematic since it costs more to produce this inventory. Finance isn't excited to pay suppliers for the inflated cost of materials and components and pay employees higher salaries to produce upfront, and then have to wait for customer payment. Clearly, in the food and beverage industry, expiration dates make this situation even more concerning.

On the other hand, during recessionary times, you cannot afford to have inventory (and therefore cash) sitting idle. As customers slow down in purchases, what used to be 3 months of inventory could easily turn into 6, 9 or even 12 months of inventory. Of course, that will put you into a cash crunch. Unfortunately, after the 2008-2009 recession, we were called into several clients to right-size inventory in order to resurrect customer service levels because they cut inventory in the 'wrong' products (materials, work-in-process or finished goods) in the 'wrong' place at the 'wrong' time. Clearly, although possibly required to survive, it did NOT set them up to be successful in growing the business because they cut in the 'wrong' areas.

What is Right-Size Inventory?

It is a tricky answer. In essence, you want the optimal amount of inventory (not too much but not too little since you don't want to run out) in the right place (most likely, positioned close to your customer, at your customer's location or with the appropriate transportation capabilities to arrive quickly at your customer) at the 'right' time (when the customer needs it accounting for changing conditions in the marketplace). In order to achieve this objective, you will need the 'right' amount of materials, components, and ingredients in the 'right' place (manufacturing facility that has capacity to produce near the customers that need the products and is the lowest cost producer) at the 'right' time. It is no wonder successful [inventory management](#) becomes dicey.

Process to Right-Size Inventory

The best clients with right-sized inventory prioritize the following:

- **SIOP:** They utilize a SIOP (Sales, Inventory & Operations Planning) process, also known as S&OP, to steer the ship in terms of the appropriate manufacturing facilities, capacities, supplier partnerships, pricing, make vs buy decisions and the like.
- **Demand Planning:** Keeping in alignment with your customers and sales patterns can prove tricky especially in such volatile environments. Since we are entering a world stage of VUCA (volatility, uncertainty, complexity, and ambiguity), having a resilient and evolving demand planning process will prove essential.
- **Supply Planning** (Production, replenishment, scheduling, materials, inventory, etc.): Keeping your supply planning processes in sync with changing capabilities while navigating supply chain disruptions is quite the task during VUCA. Your process must be flexible, proactive, analytic, predictive and innovative.
- **Tools & Technology:** There are limited resources and skills in every client. It will be vital to right-sizing inventory to utilize your ERP system to its fullest potential, evaluate whether advanced demand and supply planning software would add value, analyze trends and create dashboards with a business intelligence (BI) software, evaluate the need for predictive analytics, potentially utilize CRM software, automation and robotics, and more.
- **Talent:** All of the above will prove meaningless if you do not have the talent (or are able to source the talent), supplement and support your talent, and, most importantly keep your talent.

Pertinent Examples

We recently worked with a client that suffered in service levels to their customers (both on-time-in-full OTIF and lead times). Thus, growth potential was limited until resolved. In one facility, OTIF levels were in the 40% and customers were unhappy. In another facility, OTIF levels suffered, but even worse, the lead times were too long and customers were looking to the competition. Not a good position for the market leader!

We worked with a cross-functional team to upgrade their SIOP process and to focus the discussion on meaningful data for decision-making. The meeting went from 3 hours of debate and conversation to an hour of focused review and decision-making. We also worked with the production planner to automate and upgrade the planning and scheduling process at the long lead-time facility. Production stabilized, output records were broken, and customer service improved dramatically. Lastly, we also worked with the replenishment and supply chain teams to calculate safety stocks and service levels, upgrade the process, better utilize the ERP system, and right-size the inventory across the supply chain network. Service rose to the low 90%'s.

Refer to our [blog](#) for many articles on planning, inventory and related concepts. Also, read more about these types of strategies in our eBooks, [Thriving in 2022: Learning from Supply Chain Chaos](#) and [Future-Proofing Manufacturing & Supply Chain Post COVID-19](#). If you are interested in talking about what it would take to right-size your inventory, [contact us](#).

[Did you like this article? Continue reading on this topic: Are You Managing Inventory or Is Inventory Managing You?](#)

Clients Experience in Working Together

Our client Armacell talks about their experience in working together from the CEO, General Manager of Operations, Integrated Business Planning (Supply Chain), and Sales point-of-view



Thriving in 2022: Learning from Supply Chain Chaos

Check out our [eBook](#) on what is relevant in 2021 according to manufacturing, supply chain and technology executives.

