

# Lisa Anderson's *Profit Through People*<sup>®</sup> Newsletter



**Enabling Scalable, Profitable Growth No 193, October 2023**

*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 Fall!

I enjoy the fall season. The cool breeze has been a nice change. Life has been really hectic. I enjoyed speaking at [IMUI](#) (International Union of Marine Insurance) Annual Conference on the changing landscape of the global supply chain. It stirred up quite a bit of interest as "supply chains are on the move". I'll talk more about it in the articles.



On the personal side, I had the opportunity to see Ed Sheeran - a great performance! Although a quick trip, I also traveled to Scotland to speak at IMUI. The reception was at Edinburgh castle, and so it was a nice opportunity for a private tour and magnificent views. During the summer, I was fortunate to spend time with my brothers and nephew in Hawaii, and time with my best friends in Quebec.

From a business standpoint, I'm still seeing the critical importance of rolling out [SIOP](#) (Sales Inventory Operations Planning) for executives that want to be forward-thinking and take advantage of the VAST opportunities that will arise in the next decade for growth and success. Read more about how to implement SIOP in our recently released book, [SIOP \(Sales Inventory Operations Planning\): Creating Revenue and EBITDA Growth](#), published on [Amazon](#) (paperback, Kindle) and [iTunes](#). We have a special [free download](#) for our newsletter subscribers. We just ask that you add a review on [Amazon](#) if you gain value from it. I'd love to hear your feedback, and our Amazon ratings would benefit!

Additionally, I'm seeing the critical importance of the fundamentals. Pay attention to inventory accuracy, planning processes, ERP utilization, backlog management etc. If you have a rocky foundation, it will prove challenging to move forward with advanced technologies, get ahead of customer needs, and grow the business profitably during these volatile times. Retain your top talent, focus on blocking and tackling AND develop strategies to leapfrog the competition and ensure your ability to scale rapidly to take advantage of opportunities while remaining resilient to changing conditions.

### IN THE NEWS

I was thrilled to be interviewed by [WNYW Fox 5](#) on creating the potential [UPS strike](#). As we are dealing with two large strikes (UAW and Kaiser Permanente) currently, there is no doubt these can have significant impacts on the economy, business, and the end-to-end supply chain.

And for the rest:

- Quoted in *Bloomberg Law*'s article, "[Boeing, Nike Wrestle with Supply Chain Pressures Over China Risk](#)".
- Spoke on a webinar for *Supply Chain Brief* on "[Geopolitical & Regulatory Issues: The Path Forward in Supply Chain & Logistics](#)".
- Published an article in *Adhesives & Sealants* "[Innovate to Thrive in the Next Decade](#)".
- Published an article in *Brushware Magazine*, "[Predictable Revenue & Predictable Operations for Manufacturing Success](#)".
- Spoke on *Food & Beverage Talk* Podcast by Morgan & Westfield on "[Pitfalls & Solutions: Common Supply Chain Issues in Manufacturing and Distribution](#)."
- Spoke on *Interlinks* podcast on "[Getting Back to the Basics](#)".
- Spoke at *ASCM Orange County* chapter on "[Supply Chain Challenges & Opportunities](#)".
- Interviewed on *Squirrel Squadron's LinkedIn Live* on "[Tech in Supply Chain](#)".
- Quoted in *American Express* in an article "[Why Local Sourcing Can Help Benefit Your Business in a Big Way](#)".
- Published press releases on "[Growth Opportunities for Manufacturers Willing to Take Risks](#) and [Advising Businesses to Keep Pulse on Current Events](#)".
- Published press releases on SAC on the topics "[Navigating the Business Storm: Stress-Test Now, Not Later](#)" and "[Companies Eye Innovation and Disruption in Volatile Economy](#)".
- Our press releases were picked up by [Supply Chain Quarterly](#) and [Today's Medical Developments](#).

Enjoy,  
Lisa

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

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



### STRATEGY

## SIOP / S&OP: Supply Chains are on the Move



Global supply chains are on the move. Executives have been hit with the harsh reality that the risk (supply chain, geopolitical, cyber, IP, etc.) is far higher than they realized when they outsourced with an eye to cost. In addition to that 80 pound gorilla, they also have suffered with delays, disruptions, and uncertainty in serving customers due to lengthy distances and logistical risk. Thus, supply chains are on the move. Strategies need to be rethought, the end-to-end supply chain assessed, and future customer needs

evaluated to get in front of this changing landscape. [SIOP](#) (Sales Inventory Operations Planning) is a key process and toolset for successfully navigating this transition with profitable growth fueling

the process.

