Enabling Scalable, Profitable Growth No 198, March 2025

As our inaugural newsletter from LMA Consulting's founding in 2005, Profit through People remains our flagship brand because although most clients call us because of our manufacturing, supply chain and technology expertise, the 80/20 of success goes straight to people!

Lisa's Note

Hard to believe Q1 is winding down already. Hope you have had a robust start to the year! The manufacturing sector has had a series of positive announcements.....better ramp up while there is time!

We are very excited to share our services upgrade with you. It shows the value and intersection of our **core services:**

- **Planning & Supply Chain Transformation** (demand & supply) - this is the #1 reason clients call whether for strategy (SIOP) or execution (planning processes, order fulfilment, operations)
- **Process Optimization & Harmonization** (upgrades & disciplines) - a priority for every client
- **Use of Systems & ERP Optimization** (digital transformation) - a must for success in today's business environment.

It is a great representation of every project we undertake and the powerful results our clients gain. The bottom line results of resiliency, scalability, profitable growth and a superior customer experience sum it up well.

In addition, we are enjoying our weekly quick take (90 seconds or less) video series on timely topics and news, **Supply Chain Bytes**. There is so much to pack into 90 seconds! We are also excited about our new upgraded **Supply Chain Chats** video series (15-20 minutes). Check out our latest conversation on demand planning for custom manufacturers, what we should be thinking about China, and supply chain impacts from the Russia-Ukraine war. If you have suggested topics and/or colleagues to recommend for a chat, let me know.

We are excited to share a few new video testimonials - a**custom industrial manufacturer** focused on planning, scheduling, efficiencies (automation, better utilization of systems), and improved visibility and a custom **industrial power solutions manufacturer** focused on improving service levels, gaining visibility into capacity to fuel the SIOP process, and rolling out MRP and related functionality.

From a personal side, I went on vacation with my best friend Vicki, my nephew Ryan, and his family including Isaiah, his 3-year old son. It was great spending time with them enjoying the

beach, aquarium, zoo, and his first catamaran ride. He loved the the boat trip where he saw turtles, dolphins, and whales (oh my!).

IN THE NEWS
I was thrilled to be on the **SAP podcast** and the **Adhesives & Sealants podcast** about supply chain trends and the future of supply chain.

And for the rest:

- Quoted in **Forbes** and **SAP** on key trends in the supply chain.
- Quoted in ***Supply Chain Dive*** on how the L.A. fires impacted supply chains.
- Interviewed in ***Authority Magazine*** on tariffs and what businesses should do to to address supply chain management with looming tariffs. Refer to our **video** with 5 strategies to address (also embedded in the article).
- Published articles in *Adhesives & Sealants,* **Creating a Robust and Resilient Medical Products Supply Chain**, **Digitization of the Supply Chain Drives Profitable Growth**, and **Supply Chain Resiliency a Must for Success**.
- Published articles in *Brushware Magazine,* **Targeting Manufacturing Growth in the New Year** and **Unlocking North America's Manufacturing Potential**
- Quoted in an *IE Business Daily* article on the **local industrial market** and the Inland Empire **economy with the looming tariffs**.
- Featured in *Kardex* as one of **25 Warehouse Automation Trends for 2025: From Warehouse Experts**
- Quoted in *Homepage News* on **shipping and supply chain stability** and **tariffs**.
- Quoted in *PYMTS* on surcharges during peak season in several articles on **shipping costs**, **earnings growth**, and new **shipping options** and on **tariffs**
- Spoke on the *Interlinks podcast* on building **resiliency and agility into businesses** and on **Manufacturing in the U.S.A**.
- Spoke on **KNX radio** about the L.A. fires.
- Spoke on ***Manufacturing Matters*** podcast on Unraveling the Supply Chain.
- Spoke on a panels with the Global Supply Chain Think Tank (GSCTT) on **Using AI to Improve Business Performance**.
- Commented on an article for *Grant's Interest Rate Observer* on **tariffs and integrated supply chains**.
- Published press releases on the **restructuring supply chains**, the **supply chain impacts of the L.A. fires**, the upcoming **manufacturing resurgence**, and **why rare earth minerals are critical for supply chains**.

