

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



April 2019 - Issue #157

Welcome from Lisa

There was a lot of conversation about our "[2019 Predictions from Manufacturing & Logistics Executives](#)" report. Several of these key trends are already showing up in clients. Download your free report [here](#).

I had a busy month in terms of speaking as I spoke at [Supply Chain Now Radio](#) and the Rancho Chamber's [Business Connection Network](#) on The Resilient Supply Chain, and I spoke at California State University Fullerton on Supply Chain & ERP Technology: Bridging the Gap Between Business Strategy & Technology. I also co-led a successful regional event, "[Breaking Through: Taking Your Business to New Heights](#)" with my business partner and co-Executive Director, [Linda Popky](#).

On the client side, I led a client workshop on maximizing service, cash flow (inventory) and profits via process improvements, a bills of materials simplification program, the use of MRP, collaboration with Sales and more. We developed some exciting plans for the next 6 months! I also participated in a workshop with a key client to kick off an ERP implementation project as well as participated in ERP selection demos. Several clients are thinking about leveraging technology for business success currently. However, inventory is also emerging as a hot topic as executives see the cash constraints in today's Amazonian era of customer experiences.



Currently, I am in Sicily meeting with my strategy group. We had some great sessions! It is amazing what you can learn from the world's top consultants. Check out our picture above in a Taormina restaurant in a unique setting. Given our engaging discussions, it prompted this month's articles on pricing and profits (It's not all about revenue), the value of alignment (SIOP), a question from a client on whether an ERP upgrade was required, and the answer to the question of whether people and robots can co-exist successfully.

IN THE NEWS

First, I'm thrilled to have been named "[Top Women Influencer in ERP Technology](#)" by Solutions Review!

Check out my latest speeches, articles & quotes:

- Published an article in *HVAC Distribution's The News*, "[Why Your Company Should Become the Strongest Link in Your Supply Chain](#)"

- Quoted in the *Society for the Advancement of Consulting's* "[Consulting Guru Alan Weiss Headlines May 29th Boston Area Workshop](#)".
- Quoted in *InlandEmpire.US* in "[Symposium: Manufacturing & Supply Chain Talent Transformation: People or Robots?](#)" and *SelectHub* in "[ERP Software Trends: What You Should Know for 2019](#)".
- Our predictions report was publicized in a [press release](#) in addition to several outlets.

In May, join me at [APICS Ventura](#) on "The Resilient Supply Chain" and at a [best practices in consulting conference](#) in Boston.

Enjoy!
Lisa

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

P.S. If you know of anyone who is interested in achieving scalable, profitable growth, please refer them to [us](#).

Eagle Eye Pricing & Profits: It's Not All About Revenue

According to [CFO Magazine](#), Amazon's profit doubled to a record \$3.6 billion in the first quarter yet reported its lowest growth rate in quarterly revenue since 2015. In today's [Amazonian environment](#), subscription services such as Amazon cloud and Kindle services as well as disruptive forces such as the 3rd party seller services (as our clients worry about from the opposite viewpoint) are driving profitable growth for a company that once lost money continuously. Are you considering ways to ensure your pricing makes sense and delivers the results you intend?



It's Not All About Revenue

Ask questions of your sales representatives, customers, marketing department, executives, and competitors about pricing:

- **When is the last time you raised prices?** Why are they at the level they are set?
- **Who sets your prices?** Think carefully as this could lead to some interesting discussions.
- **Do you know how your prices compare to your costs?** There are lots of reasons NOT to set prices this way but knowing this relationship is relevant.
- **How does your pricing stack up with the competition?** Again, high or low is irrelevant but considering your strategy is key.
- **Since it has come up frequently lately, I'll also throw in this one: Is your pricing so complex that your ERP system won't support it?** That would certainly be something to re-evaluate.



Pricing is an important topic, assuming you are interested in profitable growth. It is worth taking the time to ask a few key questions of your internal and external resources. Gather your executive team and put some focus on whether what you are doing makes sense and supports your strategy or if it is out of date. With the pace of change at an all-time high, reviewing this topic once every few years is by NO MEANS enough. If you'd like an expert to assess your situation to partner with you to achieve these types of results, [contact us](#).

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

The Strongest Link in Your Supply Chain The Value of Alignment: Sales, Operations & Finance

Alignment might sound like a fluffy concept but it delivers bottom line results. Our most successful clients have achieved the most substantial results from alignment. Although [SIOP](#) (Sales, Inventory, Operations Planning) gets a wrap as a technical topic, in our experience, it is the alignment portion of SIOP that delivers the bacon!