### Risks Abound in the Global Supply Chain

Risks abound in the global supply chain. From Russia-Ukraine to China's extreme risk including threats to Taiwan to the increasing cyber risk, executives are struggling to navigate the global supply chain. A few critical points that "tell the story" of risk include:

- **Russia-Ukraine war:** The war has disrupted the critical commodities of oil and natural gas. Europe put sanctions on Russia which left them in a bad situation in getting enough energy to power their current lifestyle as well as critical manufacturing, logistics and infrastructure needs. Thus, Europe has been scrambling to address backup sources of supply. In the interim, Russia sold oil and natural gas to China and India. The end result is price escalation in addition to "supply on the move". Oil and natural gas is used in countless products from medical devices to glasses to phones, thus impacting the global supply chain.
- **The China risk factor:** China is simply a mountain of risk. China is the number one manufacturer in the world and accounts for almost 30% of the world's output. Thus, from internal issues (severe water and energy shortages with "solutions" of permitting two coal plants a week) to threatening Taiwan (putting 90% of the world's advanced computer chips and 60% of the world's standard computer chips at risk) to monopolizing rare earths (produces 60% and processes 85% of the world's rare earths) to buying up critical infrastructure around the world (such as controlling both ends of the Panama Canal) and controlling the South China Seas, China wants to control the world's supply chains.
- **Talent & Technology:** Resources are limited around the world. For example, according to EY and an iMocha report, 81% of organizations are experiencing a shortage in skilled tech workers. Similarly, the risk of cyber attacks and supply chain security issues increase with each passing day. For example, according to Deloitte's report 2023 Global Future of Cyber Survey 2023, 91% of organizations report experiencing one or more cyber incidents or breaches.

And now Israel is at war. Volatility, uncertainty, complexity and ambiguity (VUCA) is at an all-time high in recent history. The bottom line is that risks have reached a level that is unacceptable to many executives.

### SIOP to Devise a New Path Forward

[SIOP](#) (Sales Inventory Operations Planning), also known as S&OP is a process that will help you navigate changing business conditions (such as these extreme risks). SIOP starts with a view into your future customer demand (sales forecast, customer orders, quotes, CRM) and translates that into manufacturing and supply chain requirements. The process will highlight capacity constraints (production, storage, resource), upcoming bottlenecks, forecasts for investment (equipment, inventory, resources), make vs buy decisions, and customer/ product profitability opportunities.

For example, when consulting with an industrial manufacturer that was concerned about risks in the end-to-end supply chain, and so used the SIOP process to visualize what should be done. Based on their demand plan, they were able to see impacts to their supply plans and where risks were in their current manufacturing and supply chain. Thus, they assessed and took action to transition to backup sources of supply, expand their supply base into India, pre-purchase critical commodities to give them time to assess their future needs, and they expanded regional manufacturing by sourcing offload suppliers. By taking these actions, they were able to secure supply to meet their aggressive growth plans.

### Assessing Strategies

In our book, "[SIOP \(Sales Inventory Operations Planning\): Creating Predictable Revenue and EBITDA Growth](#)", we discuss how SIOP will fuel transformative strategies for growth while mitigating risk.

- **Supply chain footprint:** SIOP looks forward to future customer requirements and determines how to reallocate manufacturing and change the supply chain footprint (reshoring, nearshoring, regional manufacturing, additive manufacturing) to support key customers and grow the business while mitigating risk in how product is manufactured, distributed, transported and delivered in the order fulfillment process. Vast changes are occurring. For example, Apple is moving from China to India, Dell is moving from China to Vietnam, HP is moving from China to Mexico, and Intel is building a 'mega' factory in Germany and expanding capacity in the U.S. with its first new manufacturing facility in 40 years.

- **Supply chains on the move:** As the supply chain footprint evolves, the global logistics landscape must change to support it. Thus, as I said at the IMUI international conference, shipping routes will change and evolve with changing business conditions and risks. For example, in addition to keeping up with manufacturing changes, as China becomes risk laden and the South China Seas becomes uncertain at best, companies will continue to move manufacturing and/or change shipping routes. As delays consume shipping routes such as the Panama Canal, companies will find alternatives, and as strike risks impact supply chains such as the West Coast ports, shipping routes move (and the East Coast gains in this example).
- **Examining links:** SIOP opens the door to examine every link in the chain. From enabling margin analysis by product groupings, customers, markets and regions to examining the customer experience, the SIOP provides for holistic as well as departmental strategies.
- **Margin vs risk:** SIOP also provides the data and process for evaluating cost reduction opportunities, pricing strategies, sales channel and marketing options, operations and supply chain alternatives, and inventory and capacity fulfillment options while assessing customer value-add business risk.
- **Talent & Technology roadmap:** Last but not least, SIOP translates demand and supply plans into talent and technology requirements. More importantly, the resource requirements can will be impacted by the technology roadmap, and so the best SIOP strategies proactively address talent and technology to optimize, digitize and thrive. There are simply not enough resources at any company. Only those that automate, utilize technology and innovate will survive, let alone thrive.