Enjoy,
Lisa

P.S. Know anyone who is interested in getting ahead of the rapidly changing global business conditions by creating predictable revenue profitable supply? Refer them to us.

STRATEGY/ SIOP

Supply Chain Transformation & SIOP Case Study for Success

Executive interest in transforming their supply chain has increased to heightened levels. The pandemic highlighted the risks in the end-to-end supply chains. The wars and conflicts popping up around the globe (Russia-Ukraine, the Middle East war, China/ Taiwan tensions) added fuel to the geopolitical risk fire. Other supply chain risks such as the ship stuck in the Suez Canal, the Baltimore Bridge collapse, Hurricane Helene's devastating impact including on IV fluids availability, and the Salt Typhoon (cyber attacks on infrastructure) emphasize the importance in taking control of your supply chain.

On the regulatory and financial fronts, there are substantial requirements and inflationary pressures to tackle, driving pressure on cost reduction, productivity improvements, sustainability combined with innovation, automation, ERP optimization, and the use of advanced technologies. And/or, they must improve their revenue predictability and projection of operational capabilities to achieve a superior customer experience and attain revenue growth goals especially in rapidly growing industries. The bottom line is that it is a tricky situation to navigate. The best companies have realized they must transform their supply chain and are pursuing an upgrade to their **SIOP** (Sales Inventory Operations Planning) processes and business systems (also referred to as S&OE, sales and operations execution) simultaneously.

Case Study: Drone Manufacturer
A drone manufacturer wanted to achieve revenue growth goals while ensuring strict attention to financial targets and taking minimal to no risk in producing ahead on their engineer-to-order (ETO) product line. In essence, this kept the status quo intact; however, it was not good enough. In addition, they wanted to meet aggressive growth goals and drive cost improvements with down-the-line supply chain partners. They had a high-quality, Cal Tech-like workforce and strong yet separate ERP, quoting, and financial analysis systems. A supply chain transformation was in order, and they chose to pursue a SIOP upgrade as a vehicle to drive the appropriate improvements in their culture and business systems process improvements.

We kicked off the process with a SIOP workshop for the leadership team to gain insights, inputs, and ideas to transform their supply chain in a way that would achieve the objectives while educating the team on the key elements and benefits of a SIOP process. After this interactive and intensive workshop, the team walked away with alignment on the desired outcomes from the SIOP process, a few of the key bottlenecks to be addressed, and energized on the potential for SIOP to drive the appropriate supply chain transformations.

Next, our client brought all the experts together inclusive of Sales Quoting, Customer Service/ Order Fulfillment, Planning, Procurement, I.T. and Data Analysis, and other related resources as needed such as Operations, Engineering, Sales, etc. We jumped in and completed a deep dive assessment of the core processes and systems associated with the critical issue. This issue included the following:

- How to get an idea of the demand plan (sales forecast) in advance without adding risk as Finance did not want to dedicate funds to purchase and produce in advance for orders that did not have a final bill of material (BOM) and final due date from the customer. The engineering timeframe could be several weeks / months and customers changed their requested due dates frequently.
- How to gain alignment that if we could find a way to get in front of customer requirements and translate into supplier forecasts and operational plans without adding risk, it would make sense to pursue. This philosophy would transform their processes in quoting, order backlog management, planning, purchasing, operations, and ties to finance. Thus, they would not gain alignment unless all executives agreed to take the leap.

We found the needle in the haystack and were able to prove out that a key product grouping might be a good candidate for a pilot program. The product grouping had enough layers/ subsystems in common (also might be referred to as configuration elements of a configure-to-order (CTO) product) with stable demand such that if we could group the forecast for this group of products together, we could reduce the risk vs the current state (dependent on frequent changing order backlog). Of course, that was the "easy" part as we had to design the SIOP pilot including how the process would interact with the quoting, order, and financial system information, how we would translate the product group forecast into production and purchase plans without committing too far into the future, and how we would gain alignment with a skeptical group of executives.

