

Lisa Anderson's Profit Through People® Newsletter



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Welcome from Lisa

Lisa's Note

Check out the view from the rooftop of 50 Bowery in New York's Chinatown! I am just leaving New York after co-leading the [Society for the Advancement of Consulting Annual Meeting](#). We had a value-packed conference and are thrilled to have launched our inaugural [Advancing Consulting Awards](#)!

On the way to NY, I stopped by Arizona to see my mom and family (my nephew was in town for the weekend from NAU). Aside from this trip, I was fortunate to stay in California. In fact, I saw several movies with my new Regal unlimited pass! I also had a successful month working with clients on [SIOP](#), manufacturing strategy, inventory reduction, business process and system upgrades and much more.



IN THE NEWS

I am very excited to share that I was recognized as a "[Top 15 Supply Chain & Logistics Expert](#)" by RateLinx.

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

- Published an article, "[Inventory Management as Fashionable as Automated Intelligence for Distributors](#)" in ACHR News.
- Quoted in Harvey Mudd College article "[Students Win Global Case Competition](#)"
- My [press release](#) about the importance of manufacturing and exports was picked up and included in [Business Insights](#), [Consulting.US](#) and [InlandEmpire.US](#).
- Quoted in SAC [press release](#) "[Ethics Come From the Inside Out](#)"
- Kicked off Manufacturing Month at the Rancho Chamber by speaking on "[Sustaining the Manufacturing Momentum: Technology, Talent, Transition](#)"
- Featured in the ProVisors [The Accelerator Newsletter](#) about [Automation](#) and [Recession Proofing](#)
- Quoted in [APICS Inland Empire press release](#) about our upcoming symposium about "[Collaboration for Advanced Manufacturing & Supply Chain Success](#)" which was picked up by [InlandEmpire.US](#) and the [Inland Empire Business Journal](#).

As you can see, I took full advantage of the opportunity to promote manufacturing and write about related topics during Manufacturing Month! I'm excited to see the vast opportunity for manufacturing success! Speaking of this topic, we continue with this critical theme at [APICS Inland Empire's Executive Panel & Networking Symposium](#) on "[Collaborating for Advanced Manufacturing & Supply Chain Success](#)". You still have time to join us if you [register](#) quickly.

Happy Thanksgiving!

Lisa

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

P.S. Know anyone who is interested in achieving scalable, profitable growth? Refer them to [us](#).

Eagle Eye

The Strategic Use of Data

Have you thought about the strategic use of data? If not, you are missing a HUGE opportunity. Even in the most fundamental of businesses, having the 'right' data at the 'right' time in the 'right' place can not only enable quicker, more effective decision making but it can transform your business model. Listen to [David Libatique](#), Deputy Executive Director of Stakeholder Engagement of the Port of Los Angeles talk about the strategic value of data in the [video](#) below (thanks to [APICS Inland Empire Chapter](#) for the footage from the [Executive Panel and Networking Symposium](#)).



This topic is not just related to the vast amount of data the ports could capture (although that could be pure gold to those stakeholders), but data in general. Every client has a system of some sort. Small clients might still be on QuickBooks or are looking for the best "starter ERP" for their situation whereas others require complex ERP for process manufacturing or configure-to-order environments. That system contains vast data that can "collect dust" in the 'data warehouse' or be put to good use to drive business value. Which are you doing?

Do not get overwhelmed by data overload! There is no doubt that 80% of clients have voluminous amounts of data that can employ multiple people in creating reports on a daily, weekly and monthly basis. We are definitely not advocating for this end result. In our experience, whether a \$5 million dollar family-owned business or a multi-billion dollar enterprise, the strategic use of data is not on the radar. Oddly, the big companies might not be the report mavens whereas the small might not be as nimble as we'd think! Almost every client can improve when it comes to the strategic use of data.

Instead of getting lost in the data maze, perhaps we should consider a few questions:

1. Where do you want your company to go?
2. Are you assessing the 'right' data to know if your strategy holds water?
3. Are you going in the right direction? How can you tell?
4. Have you thought about your data source(s)?
5. Do your sales people have "data at their fingertips" to ensure profitable growth?

Data isn't going to lose its power. It has been several years since I heard the CEO of SAP, Bill McDermott speak about the [value of data](#) especially as it relates to customers. Nothing has changed. In fact, most ERP systems tout the critical

importance of data and several have hired what they call "data scientists" to gain a competitive advantage in the marketplace. Will you evaluate your strategic use of data? Then go beyond your internal borders and expand to your customers, suppliers, transportation partners and you might just see a vastly expanded value in the strategic use of data. If you'd like assistance navigating this process, please [contact us](#).