As risks abound, the best in class will utilize the proven process of SIOP to proactively navigate changing conditions in a manner that is not only supportive of profitable growth but is also focused on critical risks and long-term success.

#### **Innovation: A Forward Take on Risk**

Beyond the uncommon common sense strategies to ensure predictable revenue and EBITDA growth, executives must develop a culture of innovation. The world has become not only complex and convoluted, but also a maze of geopolitical risk dependent on advanced technologies. These advanced technologies escalate risk further as they are dependent on commodities in risk abundant regions of the world and carry the threat of cyber attacks. Thus, the smart are innovating. Only forward-thinking innovators willing to do what most executives will not do (such as invest when everyone else panics) while remaining calm, resilient and strong will thrive for decades to come.

[Did you like this article? Continue reading on this topic: SIOP/ S&OP Playbook: Creating Predictability & EBITDA Growth](#)

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#### **Food & Beverage Talk Podcast**

Podcast on pitfalls and solutions related to common supply chain issues in manufacturing and distribution. Catch it on [Spotify](#), [Apple Podcasts](#), or [Google](#).



## PLANNING

### Effective Backlog Management to Rapidly Improve Service



Customer service has suffered in the last few years. Yet providing a superior customer experience is paramount to success especially during these turbulent times of volatility, uncertainty, complexity and ambiguity (VUCA). As we see this trend become a reality across a wide spectrum of companies and industries, proactive backlog management has proven effective in ensuring consistent high service levels (on-time-in-full OTIF, quick lead times, and proactive communications).

#### The Customer Service Priority

Only organizations that provide a superior customer experience will succeed over the long term. Customer service matters especially in volatile and turbulent times. According to Salesforce, 88% of buyers say experience matters as much as a company's products or services. Do executives pay as much attention to customer service as they do product and profit?

Since customer service suffered during and post pandemic, it has provided opportunities for those companies that prioritize service. According to Forrester, customer experience quality levels have dropped almost 20% in the past year while consumers have less patience than pre-pandemic (according to [Netomi's State of Customer Service Report](#)). As forward-thinking executives see this opportunity, there will be vast opportunities for growth.

Although companies have struggled to satisfy customers, they must flip the equation to drive growth. According to the Digital-First Customer Experience Report by NICE, 95% of consumers say customer service impacts their brand loyalty, naming easy access, self-service, and professional agents as important factors. Every client has numerous examples that reflect this priority. For example, a customer of a building products manufacturer requested an expedite to satisfy a customer request. Because the manufacturer was willing to prioritize what their key customer needed, that customer looked for opportunities to expand business with them down-the-line. They knew that service was essential during turbulent times, and so proactively decided they wanted to partner with suppliers they could count on.

#### Backlog Management Processes

Although one of the best ways to improve customer service is to improve planning processes so that the "right" products are in the "right" place at the "right" time (read more about these processes in our article, "[Proactive Planning to Grow & Scale](#)"), one of the most important processes to ensure success is a proactive backlog management process.

An effective backlog management process sounds quite simple although no matter the type of business, it can prove to be essential to ensuring high customer service levels and OTIF (on-time-in-full). Backlog management can be as simple as downloading an open order report and "working" the report. In businesses that solely ship from stock, it can be essentially simple, assuming the "right" inventory is in stock. In this situation, the Shipping Department would go down the backlog report and ship orders with the only nuance being if they scheduled trucks or if customers picked up orders.