Thus, we rolled up our sleeves and partnered with the client's core team to design and test the end-to-end process in conjunction with the quoting, ERP system, and financial analysis systems (none of which talked with each other). We collaboratively developed and rolled out the appropriate business systems upgrades to support the SIOP pilot process. Simultaneously, we developed analyses, metrics, slide decks, and agendas to support the monthly SIOP cadence and met with key leaders and influencers in the organization to bring them up-to-speed, gain their feedback and input, and address their concerns. For example, we made a slight change to the typical SIOP cadence to call out a separate inventory meeting.

Finally, we rolled out the SIOP cycle with a demand meeting, supply meeting, inventory meeting, and executive meeting. We successfully gained alignment with the executives to transform their typical process, use of systems, and check-ins with Finance in support of the newly designed one. It signaled a change in culture and enabled a supply chain transformation. Fast-forward a year, and they could provide supply chain partners with forecasts without risk-laden commitments, which resulted in Kanban-style replenishments, resulting in reduced inventory, increased margins, and satisfied customers. Internal resources did not have to chase dates on an hourly or daily basis and instead could focus on forward-thinking strategies, innovating, and leveling up performance.

SIOP: The Path Forward

SIOP is not a quick fix; instead, it is a collaborative, forward-thinking, and strategic process to align demand with supply and Sales with Operations to transform your supply chain and drive business results. Although it is simply an upgrade of your most critical business processes and systems to orchestrate successful revenue growth and profitability, SIOP fuels this type of transformation and provides a vehicle and collaborative concept to bring results to fruition. Instead of arguing about process change, SIOP provides a forward-looking process to surface potential bottlenecks, mitigate risks, pivot strategies, and take advantage of opportunities as part of the regular monthly cadence, leveraging team dynamics for maximum results. To learn more about how to rollout SIOP, download a complimentary copy of our book, "**SIOP (Sales Inventory Operations Planning): Creating Predictable Revenue and EBITDA Growth**".

Did you like this article? Continue reading on this topic:
Using SIOP to Drive Revenue, Margin, & Working Capital Predictability & Improvement

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Timely News, Updates & Strategies: Supply Chain Bytes

Supply Chain Bytes is our quick-hitting video series that delivers concise, impactful insights on the

latest supply chain changes, strategies, trends, and impacts —all in under 90 seconds. Stay ahead with quick updates that keep you informed in the rapidly evolving supply chain landscape. See the full series - **SupplyChainBytes.com**

PLANNING
Capacity Planning Case Study to Secure Reliable Delivery Dates At Order Entry

One of the most common issues executives raise is the inability to secure reliable delivery dates upfront when communicating with customers and taking orders. Clearly, this bottleneck results in frustration and the potential for lost orders as customers demand reliable delivery dates, stable lead times, and expedited performance. It also creates concern for executives as they want to know what volume of orders they can take before bumping up against capacity barriers so that they can proactively address to meet their goals. The solution lies in developing a **capacity planning** and labor scheduling process that will provide reliable, timely information.

Case Study: Industrial Power Equipment Manufacturer
An industrial power equipment manufacturer supplied several markets including data centers. With the surge of interest in AI, data centers have been exploding. Thus, business was booming but limited by capacity (facilities, machines, workforce/ labor, skilled resources, Engineering, etc.). Executives wanted to know how many orders they could take upfront to fill each week, month, and quarter fully as they had customers anxiously awaiting dates and several new opportunities for growth. They did not want to commit to an order with a key customer and fail to deliver on-time. Thus, they needed a quick solution to fill the capacity planning gap.

Of course, it is never simple or straight-forward. They recently went live on a new ERP system, and their order stages and statuses were unclear, their data integrity was suspect, their capacity planning functionality was not understood, and even though they had a daily huddle meeting with a review of a Heijunka board, they were chasing orders around the factory. In essence, they had a capacity planning spreadsheet from their legacy system that the planner keyed orders into, massaged information for what she knew to be true (that was not reflected anywhere in the ERP system), and she did her best to track progress and capture capacity. But, it was not nearly fast enough or reliable at scale. Customers were clamoring for reliable information. Executives wanted to know where to invest and how to deploy resources. Thus, everyone crowded around the planner's desk.