For example, in one client project, the Sales Leader was concerned about service levels. He knew that service was the differentiator in the marketplace, and if they didn't have quick lead times and responsive customer service, it would negatively impact his ability to grow the business. On the other hand, planning knew that sales tended to come in dramatic spikes which were hard to predict in advance and so strategic inventory could make sense. Operations wasn't too keen on inventory since they had a lean mentality with the view that inventory was 'bad', and they were concerned about capacity and staffing. Accounting set rules on overhead rates as a percentage of sales on a monthly basis which caused HR and Operations to hire and fire temps continually (and sometimes full-time resources). Overtime wasn't used as a rule of thumb and was seen as costly by management; in fact, it was the only client we've ever worked with that didn't use at least some percentage of overtime on a continual basis. And of course R&D created new products and had no idea about the volume and the impact on capacity and staffing. In essence, no one was on the same page!

We created a demand plan based on historical forecasts with sales input, confirmed the capacity and staffing levels required to meet that forecast and determined that if we level loaded the forecast over a quarter, we could create a win-win: improved service during the sales spikes with improved margins (lower temp turnover, improved efficiencies etc.). But it didn't matter if we didn't align the team. That was the 80/20 to creating success (and is ALWAYS the hardest part). Fast-forward 3-6 months down-the-road, and we shortened any service dips from the sales spikes, increased the service levels and reduced costs.

These types of client results are commonplace with [alignment](#) no matter your position in the supply chain or the world. Have you considered whether your teams are saying they are aligned or whether they are truly using the same playbook? It often will make the difference between a happy customer and a disgruntled one (which isn't something anyone wants in today's on-line era), let alone the profit impacts. If you are interested in an alignment assessment, please [contact us](#).

[Did you like this article? Continue reading on this topic:](#)
[SIOP: How Collaboration & Judgement Can Achieve Wonders](#)

2019 Predictions Document

Find out how pricing relates to 2019's predictions. If you missed our 2019 Predictions Document, download yours [here](#).

"... expect to see more talk of tariffs, threats and waving of hands, all the while, those of us in exporting will be busy making deals, signing contracts and getting business done."

Ray Paulson
CEO, Paulson Manufacturing

U.S.A. Manufacturers are thriving and will continue to thrive in the future. The world looks to the USA for competitive quality products. In fact, we see the line. Beyond products, the world needs that the business done will be fair and equitable. In other words, they trade as and trade does not come easy in the world.

Paulson Manufacturing is located in California. We source most of our raw materials in the USA. And, we are competitive worldwide. Our distribution channel is also our feedback channel. We know what is going on in each country where we do business. We use this to shape the high value of the USA Quality, our skills and resources to export, and the best value globally to support our exporting channel. Exporters generally enjoy strong demand, but the arena is competitive. For example, our sales have doubled in China last year, and we expect them to double again this year. This is not without effort by all parties involved. There is the key: all parties must be involved for the success to occur.

As a view looking forward in these uncertain times, expect to see more talk of tariffs, threats and waving of hands, all the while, those of us in exporting will be busy making deals, signing contracts and getting business done. We are forecasting 20% growth in exporting for 2019 and expect 25% growth in 2020.

"We need to connect the dots between what we are expert in and what our key customers want us to achieve."

Steve Erickson
President - Coraco Clipper, Inc. & UK Business Unit Group
UK Strategy - Invoceq Group

There is lots of conversation about the shortage of sales and the tight labor market. We are having trouble finding good quality candidates as well. Perhaps even more importantly, I think we need to look at our competitiveness in today's market with our team. As hard as talent is to find these days, maybe it is too easy to lose as well!

Even though I think the business world as a whole is getting better at strategic planning, at the end of the day, it is hard to make dramatic changes to strategy and see it work. We need to connect the dots between what we are expert in and what our key customers want us to achieve. Customers expect price concessions. However, price might not always be the answer. We need to stick with our differentiated strategy and keep creating the messaging and delivery system to keep it relevant and successful in today's marketplace.

Manufacturing & Supply Chain Predictions for 2019

Do You Have a Resilient Supply Chain?

Do you have a resilient supply chain? In today's disruption-intensive business environment, a resilient supply chain is a "must"!

Find out how to navigate disruption and achieve peak performance.

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



The Systems Pragmatist

Do You Need An ERP Upgrade?

A Client Question

A client was getting a lot of complaints from her team about the [ERP system](#) used to run the business, from taking orders to ordering materials and producing product to shipping and invoicing customers and reconciling financials. She was ready to throw the computer out the window when she called to find a new system so that they could gain build value in the business instead of suffering endlessly.

The Answer

In their case, there was no need for a new ERP system which was GREAT news as this investment is often-times the most significant undertaking a company can make. When they go wrong which is statistically over 80% of the time, they go wrong in a BIG way. Lost customers, hundreds of thousands if not millions underwater (depending on the size and scope), unhappy employees and more.

Although the situation was dire with no hope for resolution (financials that didn't reconcile and it couldn't be used in any meaningful way to manage production and inventory), all wasn't lost. The system itself would work for their type of manufacturing environment although the way it was implemented wouldn't. Thus, we found a new partner that was a significant upgrade who helped them navigate through cleaning up their system, upgrading to the latest version as well as how to utilize the upgraded functionality that was key to going beyond the base to new frontiers that would increase the value of their business.