“ Political risk assessment will be essential in 2022. Multiple flashpoints could dramatically disrupt global supply chains or otherwise impact prices for energy and other critical supplies. **”**

— JOHN TULAC, ESQ.
International Business Attorney

“ The co-dependency of the warehousing sector on the “system of systems” has never been more evident. Warehousing and the supply chain are co-dependent and have struggled at every node in the supply chain. **”**

— FRAN INMAN
Senior Vice President
Majestic Realty Co.

ERP & RELATED TECHNOLOGIES

The MacGyver Approach: Leveraging Your Underutilized ERP Asset

Can You More Fully Utilize Your ERP System?

Undoubtedly, yes. [ERP](#) has always been a core specialty of LMA Consulting, and we have worked with every single client on selecting, utilizing, and upgrading ERP capabilities. In our experience, 100% of clients can more fully utilize their ERP system.

Why More Fully Leverage Your ERP System?

Clients only utilize 20% of their ERP system's functionality on average. There is no reason to utilize 100% of the functionality; however, in every client to date, there was at least 1 additional piece of functionality that would add value to their customers and/or bottom line. Set a goal to find the 20% additional functionality to gain 80% more value.



During times of [VUCA](#) (volatility, uncertainty, complexity, ambiguity), it is simply common sense to utilize already existing assets for immediate improvement if feasible. With inflation higher than it has been for decades, talks of pending recessions, and geopolitical uncertainties (Russia/ Ukraine, China/ Taiwan to name a few BIG ones), it should give organizations pause.

There will be more opportunity than ever in history for those companies willing to be bold and invest when everyone else is hiding under a rock; however, the key question is where to focus. Do you need to upgrade your system or can you simply utilize additional functionality and expand capabilities? We've yet to find a situation that couldn't benefit from further utilizing ERP functionality. In most situations, it will buy you a few years at minimum so you can prepare to be successful with an ERP upgrade.

Upgrading your ERP system is not for the faint of heart. It is one of the largest expenditures you'll undertake, and, more importantly, one of the most disruptive to your people (and hopefully not your customers unless you don't manage it well). The statistics show that 80% of ERP implementations fail to achieve the intended results. With that said, it is sometimes required for growth. If you need to assess your situation, [contact us](#).

The MacGyver Approach: Leveraging your ERP system

Why not utilize already existing assets and take the MacGyver approach? Of course, you should. Aside from the fun of using paper clips and duct tape to fight off well armed attackers as MacGyver would do, finding functionality that can automate core tasks or provide value to customers can be exciting as well. The question is which functionality should you use?

Bring on experts to explore opportunities to expand the use of the system. Assess your situation to determine what would add the most value for your organization. Consider enhancements that would drive value. There are many areas to review including the following:

- Customer relationship management (CRM)
- Planning and scheduling
- Advanced planning capabilities
- e-commerce and/or customer portal functionality
- Supplier collaboration
- WMS warehouse management
- TMS transportation management
- Forecasting/ demand planning
- MES - manufacturing execution system
- Order fulfillment and order management functionality
- Reporting, dashboards, business intelligence (BI) and predictive analytics
- And many more

The Path Forward in Further Leveraging Your ERP System

Gather your process and systems experts, bring on experts to supplement/ support your team, and put together plans. The most successful clients follow a few steps:

- **Identify** key users, process experts, and IT resources (and/or external experts).
- **Company direction** will be conveyed by executives so that the team can align with the company's direction and goals.
- **Evaluate** potential functionality and value to the business
- **Assess** current utilization, potential utilization, resources/ skills required, benefit and costs
- **Determine** path forward with quick wins, rollout schedule, responsibilities and next steps

If you are interested in leveraging already-existing functionality to maximize the value in your ERP system and achieve critical objectives, review our [ERP resources](#) and/or [contact us](#) to discuss further.

[Did you like this article? Continue reading on this topic:](#)

[Managing Increased Complexity with High OTIF & Efficiencies Using Technology](#)

Listen to a Client Example

Thank you to K Means for talking about our work together on supply chain, inventory and other topics to increase sales, reduce costs, safeguard assets, improve margins and efficiency of operations, and most importantly, "teaching your team to fish".



Connections

THIS MONTH'S REQUESTS:

- 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 or environmental attorney 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](#).
- A small yet progressive manufacturing company in Corona is looking for an experienced Buyer. Please contact [me](#) with referrals.
- If you are looking for a highly-skilled Supply Chain Manager with planning, purchasing, and inventory experience, please [contact me](#) for a referral.

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.

[*Check out our new video & articles series*](#)