Not surprisingly, the situation was complex as otherwise they wouldn't need consulting experts to develop capacity planning processes and models. Although there was some level of repeatable business that could be planned upfront, knowing if the item was standard (and repeatable) or custom was not flagged in the ERP system (SAP Business One), or in MRP (material requirements planning) or CRP (capacity requirements planning). Thus, all orders had to wait in line for the expert planner to be available to review. However, even if the type of item could be flagged, the planner waited for Engineering to finalize the item so that she could plan capacity and add it into the production schedule. The Engineering lead time was far longer than the manufacturing lead time, and so everyone had to wait until the bill of material (BOM) and routing was finalized. Even if this information was available, the run times associated with the key steps of the process (those that were planned) were not clear. The planner relied on her expertise to pick the appropriate pieces of information from the routing and used ballpark information from the prior ERP system in the interim (although there was not a cross-reference to gain insight into these rules of thumb nor access to the prior system). And, if that wasn't bad enough, the capacity availability, number of people required to run certain items, and the complexity associated with certain product groupings was only available in her head.

Thus, a deep dive was required. Of course, the path forward had to achieve progress in setting delivery dates while creating a capacity planning process for the long-term. We had to run several parallel paths simultaneously:

- **Order backlog**: Get our hands around the order backlog. Understanding the orders, availability of BOMs, visibility to Planning, sequencing of orders (identifying parent-child relationship), order status visibility, assignment to cells and/or facilities, etc. This also involved a deep dive with Customer Service, customer requirements, and constant interaction with the Sales team.
- **Capacity product groupings**: It was important to identify and create product groupings that have similarities in run rate, engineering layers, operational capabilities, etc.
- **Connecting orders to capacity groupings**: It isn't enough to simply identify product groupings, you have to design a way to assign these grouping upfront.
- **Making sense of dollars to units for revenue predictability**: This sounds reasonably easy yet was one of the most challenging tasks as the level of complexity of the orders was unknown until fully engineered. In addition, knowing which items to include in the revenue forecast and which to exclude created a complex puzzle.
- **Capacity resources / availability**: Different items required different predecessors (children), operational steps, different types of skilled resources, and different configurations / subsystems. Defining capacity resources and availability across the facilities was key.
- **Use of ERP & related systems**: Calculating these values manually was a recipe for disaster. Thus, we had to determine how to best utilize SAP Business One, the quoting and configuration system and related reporting/ information to gain insights into capacity.
- **Develop an automated capacity model with key user input** In order to fully leverage the ERP system to plan capacity, several additional areas of functionality had to be rolled out (unscrambling the routing files with a focus on planned operational steps, setting phantom bills of materials, determining how to incorporate differences between sites, planning transfer capacity between sites, connecting routings and boms, advanced planning capabilities with work centers and scheduling, etc.). Customers were unwilling to wait, and so we developed a stop gap capacity model that integrated with SAP data and master file type information in the interim.
- **Operational flex capacity**: Worked with Operations to understand flex capacity, operational capabilities, and what levers could be pulled to increase capacity in certain situations.
- **Tie with SIOP (Sales Inventory Operations Planning)**: Integrate capacity planning into the SIOP process so that key decisions can be evaluated such as make vs buy, reallocation of production among sites, offload options to flex capacity, sourcing additional suppliers, etc.

We took the 80/20 standpoint to create a directional view of capacity so that we could address this critical bottleneck rapidly yet have it result in a reasonably correct dollar and capacity view. Although we powered through the order backlog with the planner to set dates, if you fast-forward two months, we had a directionally correct model that was used to flex capacity, plan resources, and develop an achievable revenue forecast. Once the bleeding stopped, we could drive continuous improvement, roll out additional SAP functionality, and automate capacity reporting in the business intelligence report tool. This set the company on course to have their best year yet and exceed revenue goals. Customers gained due dates sooner in the process, and the situation

flipped from reactive to proactive to support a sustainable process and profitable growth.

The Path Forward
As companies grow and manufacturing surges with investments in the U.S., scaling capacity and knowing how many orders you can take will be critical. For example, if you have a short term bottleneck and must prioritize orders, you can focus on the strategic customers and utilize customer and product profitability analyses to determine which orders to fulfill. On the other hand, if you see a lull coming down the pike, you can optimize profit, take advantage of the opportunity to train and develop resources, and/or invest in additional capabilities for the future. The bottom line is that you can create your future instead of reacting to changes as they occur.