[Did you like this article? Continue reading on this topic:](#)
[Why Customers Rule](#)



The Strongest Link in Your Supply Chain

Forget About Reducing Inventory; Perhaps You Have the Wrong Supply Chain Strategy

Clients and colleagues have demonstrated a heightened interest in inventory reduction recently; however, they are not yet seeing the full value! Certainly with everyone worried about a potential recession in 2020, they are starting to think about not tying as much cash up in wasted inventory but that is not the 100 pound gorilla. The real question is why we are thinking about corporate mandates and full warehouses instead of seeing the big picture that we should reevaluate our supply chain.



Of course, maximizing your customer service (on-time delivery, quicker lead times), margins/ efficiencies and cash flow (inventory reduction) is an important standard best practice. To learn more about how to achieve this win-win-win, read our recent article "[Inventory Management as Fashionable as Automated Intelligence for Distributors](#)" for ACHR News. Yet it could become "rearranging chairs on the titanic" if your supply chain is not set up to deliver maximum performance. So, instead of jumping to erroneous conclusions, take a step back to reevaluate your end-to-end supply chain strategy.

When I was a VP of Operations & Supply Chain for a mid-market manufacturer, our private equity backers and Board of Directors were always asking about labor costs. It didn't matter that labor costs was our smallest cost element. In fact, material cost was the 800 pound gorilla at around 70% of product cost, followed by freight. If we could double labor cost to reduce materials and freight, it would be a smart decision; however, it was never viewed that way. Thus, if a smart private equity group and executive team can bark up the wrong tree, we all might be speeding down the freeway yet going in the wrong direction.

Typically, labor cost is 8-12% of the total cost of ownership. How does that compare to your materials cost? Unless you are in a labor-intensive industry, perhaps you better take a second look. Next there is freight costs. Not only do freight costs continue to rise but the rules, regulations and delays can be astounding. In a recent [California Inland Empire District Export Council \(CIEDEC\)](#) meeting, the new sulfur emission rules for shipping arose because costs will have to be passed on to importers and exporters. Of course, we don't have to mention tariffs and global unrest. Now, let's add inventory carrying cost into the equation. It is a minimum of 6%; however, most experts (and clients) agree that it is truly a minimum of 25% and could be as bad as a 1:1 ratio. Just think about how often your customer changes his mind, all the expediting you have to do to serve customers and the systems and complexity your team has to manage. Is it time to reevaluate?

Let's not forget that this equation isn't just an insource or outsource question. There are lots of opportunities. For example, you might want to think about the following questions:

1. Where are your customers?
2. Where are your suppliers?
3. Is there disruptive technology that could impact your cost ratios?
4. How complex is your supply chain? Have you thought about the price of complexity?
5. Do you have a robust [ERP system](#) to support customer expectations while achieving profitable growth?
6. Are there supply chain partner programs that could completely change the game?

No matter your situation, it is worth revisiting. Corporate strategies last NO MORE than a year so why are we leaving our supply chain to old rules? Instead, we should be future-proofing our manufacturing and supply chain business. Stay tuned and read more about it If you are interested in discussing a supply chain assessment, please [contact us](#).

[Did you like this article? Continue reading on this topic: Top Trending Client Request: Reduce Inventory](#)

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."

Roy Paulson
CEO - Pacific 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 see the far beyond products, the world knows that the business deal will be far and equitable. In other words, they trust us and level deals not come easy to this world.

Pacific Manufacturing is based 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 have what is going on in each country where we do business. We are also despite the high value of the USA Dollar, our "walks and talks" to our clients. It is the best time possible to expand and grow your business. Keep resources generally your strongest assets. Before the event happens. For example, our client from California. Call us now, and we expect them to double again this year. This is not without effort, by all parties involved. This is the key of parties must be involved for the success to occur.

As a view looking forward to 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 - Green Clips, Inc. & UK Business Unit Group
VP, Strategy - Fenwick Group

There is lots of conversation about the shortage of talent and the tight labor market. We are having trouble finding good quality candidates in 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 it!

Even though I think the business world as a whole is getting better at strategic planning, at the end of the day, it is rare 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 tweaking the messaging and delivery system to keep it relevant and successful in today's marketplace.

Manufacturing & Supply Chain Predictions for 2019

MANUFACTURING & SUPPLY CHAIN IN THE NEW NORMAL

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

Have You Thought About Whether You are Maximizing the Use of Your ERP System?

Client Question

Before jumping to conclusions and pursuing a system upgrade, should we explore whether we are maximizing the use of our current system? Or is it just not modern enough to support our growth in a scalable, profitable way?

This is often the subject of a client call. After all, no one in their right mind would want to embark on an ERP upgrade unless absolutely necessary. The issue is that the situation can be quite complex. How do we separate what's important vs. what's not? In this case study, a client knew they had to upgrade because their system was long out of maintenance. The only question was how compelling was the upgrade to support their customers' requirements and an efficient operation?