In most situations, the backlog will include orders that require more than just shipping. Typically, orders can be in multiple statuses. Several that pop to mind include:

- Customer orders with inventory to ship
- Customer orders with not enough inventory to ship
- Customer orders waiting on a replenishment order (transfer order) from another facility
- Customer orders waiting on a purchase receipt
- Customer orders scheduled in production
- Customer orders that have to go through multiple production steps in production
- Customer orders that have to go through an outside processing step
- Customer orders that require testing prior to shipment
- Customer orders waiting on customer approval of drawings

- Customer orders waiting on production engineering
- Customer orders waiting on design engineering
- Customer orders in a pre-engineering status
- Customer orders that are ready to ship but waiting on the truck to be scheduled or the customer to pick it up
- Customer orders waiting on international shipping paperwork.
- Customer orders waiting on payment. This could be payment upfront or a customer on credit hold.
- Customer orders waiting on quality holds.
- Customer orders waiting on customer holds.
- Customer orders waiting on responses from the customer.
- Customer orders changes.
- Customer orders that are backordered
- Customer orders that are past due
- Customer orders waiting on additional lines, items or orders so that they can ship efficiently
- Customer orders that are waiting on items that must ship together. For example, in aerospace, there are often right and left parts. Without both, the customer cannot proceed.
- And the list goes on.....

### **Proactive Backlog Management Processes**

Thus, given the number of statuses and situations that can arise during the order fulfillment process, proactively managing backlog includes determining which status orders are in and what it will take to get the order out the door on time. The reason it becomes complex can be due to several factors:

- The number of order status possibilities
- The number of people/ departments involved in the process
- The communication links between the departments
- System visibility of the order statuses and timeliness of transactions
- Reporting capabilities to support the backlog management process

Our most successful clients put together a cross-functional process with a daily and weekly cadence with key touchpoints.

### **Client Success Stories on Backlog Management**

A building products manufacturer that was 80/20 make-to-stock with a small segment of make-to-order products struggled with OTIF levels. Thus, instead of constantly looking in the rearview mirror and trying to explain past due, we worked with them to look forward. We developed a view of the backlog report that was due to ship in the next week.

Next, we developed logic to assign the orders due in the next week to specific people or departments. For example, if it was on customer hold, it was assigned to Customer Service. If it was for the Canada location, it was assigned to a different group. If it was a certain product line and didn't have inventory to cover all orders, it was assigned to the appropriate planner to see if it was scheduled and on track. If it had inventory, it was assigned to Shipping to check on the shipping schedule and to follow up on transportation.

Although reviewed daily, we set a weekly cadence to get together as a cross functional team. We met each Friday to review past due, reasons for past due (which were summarized by category), projected shipments and/or projected past due, reasons for projected past due and action items if there was anything that could be done to get the order done on time. We also discussed recommendations and improvements to the process. By following this backlog management process as well as working on production and replenishment planning improvements, service levels went from 38% to the 90%'s. To hear from our supply chain consulting client directly, listen to our [client success story video](#).

Similarly, in an aerospace manufacturer, past due was climbing, and so we worked with the client to implement a backlog process. In this situation, there were multiple steps to the manufacturing process. Thus, the main focus in managing the backlog report was to trace the progress through the shop. For example, as the item was staged for production, it went into a staging status. As it went through the first machine, it was labeled as step 1 (noting the machine name). Although it was planned for steps 2, 3 and 4 based on standard run rates and queue times, knowing the order

started production in step 1 alerted future steps of progress. If materials were short that impacted step 3, the issue was noted and status tracked daily.

By meeting with cross-functional group on a daily basis, service levels were improved from the low 60%'s to the low 90%'s. Once they gained visibility to upcoming work with better clarity, they saw capacity shortfalls. By adding capacity where required, they improved to the high 90%'s. Once ahead of the backlog process, we looked for advanced technology solutions to automate and improve visibility across order statuses to minimize meeting time and to focus on exceptions instead.

### **The Bottom Line**

A secret to success in improving service levels is to roll out a proactive backlog management process. Depending on the complexity of the business, a proactive approach to backlog management could be as simple as prioritizing shipping based on customer due dates or it could involve tracking multiple steps and statuses across multiple departments. Changing from reactive to proactive will rapidly improve customer service levels. If you are interested in talking about implementing a best practice backlog management process tailored to your business needs to improve your customer experience, [contact us](#).

[Did you like this article? Continue reading on this topic: Production Planning Best Practices to Recover Capacity](#)

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### **Clients Experience in Working With LMA**

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



### **ERP & RELATED TECHNOLOGIES Business Value of Data Analysis & Predictive Analytics**

In working across company sizes, industries, and geographies, in almost 20 years of business consulting, every single client without exception needed to better utilize data to improve customer service and bottom line results. Smart clients are turning data into insights so that they can pinpoint where to focus quickly.



