

Lisa Anderson's Profit Through People® Newsletter



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Welcome from Lisa

Similar to the [Amazon Effect](#), my days seem to go by faster and faster. Hard to keep up! It was a client intensive month, and so I was knee deep in SIO (sales, inventory and operations planning), MRP (material requirements planning), ERP upgrades, inventory reduction projects, and manufacturing and distribution assessments/ audits.

While focusing on client projects, I had an epiphany about several themes I've been discussing for quite some time, and within 48 hours, I had 100's of articles categorized into these themes as well as videos, research and other items of value as well as graphics created with the assistance of my webmaster.

I've named these "[LMA-I, LMA Intelligence](#)" and have webpages dedicated to each one: 1) [The Skills Gap](#); 2) [The Amazon Effect](#); 3) [The Resilient Supply Chain](#). Check them out.



REQUEST for YOU: I am updating my Skills Gap research including modernizing it for the current technology craze. I'd very much appreciate it if you would take a few minutes to complete the [survey](#).

I also went to Arizona to help my mom with several projects and my nephew move into NAU (his dorm is pictured) - very exciting times! It appears as though a lot has changed yet a lot has stayed the same. It certainly can make you nostalgic for those days.

IN THE NEWS

I am thrilled to have been named an ERP thought leader by [Select Hub](#) as well as a Top Women Influencer by [WP ERP](#). I am also excited to have recognized [Ron Penland](#) as [2019's LMA's Advocate](#). Congrats Ron!

In addition, check out my latest speeches, articles & quotes:

- My press release about innovation and collaboration being key to advanced manufacturing success was picked up by [Business Insights](#)
- Quoted in SAC's "[Businesses Continue to Thrive in a Time of Volatility](#)"
- Quoted in *Select Hub's* "[How Supply Chain Automation is Changing the Landscape](#)".
- Sent a [press release](#) about the 2019 LMA Advocate.
- Quoted in *FeedStuffs*, "[Make Recession-busting a Team Effort](#)"

Happy Fall!

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

The Amazon Effect Won't Die!

We have been writing countless articles about the [Amazon Effect](#) for many years as customers have the upper hand. In essence, if you cannot provide rapid, customized service with easy returns and 'extra value', you will be left in the dust. The needs aren't going away. If anything, Amazon continues to raise the bar. Several companies such as FedEx, Walmart, and more have announced same day and next day delivery. Target is redesigning stores and pick up areas so that customers can conveniently pick up purchases same day. Walmart is evaluating delivering groceries inside a customers' home while they are at work. And, [Coscto](#) has established a chicken farm to grow, slaughter and distribute chickens in an effort to eliminate the middle man for quicker, cost effective deliveries. However, this isn't just about B2C and traditional e-commerce companies typically in industries such as consumer products and food and beverage. B2B companies expect Amazon-like service as well! Behind every B2B company is a person who expects B2C customer service.



Executives are still intrigued by the [Amazon Effect](#). The reason executives still care is because it is getting harder and harder to remain competitive and profitable. For example, at the Manufacturing Summit, we recorded a [series of videos](#) from an Amazon Effect panel talking about these issues. Countless CEOs are expressing concerns about how to navigate these troubled waters. On the other hand, there are a few who are taking advantage of the situation to stand out from the crowd by becoming the disruptor instead of the disruptee. Which are you?

The Amazon Effect also teaches us that innovation is cornerstone to success. Not only does Amazon continually innovate and test new ideas, but some of these new concepts 'stick'. As the founder of Netflix said, it isn't that you set out to get the idea for Netflix and it is success all the way. The reason we are still talking about 3M and the famous sticky pad innovation is that it doesn't happen that often, and 3M sets aside time and money for innovation as a part of their culture. Thus, we must get comfortable with trial and error. Of course, the error part is the problem. No one likes failure yet it is just a part of the process. In fact, if you aren't failing, you won't succeed. Even Amazon fails. They test new markets, are willing to lose money and shut down programs. We just don't hear about them as often as we hear about the latest and greatest new service or drone delivery! Are we really pushing the envelope far enough?

Have you thought about whether you have a culture that supports innovation? Check out our [video series](#) on innovation to gain some ideas. Gather your team to brainstorm out of the box ideas. Ask an expert to poke holes. Deliberately stimulate debate and organize trials. In essence, why not encourage maverick behavior within reasonable guide posts so that you set your team up for a "win"? If you are interested in an Amazon Effect assessment with ideas to break from the mold, check out our [free resources](#) and/or [contact us](#).