The Answer

Although they clearly required an upgrade to get into the current century, the question we explored is whether they could continue to improve performance using their current system to a degree large enough to delay the upgrade until they were better prepared. Unfortunately, since they had let their current system go for 'too long', it was highly dependent on current technical resources, partly tailored to their business processes and customized to their needs. At first glance, that doesn't sound bad! However, the issue is that it was by no means scalable, would require significant education on concepts so that folks started thinking instead of following the process designed into the current system and they were highly dependent on resources that could leave or "get hit by a bus". Doesn't that sound like something you say but it doesn't happen? Not so; one of my clients had that exact situation occur, even though it is just a phrase for a myriad of issues that could arise.

After digging into their business requirements (current as well as a few years into the future), we found ample opportunity to further leverage already existing functionality to meet customer requirements and delay the upgrade for several months; however, that still wasn't enough. We also had to take actions to secure at risk critical resources to the degree feasible (since we clearly cannot plan 100% for the 'hit by the bus' scenario). We were successful in proactively addressing the situation so that we didn't have to leap before we knew if we had a net. Yet we weren't 100% comfortable and so we also put together an aggressive plan for ERP selection to find the best fit system to meet their

needs (without customizing) and equally important a best fit partner that could proactively understand and think through their education needs (which were VERY different from training needs).

Food For Thought

Although we found a solution, the CEO was on pins and needles once he realized the extent of the situation. Don't leave your infrastructure to chance. Even though all can seem quite fine at the high level, it is important you know whether you are being held up by a solid foundation or a nice-looking pile of straw. That is before considering what you'll need at least 18 months into the future. You will not select the best system to support your plans or you'll skimp on implementation. Every client that cut corners overspent by 20-100% and that is before considering the impact on customer service. Do you have a scalable [ERP system](#) to support your business growth and profitability? If not, start there!

[Did you like this article? Continue reading on this topic: Is Your ERP System Scalable?](#)

Profit through People

Future-proofing Your Manufacturing Success

One of our core roles is to pay close attention to trends, issues, and opportunities that will impact our manufacturing and distribution clients so that we can give them a leg up on the competition. Lately, we have noticed that the next "big thing" will be future-proofing. Although everyone seems concerned about potential recessions in one of the greatest periods of growth ever on record, that isn't why we have chosen to focus on the topic of future-proofing. Instead, what we have noticed is that the future is simply unknown.



It has an equal or better chance to be ideal for growth, yet no clients will be able to take advantage of the opportunity if they haven't been future-proofing their business and customer base. Also technology is a big unknown. Certainly waiting on the sidelines for someone else to figure it out will not cut it! In today era of the [Amazon Impact](#), the [Skills Gap](#) and the need for a [Resilient Supply Chain](#), your future will still not be secure if you haven't thought about future-proofing. Thus, we are excited to launch our next [LMA-i, LMA Intelligence](#) topic, "[Future-proofing Manufacturing & Supply Chain](#)".

As we explore this new strategic topic, we always start with the fundamentals. It does not matter how much you spend on the latest and greatest, energy efficient windows for your house if your foundation is cracked, letting in air and sinking. People must be your foundation. No matter how high tech your company, it must be accompanied with high touch.

Have you taken a step back lately to evaluate your people?

1. Do you have the right players on your team?
2. Do they understand where they are going and why?
3. Do they have a coach, mentor and/or adviser?
4. Are there opportunities for career progression for key roles?
5. Have you identified your stars and have a fast-track program in place?
6. Are you recognizing your team?
7. Do you have bench strength?
8. Is your team prepared for where you are going currently or are they thinking about where they need to be in a year?

9. How about your customers, suppliers and trusted advisors? Do they understand their value and how they can contribute?
10. Are you willing to invest in people before investing in equipment and technology? Why or why not?

To future-proof your manufacturing business, you must know these answers. Of course knowing the answers is not sufficient. Is your team on board? How about your supply chain partners? Moreover, as unfortunate as it seems, being smart isn't enough. You must apply this knowledge in a way that enables you to successfully navigate the future while continually creating scalable, profitable growth. Stay tuned for many articles on this [topic](#) and [contact us](#) if you'd like to assess your situation.

[Did you like this article? Continue reading on this topic:](#)
[Manufacturing Month & Interview with an Innovation Award Winner](#)

Connections

- Do you have connections to organizations in Southern California that might have a need for an intern with Javascript/node coding experience? 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](#).
- Do you know a consultant interested in taking their business to the next level? Please refer them to the [Society for the Advancement of Consulting](#).
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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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