### **Data Analysis vs Predictive Analytics**

There is a lot of conversations about data analysis and predictive analytics. What is the difference? Data analysis is using data (from your ERP system, related technologies such as CRM (customer relationship management) and MES (manufacturing execution system) along with manual inputs and spreadsheets to analyze data to understand past performance, see future requirements, and make decisions. Predictive analytics takes it a step further and uses data to predict future outcomes. Both are essential for survival, let alone for growth and success.

### **Data Analysis**

If your business is growing and profitable, you are performing data analysis. Resources are limited, high-skilled talent is scarce. For that reason alone, smart executives are using data to make decisions. No one can afford to fumble their way through daily execution and expect to have happy customers. On the other hand, very few clients have this down to an art. Unfortunately, data integrity issues abound, data sources do not align (misleading teams of people to focus on incorrect priorities), and executives can focus on the wrong information and reports (therefore wasting precious resources and time).

### **Client Example Using Data Analysis**

Before you can leap to predictive analytics, you have to ensure your data is directionally correct and would lead you to reasonable decisions. Take an 80/20 approach in reviewing, updating, and analyzing data. For example, we are working with an industrial manufacturer on a supply chain consulting project to develop a production schedule, evaluate capacity constraints and rapidly provide realistic projected ship dates to customers and resurrect service levels, and data was at its cornerstone. The client went live on a new ERP system a month before we started working with them and were struggling to sift through the data to provide answers on customer orders. Although they had several high-skilled resources working 24/7 to figure it out and determine order status and availability, they were drowning in data with no way out. They couldn't work through the data integrity issues and lack of viable information to make sense of sales orders in order to schedule work orders, review capacity, and ship orders.

Thus, we had to jump into the abyss of data, determine which fields were directionally correct, which fields to prioritize, who owned which fields, and who knew how to address which issues. Also, we had to determine which sales orders reconciled to the ones on the schedule, in the production area, on the heijunka board, and which had materials available, which had shipped, and which orders had data issues and were stuck in the system so that we could determine where to start. If we had waited for each of these data integrity issues to be resolved, our customers would have left. Instead, we prioritized, made assumptions to refine the data, reconciled critical data, and addressed the largest issues quickly. Although it took longer than expected, we took a six month task, and completed it within a few weeks with this approach. Data analysis was paramount to getting to the point where we could communicate dates. Refer to our article, "[Cleansing, Connecting & Consolidating Data to Support S/OP/ S&OP and a Superior Customer Experience](#)" for additional examples and solutions.

### **Predictive Analytics**

As your data starts to provide directionally correct information for decision-making, smart clients are moving towards predictive analytics. It makes sense to look forward instead of backwards when making decisions. In essence, transitioning from reactive to proactive from a data standpoint can provide valuable visibility for making strategic decisions for demand and supply. Data is often integral to the [S/OP](#) (Sales Inventory Operations Planning) processes as you forecast future customer needs, evaluate capacity and production sourcing options, and assess logistics capabilities to serve customers.

At its core, demand planning / sales forecasting uses predictive analytics. Depending on your process and technologies utilized, you can be performing simple forecasting or using advanced predictive analytics. The outcome is to forecast what your customers will need in the future. Listen to our [podcast interview with WBS](#) for more insights on this topic. From a capacity planning viewpoint, it makes the most sense to look forward and project capacity using predictive analytics. For example, if you can use recent performance of an item or work center to predict run rates and downtime, it will yield a far better result than referring to a standard set the year before. Depending on the sequence of items and the machine performance, the output can vary widely. This is especially relevant in engineer-to-order businesses as similar combinations and/or setups are difficult for a person to remember. Taking it a step further, as production starts running, it is better to look forward and predict machine breakdowns, thereby resolving those issues before they occur than incurring downtime with preventative maintenance.



Predictive analytics is gaining momentum in business circles as executives prefer to look forward instead of to the past. Thus, according to Statista, the predictive analytics market revenue worldwide will grow from \$5.29 Billion in 2020 to \$41.5 Billion in 2028.

### The Bottom Line

Data can make or break your business. Clients that utilize data for strategic insights and to proactively manage the business achieve far higher customer performance with higher profitability. On the other hand, those clients that get caught up in their shorts can let data negatively impact the customer and bottom line. Which approach will you use?

[Did you like this article? Continue reading on this topic: Achieving Customer Growth by Turning Data into Insights](#)

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### Listen to a Client Example

Thrilled to share our client's success story related to service, use of ERP system (SAP), and SIOP decision-making. Our client also discusses how LMA works with client teams to achieve these bottom line results, and more importantly, how we will jump into details and educate the team so that the improvements are sustainable.



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### 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 with key clients in 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](#).
- 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.

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