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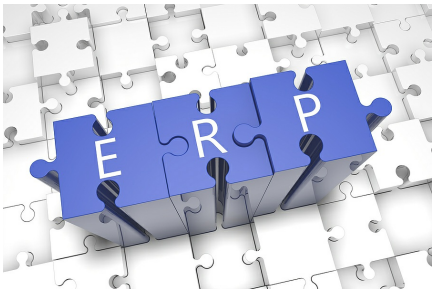
Using Capacity Planning to Increase Revenue & Profitability

Clients Experience in Working With LMA

Our client Armacell talks about their experience in working together from the CEO, General Manager of Operations, Integrated Business Planning (Supply Chain), and Sales point-of-view

ERP & RELATED TECHNOLOGIES
Case Study in Fueling Productivity, Profitability, & Performance with ERP Optimization



In today's VUCA-laden (volatility, uncertainty, complexity, ambiguity) environment, every executive must focus on common sense solutions that cut through the sludge to deliver increased productivity, profitability, and performance. Only those companies that are prepared to pivot and enhance customer value while delivering bottom line results will thrive in the next decade while the rest deteriorate as risks come to fruition, the competition passes them by, or their ability to respond to changing conditions is simply not sufficient. A key strategy to ensure you are ready to take advantage of the opportunities and deliver profitable growth is to optimize your **ERP system** and advanced supply chain technologies.

Case Study: Building & Construction Products Manufacturer
A building and construction products manufacturer wanted to resurrect their service levels to their customer and upgrade their business systems processes to drive profitable growth. Although they had one of the best ERP systems on the market (SAP), they did not leverage it across-the-board to drive results. In fact, many processes were in spreadsheets and different (in type and use

of SAP) among their manufacturing facilities and across their distribution network. A key resource left the company that understood the complex design and setup to their sales forecasting (advanced planning), production planning (MRP), capacity planning (CRP), and replenishment planning (DRP) business systems. To add fuel to the fire, the pandemic drove spikes in demand that caused stockouts and extended lead times throughout their network, a cyber attack limited their visibility to standard reporting, and customers were uncertain of changing demand patterns.

We started with a rapid assessment of their end-to-end supply chain and order cycle and use of SAP and related systems (advanced planning, manufacturing execution, CRM). It was quickly apparent that the design was extensive with a thought process of setting up the most complex aspects of advanced planning, but resulted in a horrifying spaghetti diagram that required planners to go into Excel to do the best they could to serve customers needs. Unfortunately, that resulted in service levels around 40% with a hard-working, frustrated team. The trick was to figure out how to juggle multiple priorities simultaneously -simplify the process while not letting balls fall to the ground, upgrade the already-existing **SIOP** process, and further leverage SAP and related supply chain technologies in a smart way that would drive visibility, productivity, profitability, and customer performance.

Sales forecasting was at the heart of the spaghetti diagram and utilized SAP's advanced forecasting and planning system (APS) yet was not driving results. In fact, no one knew how to get a reasonable forecast out of APS. Thus, we chose to leave the complex base setup intact as it would take too long to completely overhaul the process and customers could not wait for improved service levels. Instead, we did a deep dive into the setups and tweaked a few to make sure that the resulting forecast added up and made sense by geography, product grouping, and for key customers. In essence, we made sure it would drive directionally correct results to fuel SAP's MRP (material requirements planning) and DRP (distribution requirements planning), and instead focused on the collaboration and inputs from Sales with the SIOP process to improve forecast accuracy.

From the production planning perspective, the flagship facility utilized an MRP download report that provided alerts for the items to focus attention on in developing a production schedule. They took sequencing and operational performance drivers into account with their experience and incorporated it into the plans manually. Although there was an opportunity to better leverage SAP and the manufacturing execution system (MES) down-the-line, it wasn't the key driver to performance. Thus, we turned our attention to the key bottlenecks:

- A secondary plant that solely supported a key product grouping that could not keep up with customer demands and was done in off-line spreadsheets.
- Providing visibility to capacity bottlenecks so that the team could address proactively
- Getting arms around the order backlog management process so that the team knew the priorities to focus on to serve customers.