Food For Thought

This executive is one of my favorite executives who I have known since I started consulting 14 years ago. She has an extensive background and is a business valuation expert in addition to being a business leader. If she can get caught up in the ERP maze, anyone can. Take a step back and make sure your assumptions make sense. Should you reconsider how you are using your system or whether it is the right time for an upgrade? If you are interested in an ERP assessment, [contact us](#).

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[ERP Selection: Why It Has Become a Strategic Priority](#)



We held an engaging executive panel discussion at our APICS Inland Empire [spring symposium](#) on the topic, "The Talent Transformation: People or Robots? There is quite a lot of hoopla in the area of Inland Southern California as this geography is larger than all but 24 states (and soon will take over Louisiana) with a strong manufacturing and logistics base yet the threat and opportunity of automation is close at hand. According to a University of Redlands [study](#). Most large metropolitan areas are subject to losing 55% of their current jobs due to automation. In Inland Southern CA, that number expands to 62%. What will this mean? Disaster or opportunity?

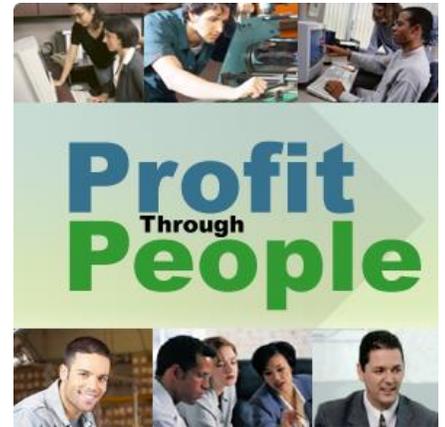
According to a robotics expert with a background in industry, Carnegie Mellon and Harvey Mudd, the CEO of the Inland Empire Economic Partnership (IEEP), a Director at Honeywell and a recruiter and practice lead at Aerotek, we can rest assured that people and robots can co-exist successfully. Of course, this assumes we are proactive about thinking about automation, retraining and educating our workforce and providing the insights and collaboration opportunities such as the executive panel event.

We had some probing questions from the manufacturing and distribution professionals in the audience but it was unanimous that a solution exists. We also talked about Middle Harbor which is a high-tech area of the ports. This has proven more challenging as negotiations have put some people out of a job yet still getting paid for it. With that said, there were many examples of success with business growing 3 fold while the company doubled the workforce and more. Hiding under a rock is definitely not the route to success. Instead, be a part of the collaborative effort. As a Board member of IEEP and a supply chain expert, I am helping to lead a consortium for advanced manufacturing and logistics success to address just this topic (resulting from the [Brookings study](#) research). If you are interested in staying in the loop with updates, please [email me](#). I've created a special interest list for this topic.

The students from Harvey Mudd presented some exciting robotics research they are conducting with industry on how to successfully navigate cluttered workspaces (as most manufacturing and distribution clients require). Much progress is being made, and robots aren't going away. There are many positives in terms of consistency of quality, replacing competitive motion tasks, reducing workers compensation and labor risks in addition to cost savings. With that said, there are also some challenges to overcome which were discussed such as what happens when technology goes wrong (such as with the Boeing 737 Max). There is always risks to mitigate and people who are overlooked. The panel discussed the [Challenger disaster](#) and the employee who warned ahead of time to the technical glitch.

What are you doing to evaluate technology from a strategic standpoint? Will you be left in the dust? Grocery stores might have been a bit complacent before Amazon bought Whole Foods. Are you complacent? On the other hand, please don't follow fads. When everyone thought outsourcing was great and Boards insisted on following the trend no matter the total impact, several companies outsourced and were sorry later when service went down and costs weren't saved. If you'd like an assessment, [contact us](#).

[Did you like this article? Continue reading on this topic:](#)
[The Talent Transformation: People or Robots?](#)



Connections

- My nephew graduated from a top rated computer boot camp and is a full stack developer with a specialty in Node. If you know anyone in Southern CA looking for a developer, please [contact him](#).

- A recent University of LaVerne graduate in computer science is interested in combining her knowledge of computer science with logistics for a job in the supply chain field. Please [contact her](#) with opportunities or connections.
- A bright, young mechanical engineer is looking for a job in the Inland Empire or surrounding areas. His wife just joined Harvey Mudd. He has received high accolades. [Contact him](#) with opportunities and references.
- A client in the City of Industry is looking for an Operations & Supply Chain Leader as well as a Cost Accountant. Please refer to [me](#).
- Do you know a top notch IP, family law or litigation attorney in the Inland Empire or surrounding area? And/ or how about a healthcare benefits resource? 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.

What is *Profit through People*?

I've used the Profit through People brand since my newsletter's inception in 2006 as it resonated with me. Although I consult on topics within each of my service lines--Eagle Eye Strategic Focus, The Strongest Link in Your Supply Chain, the Systems Pragmatist & Profit through People--I find that people are key to success in every situation. If you are interested in elevating your business performance, please [contact us](#).



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