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[The Amazon Effect is Still Going Strong](#)

There is no doubt. More than 50% of client requests in the last several months have related to inventory. In fact, it seems to be a trending hot topic! In today's era of the [Amazon Effect](#) where customers expect more and have ZERO patience to wait yet we are in a volatile environment with tariffs and concerns about space, costs and more, more inventory is needed to grow the business yet businesses cannot afford it. Thus, learning how to reduce lead times and improve service levels while reducing inventory and costs is of utmost importance.

In partnering with several clients on just this topic, we've found the same ingredients to success yet the mix and proportions can be quite different. Several of the top contributors behind inventory success include:



1. **Demand planning:** It turns out there is a lot to be said for fine tuning your demand plan (sales forecast). How well do you understand your customer requirements? We've seen that even in the best of clients, there is a gap between perception and reality. In 80% of our clients, there is a path to significantly improve the forecast with a direct correlation to inventory reduction.
2. **Production &/or material planning:** Not surprisingly, there is no 'magic process' that works for every client; however, there are general themes that are identical. In every case, there is some sort of logical combination of master scheduling/ material requirements planning (MPS/MRP) and kanban processes. How we figure out the right mix, proportions and formulas is the trick. It depends on the manufacturing/ distribution type, people, processes, systems, customers, suppliers and related capabilities and more.
3. **Distribution planning:** Similar to production and material planning, we've seen a significant opportunity with several clients to leverage a more proactive yet simpler distribution planning approach. The process will involve concepts from DRP (distribution requirements planning) and kanban. Often, this simple process can provide the visibility required to better manage inventory levels.
4. **Lead Times:** Certainly, none of these can be viewed in isolation. Customer lead times will dictate the requirements of your network whereas supplier lead times must be built into your planning processes. Distribution lead times and options (mode of transportation) could also make the difference between OTD (on-time delivery) or OTIF (on-time-in-full) and late delivery as well as profit and loss.
5. **Capacity:** Understanding your capacity (skills, labor, machinery, space, and more) and how it relates to your requirements is of paramount importance. This process of aligning demand with supply across your organization and supply chain is termed SIOP (sales, inventory and operations planning).

In our experience, clients can reduce inventory by 20-30% on average without negatively impacting customer service. In fact, we often find that a win-win-win can be created: improved service, inventory turns and cost/margins simultaneously. Read more in an upcoming article I've written for [Distribution Trends](#) and please [contact us](#) to discuss your situation in detail.

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

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 innovative quality products. In fact, we are the last. Beyond products, the world knows that the business deal will be fair and equitable. In other words, they trust us and trust does not come easy in this world.

Paulson Manufacturing is based in California. We export most of our new materials to the USA. And we are competitive worldwide. Our distribution channel is also our feedback channel. We learn what is going on in each country where we do business. We use that degree of the USA Dollar, new tariffs and roadblocks to exporting, this is the best time possible to expand our exporting potential. Improvements generally occur overnight, hence the success. For example, our steel has doubled in China but our steel is being able to double again this year. This is not unusual either. By getting involved. Then in the way all parties must be involved for the success to occur.

As a view looking forward to these business times, respect to new ones 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 2017 and expect 15% growth in 2018.

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

Steve Erickson
President - Corvus Clipper, Inc. & UK Business Unit Group
M. Strategy - Incept Group

There is lots of conversation about the shortage of talent 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 very volatile. Changes to strategy and are 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 talk with our differentiated strategy and keep tweaking 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: Should I Upgrade Now or Later?

A Client Question

Since we have a simple reorder point system largely in place and we plan to focus on an ERP upgrade in the coming year, should we continue to roll out MRP (material requirements planning) and DRP (distribution requirements planning) or should we just put our efforts into the new ERP system?

In this case, there is still much of the planning process that is done manually. However, a manual process could be good or bad. Employees forced to perform manual processes learn the process in detail yet they might not understand why they are doing what they are doing. Would there be a larger benefit in learning the process in the current system and then re-learning in the new one or vice-versa? After all, resources are limited and the people performing these roles understand key customer requirements in detail. How should we best utilize their time for maximum benefit?

