



November 2016 - Issue #129

Welcome from Lisa

I enjoyed a trip to Japan for a board of advisors strategy session and was able to spend a few days touring Tokyo and Kyoto while there. Simply beautiful sites - my favorite photo was of the Golden Temple in Kyoto surrounded by leaves of changing colors:



Hard to beat this yet it turns out that I visited Mt. Fuji on one of the BEST days of the entire year - even the tour guide took pictures. Not only was it a productive trip from a business perspective but there is no substitute for "living" the culture vs. reading about it. The people were absolutely some of the most service-minded I've ever met.

I also went to AZ to visit my mom, and help her with dental surgery. And I spent Thanksgiving dinner at the Hotel del Coronado with one of my best friends for her birthday, surrounded by an amazing spread of food and festivities.

I was also quite happy that we made substantial progress on several client projects - rounded the corner on an ERP go-live project, will complete a few ERP selection projects prior to year-end and am making good progress on a few SIOP/ service and lead time improvement / inventory projects. I'm also excited that there seems to be an increased interest in thinking about strategic pricing and costs again.

Soon, I'll be publishing the results of a research study on outsourcing/ insourcing/ near-sourcing. There is still time to provide feedback if you haven't yet. Please answer the questions and/or send me your thoughts, opinions and strategies. It is a hot topic and my goal is to compile research and value for our collective success.

IN THE NEWS

Please check out my latest speeches, articles & quotes:

- Published "[*The Intersection of Lean & Project Management*](#)" in *Liquid Planner*.
- Published "[*Hitting the Target*](#)" in *Wholesale and Distribution International*.
- Published an article, "[*Best Practices in Project Teamwork*](#)" in *Project Times*.

As we are in the holiday season, think about someone you'd like to thank and/or appreciate.

Lisa

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P.S. If you know of anyone who could benefit from improved service levels, decreased lead times or increased levels of cash due to improved inventory processes, please refer them.

Eagle Eye

Are You Stuck in Silo Thinking?

We not only work across many manufacturing and distribution industries such as aerospace, building products and food but we also work across company-sizes ranging from small and medium size owner-operated companies to medium size private equity-backed firms to large, complex, global organizations. Thus, as we see trends across each of these segments, we pay attention. Unfortunately, silo thinking is commonplace.



Traditionally, silo thinking refers to thinking from your department-perspective and not looking cross-functionally; however, we also see vast examples of silo thinking from the company perspective. In this case, the organization falls into the trap of thinking internally and not thinking about supplier and customer impacts. And, it could mean that we think U.S. centric, even though we'd bet significant dollars that no one has a 100% U.S. centric extended supply chain. We need to get our head out of our operation and think BIGGER.

In today's Amazon-impacted marketplace, extended supply chains are more interconnected than ever before. Thus, we must be aware of the impacts of our decisions on the rest of the supply chain. Actually even more important than remembering impacts, we can grow revenue and profits by looking for opportunities and unmet needs across our extended supply chain. Think about why we say "a supply chain is only as strong as its weakest link". Anyone with a problem supplier might have learned this the hard way!

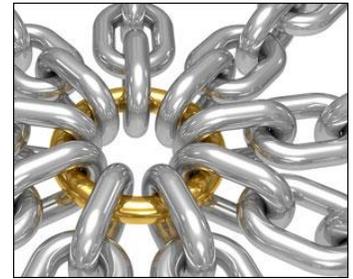
A natural extension of this thinking leads us to remembering that although English is the most spoken language in business settings and even though the U.S. is a big and generally affluent market, there is something to be said in remembering that 95% of consumers live outside of the U.S. And, since our supply chains extend throughout the world, we must be able to have conversations about global impacts, cultural differences and strategic priorities. Flip your silo on its head.

P.S. On a related note, we are going to kick off two new newsletters shortly - one for clients only that discusses these types of thought-provoking topics and one on the latest supply chain trends and news and how to apply it. We'll keep you in the loop on how to receive them.

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[**Cross Functional Success**](#)

According to the Chartered Institute of Procurement and Supply (CIPS) risk index, risk is the highest since 2013. It is easy to become complacent. Are you adding risk into your supply chain conversations and plans?



The increase is driven by supply chain risk in Western and Central Europe, Eastern Europe, the Middle East, Latin America and Sub-Saharan Africa. Specifically:

- **Western Europe** - This trend is clearest in Western Europe, where risk rose to 2.63 in Q3 from 2.60 in the previous quarter. The uncertainty around the post-Brexit relationship between the UK and the European Union has had a negative impact on trade and business sentiment in the UK and across the region.
- **North America** - North America remains static at 2.101, but both Canada and the USA have seen trade agreements with the European Union stall this quarter.
- **Eastern Europe and Central Asia** - In Eastern Europe and Central Asia, risk has risen to 5.424 from 5.396, following a failed coup in Turkey which is likely to see an increase in interference with businesses.
- **Middle East and North Africa** - Supply chain risk has also deteriorated in the Middle East and North Africa from 4.406 in Q2 to 4.413 in Q3, where civil war has all but eliminated international supply chains in certain countries.
- **Sub-Saharan Africa** - Sub-Saharan Africa continues to have the world's highest levels of supply chain risk, increasing further from 5.544 to 5.558 with Nigeria slipping into technical recession and South Africa narrowly avoiding one.
- **Asia Pacific & Australia** - Asia Pacific has bucked the trend this quarter with supply chain risk decreasing marginally from 3.424 in Q2 2016 to 3.415 in Q3. Australian suppliers, in particular have benefited from rising coal and iron ore prices together with an increase in national defense spending.
- **East Asia** - Elsewhere in Asia, logistical routes have come under pressure. Super typhoon Meranti has caused disruption to flights, ports, rail schedules and power supplies in Taiwan. Winds of 150km/h have forced the temporary closure of two nuclear power stations but the country's robust building code has mitigated against long-term disruptions.
- **South Korea** - In South Korea, meanwhile, the world's 7th largest shipping company, Hanjin Shipping, went bankrupt in August, reducing global shipping capacity by 3% and leaving a cargo as large as \$14bn unable to dock. The bankruptcy is likely to have wide-ranging impact on trans-Pacific and Asia-Europe supply chains

Since your extended supply chain likely relates to one if not several of these geographies, it is worthwhile to make sure you stay on top of what's important. For example, those with product tied up on the ocean waiting for decisions with the Hanjin bankruptcy without a backup struggled at best.

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[Will Supply Chain Risk Surprise You?](#)

Modern marvels and new information technologies are transforming supply chains. Automation, robots, AI (artificial intelligence), 3D Printing, Bitcoin technology and the IoT (internet of things) are changing the way we look at supply chains. Are you thinking about any of these technologies down-the-line? Or are you thinking about the impacts of your competitors pursuing them? You should!



We partner with clients to keep them at the forefront of these information technologies. At the core, we partner with executives to help them select the optimal ERP system to support their business objectives. Certainly, automation has always been a hot topic. Recently, AI and predictive analysis have become popular as executives think about making strategic decisions. Many clients are also thinking about the strategic value of data and how they can utilize data from their extended supply chain for mutual benefit.

We remember robots being tested 25 years ago and so they are not "new" yet they are gaining in popularity. One method to become cost competitive with low labor rate countries yet source supply closer to customers for rapid delivery is to automate. Using robots and automated conveyor systems is commonplace in distribution and material handling. Manufacturers are also gaining steam on these topics. Are you evaluating these alternatives? At a bare minimum, my most successful clients are evaluating, testing and trialing. Similar to the outsourcing craze of the last 10 years, there is no reason to jump on the bandwagon for the sake of following the crowd; however, looking into the options is prudent.

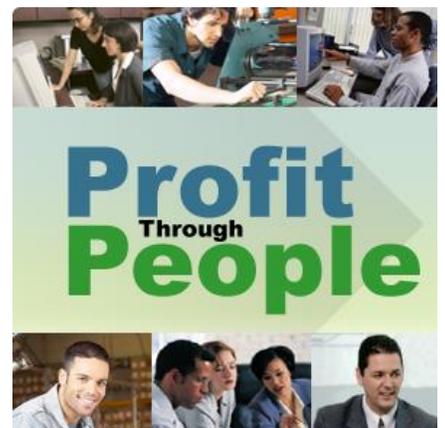
The internet of things is taking over in our interconnected world. Are you looking into what this could mean for your industry? And to throw a somewhat radical-sounding concept out there - how about bitcoin? There are many potential uses for this technology in supply chains today.

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[6 Process & Systems Trends for Success](#)

No matter how many conversations go on about technology and the latest and greatest processes to drive results in manufacturing and distribution companies (including robots and automation taking over lower-skill positions), people remain "in". Without exception, our best clients consider people their #1 asset.

Who develops the programs for the robots? Who figures out how to utilize business analysis tools and predictive analysis / artificial intelligence concepts? And who implements best practice processes such as lean manufacturing, SIOP/ S&OP and the like? People!

There is zero doubt that the best people with mediocre machines, technologies and less-than-desirable systems will outperform mediocre people with the best machines, technologies and systems - every time! We cannot count the times a facility turned around with a new, exceptional leader. On the other hand, we have also seen large complex organizations change out General Managers like singers change clothes in concerts (for example, Reba used to change clothes 15 times in one concert!) - with NO better results (and often worse results) repeatedly. Eventually, a strong



leader arrives with largely the same team and transformation begins. Since we pride ourselves on our successful track record of achieving tangible results in partnership with our clients, it is obvious how important people are in achieving this goal. Our initiatives can turn from tough challenges that will take longer to achieve success into fun, exciting rapid-change projects that deliver bottom line results based on the leader we partner with on the project.

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[**Project Success is All About the People**](#)

Connections

- Following a successful APICS Inland Empire executive panel & networking symposium on Navigating the Global Supply Chain, we have scheduled our next one on May 6th with the theme "Disruptive Innovations in Logistics". Stay tuned on www.apics-ie.org.
- My Ontario **ProVisors** group of trusted advisors is looking for a top notch real estate attorney and commercial real estate broker. **Email me** with referrals.
- I know of a supply chain leader with an end-to-end supply chain background with an emphasis in procurement and import who is interested in his next opportunity. Email **him** with referrals.
- Refer anyone interested in advancing their supply chain and manufacturing skills to take a look at the best **education and certifications** available.



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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