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Top 3 Causes of Poor Inventory Management

No matter why a client first calls, one of the challenges or areas of opportunity for significant gain stems back to inventory management. On the other hand, it isn't too surprising as with manufacturers and distributors, a key to operational success is effective inventory management. Beyond that, it can also be a strategic opportunity with customer and supplier partnership programs.

Thus, I've had the opportunity to help multitudes of clients in a diverse group of industries with widely varying symptoms find ways to succeed with inventory management programs. As I was thinking about trends within my clients in preparation for sitting on a Distributors & Manufacturers panel, a few obvious trends emerged. The top 3 causes of poor inventory management include: 1) Culture miss-match. 2) Focus & skills miss-match. 3) An abundance of complexity.

1. **Culture miss-match** - There is no point in digging deep into how to reduce inventory levels while improving service levels from the traditional people, process and systems perspective if the culture dictates failure. I know it sounds strange as no executive would deliberately state that inventory and customer service are priorities while sabotaging success with incongruent cultural norms, yet it occurs frequently.

For example, one of my clients was dedicated to inventory management and even assigned an executive to focus on it yet had cultural norms in place that were in opposition to the strategic objective - the incentive systems were set up to encourage a P&L focus at the expense of inventory management. In another example, the executives had spent a bundle on a new ERP system to improve inventory management yet didn't make progress due to cultural norms - even though metrics tracked inventory turns and service levels, 80%+ of the executives' questions related to sales dollars.

To be successful, it is vital to begin with cultural norms. You don't change a culture overnight but with focus, new examples and metrics, you can make an impact.

2. **Focus & skills miss-match** - I thought I'd continue with the next most frequent issue - the lack of focus and a skills miss-match. For example, if inventory is an important objective for your company, what does it tell the organization if you have a lower level position managing millions of dollars? As odd as this seems, it often occurs.

The skills required for inventory management can be a hard-to-find combination; however, it can mean the difference between success and failure. In my experience, the ideal person has not only a high level of analytical ability but also effective communication skills. Undoubtedly, planning and purchasing folks are in the middle of competing objectives (purchase price, production efficiencies, cash flow, sales requests etc.); thus, strong communication skills are a must! Do you have the right focus and people in place?

3. **An abundance of complexity** - If there is a common theme in not only inventory management mistakes but also in operational / supply chain mistakes, it is an overload of unnecessary complexity. Throw it out!

For example, trying to use the latest and greatest bells and whistles in your ERP system often times leads to chaos and confusion when a simple report or spreadsheet utilizing base ERP data would deliver 20 times the results. It isn't that the system is "broken"; however, setting up and maintaining the variables in order to leverage full functionality are often times not only cost prohibitive but also beyond the skills of the people tasked to the job.

On the other hand, getting caught up in the latest concepts like lean seems like a no-brainer; however, unless you have the culture, people processes and systems to figure out how to implement effectively, you can end up with a much larger disaster than ever imagined (proven by a few of the companies I've worked with). Instead, think about what's important, prioritize and simplify.

Last but not least, don't get caught up in too much detail and forget the big picture. What is the demand? Pick up the phone and talk with your key customers.

I've decided that inventory management never goes out of style. As in football, if you don't block and tackle effectively, you're not going to be in the game.

Lisa's Tips: Goals

In talking with a client earlier today about goals, it reminded me of the often-overlooked importance of goals.

1. **Start with strategy** - unfortunately, you can have the best goals in the world but if they don't align with where the company is headed, they are a waste of time.
2. **Achievable** - Are your goals achievable? If you have no chance to "get there", what motivation is there to try?
3. **Don't sandbag** - More de-motivating than an unachievable goal is a goal that's too easily achievable. Why bother?
4. **Measurable** - How do you track progress? It doesn't have to be tracked with a number; however, you need to be able to clearly identify if progress has occurred. How will you do that?
5. **Joint conversation** - There is no point to dictated goals (what ownership is there?) or an uninterested boss. Have a conversation. I guarantee something will come up that improves upon where you started.
6. **Integrate with the culture** - Who remembers a goal assigned a year ago? I can barely remember what I wrote down last week! Goals are useless unless integrated with the daily culture.

Recommended Reading

"Headline Zoo website - I'm a featured business writer for this innovative website with the A-Z of today's Trans Pacific headlines. Check it out - [Headline Zoo](#)

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