The Answer

In their case, resources are limited. Thus, the key question becomes how to best leverage the planners to meet customer expectations while getting ready to support the future. Since the simple reorder point works but only to a degree (since they cannot see their bill of materials explosion) in their case, the rest has to be manually calculated. When looking at a configure-to-order situation across multiple sites not connected by DRP, inventory disappears and the complexity of planning materials increases. Also, unfortunately, the only resource that gains an understanding of **MRP / DRP** concepts is the material planner. The production planners remain unclear as to how these concepts apply. Thus, it makes sense to roll out the concepts in the current system so that the team gains exposure to how it works. This understanding will prove valuable in implementing the new system, and most importantly, if the material planners do not have to spend countless hours manually calculating numbers, they can provide better service to customers as well as contribute valuable input in setting up the new system for success.



Food For Thought

Although the MPS/ MRP module of ERP systems can be valuable in improving service and reducing inventory, they do not always make sense. Take a step back to look at the complexities in your planning process. Have you overbuilt the process? We also find that simplifying creates substantial improvement for almost every client. Perhaps you should simplify rather than add complexity, even if you already own the system or even if your key resources think complexity is needed. At least 80% of the time, we simplify to some degree, and we might take what seems like a step back to simplify in order to take a giant leap forward. If you are interested in running your situation by us, [contact us](#).

[Did you like this article? Continue reading on this topic:
Which Inventory Planning Method is Best?](#)

Profit through People

The Skills Gap in the Modern Era

People are the #1 topic on our most successful clients' executives minds. That's because these clients realize that even the best strategies and plans will fail without people. On the other hand, we have seen clients that appear the least likely to succeed overcome great obstacles to not only become competitive but also to gain a strategic advantage in the marketplace. The secret ingredient is people. As a former VP of Operations and Supply Chain, there was no doubt that my success was directly correlated to the strength and attitude of my team.



Since it is such a key topic to ensuring growth and profitability, we wanted to dig into the current state of the skills gap. As a follow up to [our research](#) several years ago when we found that 87% of companies were experiencing a skills gap, we wanted to understand the current state of this topic and how it has evolved as we are knee deep in the technology era. For example, there is quite a bit of discussion on the topic of [people vs. robots](#). Do we need to think about the skills gap if robots can take over? In other circles, the talk is all about artificial intelligence (AI). Will AI transform the industry? For example, there is a concern about this happening in the accounting profession. However, it might just mean we all must trusted advisors to add value to what can be taken over by robots. That is certainly true in manufacturing environments. The skill requirements are changing. Perhaps we need people to interpret data? And how about to get people and technology to work together?

Please take our [skills gap survey](#) as we would appreciate your feedback into the following types of questions:

- Which skills do you need the most?
- Are technical skills enough? Or do you need a savvy communicator as well?
- How do you find your best talent?
- Do you offer incentive to keep top talent such as rewards and recognition programs, performance management programs (tied with compensation systems) etc.?
- How have you seen these requirements changing with the hot bed of technology?

A few highlights from what we've seen at a cross-section of clients across closely-held businesses to private equity backed companies to global enterprises:

- **Broad skills:** Companies are looking for a broader base of skills. It is no longer sufficient to be an expert in a specialized area
- **Presentation skills:** Those who can present ideas effectively succeed whereas the most talented resources will struggle if they can't get their ideas across.
- **Technology overload:** Although everyone is interested in the latest technology, we are overwhelmed with all the options. Selecting just enough technology to advance a key point is often the best course of action.

- **Your network is your most valuable asset:** It doesn't matter if we are talking about a new hire, sourcing a supplier or getting just the 'right' trusted advisor at just the 'right' moment, the best way to find these resources is through your network. Are you nurturing your network?

The bottom line is that the most successful companies pay close attention to their #1 asset, their people. This idea extends to your customers, suppliers, trusted advisors and more since your face to your customer will be inclusive of each of these people. As rubber meets the road, navigating your skills base will be of paramount importance. Participate in our skills gap [survey](#) and we will ensure you are the first to receive the findings to help all of us successfully navigate the skills gap.

[Did you like this article? Continue reading on this topic: People and Robots Can Coexist Successfully](#)

Connections

- A few clients/ colleagues are looking for a Materials Manager. If you are interested, please [contact me](#).
- A client is looking for a SAP Business One and cost expert in San Diego. If you have a referral, please [contact 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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