We leveraged internal production planning best practices and use of SAP in the secondary plant and tailored them to the unique needs of the product and facility. After deep diving into the process improvements with the current planner, she left and we gained an upgrade with a long-term knowledgeable resource. The new resource had the capabilities and just required the hands-on support and education to level up the process and use of SAP. Since planning and capacity/ staffing go hand-in-hand, we worked with the production team to gain insights into key bottlenecks, how to optimize changeovers, and maximize output and incorporated these insights into the planning process.

This led to tweaks to the setup for capacity planning across sites which enabled regular SAP screens and reporting to "work". We downloaded the results into Excel, created a simple macro to group work centers and create graphs that provided quick visibility to capacity bottlenecks and opportunities to better serve customers. And we worked with the team to incorporate insights and recommendations into the slide deck for SIOP to proactively address staffing and equipment needs. The leadership team was proactive in proactively working across functions to align demand with supply in the SIOP meetings. These strategies drove substantial improvements; however, the production and replenishment planners simply didn't have enough time to address every issue. They needed alerts and flags to prioritize their efforts.

Thus, we worked with the Finance and I.T. teams to pull the appropriate reports related to order backlog, inventory availability, and schedules. Of course, it is never that easy or it would already be done, and so we worked across functions to set common definitions for dates, separated out

key product lines and figured out how to segregate key geographies (since they related to a different subset of people) to make the information more meaningful. Although the data now reflected reality, it was still too much work for the planners to sift through the data to address their reasons for past due and to look forward to projected past due.

Thus, we found SAP functionality to better target items, developed a cross reference to assign items and customers, and designed an automation tool that could be developed in business intelligence (BI) when ready to highlight key priorities to proactively address potential past due and to track reason codes. An S&OE (sales and operations execution) type meeting was established to manage backlog in support of the SIOP process. Service levels climbed back to the 90%'s.

Once service levels were intact, we took advantage of the opportunity to upgrade the production planning processes to maximize output (breaking records in the supporting facility) and automate the use of SAP for sequencing (product wheel concept) to increase efficiencies and minimize waste. We also upgraded the use of SAP for replenishment planning to minimize freight costs while keeping service levels intact. We also brought a cross-functional team together to optimize service policies in a way that would support customers, better utilize SAP and increase productivity and profitability. As productivity improved, we leveraged the opportunity to upgrade the inventory management processes and use of SAP to reduce inventory while maintaining customer and business performance.

ERP Optimization: Path Forward
Since the majority of companies utilize 20-30% of their ERP system, there is always vast opportunity in further leveraging and optimizing the use of ERP. To read more insights into how to optimize your ERP system, read "**Better Utilize Your ERP System (3 Strategies for CEOs)**". However, it is also key not to fall into the trap of thinking whatever the ERP experts say are "best practices" should be followed in every situation. Adding complexity can sacrifice productivity, profitability, and performance in some situations. On the other hand, adding just the right functionality can drive exponential results. Perform a rapid, cradle to grave supply chain ERP utilization assessment and develop a series of improvements that will drive a return on investment (ROI) at each juncture to fuel enhanced customer value and profitable growth.

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Digitization of the Supply Chain Drives Profitable Growth

Crafting Tomorrow's Supply Chain Today

Our special mid-year report shares critical insights into strategic shifts and innovations that are reshaping the future of supply chain management. **Download** your complimentary copy.

Listen to a Client Example

Thrilled to share our client's success story related to a dramatic improvement in customer service levels with proactive and predictive planning, supply chain, SIOP (Sales Inventory Operations Planning), and order fulfillment improvements. Our client discusses process upgrades, ERP optimization, and collaborative success.

Connections

THIS MONTH'S REQUESTS:

- If you have a supply chain or operations position, post it on our Association for Supply Chain Management Chapter (ASCM/ APICS) **website**.
- Do you know a top notch IP attorney with key clients in Southern California area interested in growing his/her business and meeting top-notch trusted advisor colleagues in the Inland Southern CA area? 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***.
- If you are looking for a solid Operations and Supply Chain Leader with the ability to execute, **contact me** for a referral.

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.

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