APICS Holiday Network Event

Are You On The CEO'S Naughty Or Nice List?

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Enthusiastic New Year Begins

- Leaders Ever Optimistic
- Sales Is Predicting a Banner New Year
- Results Of The Previous Year Begin To Fade
- The Senior Team Begins To Develop Strategies And Major Budget Decisions
- Managesr At All Levels Begin To Develop Plans, Budgets And Needs List

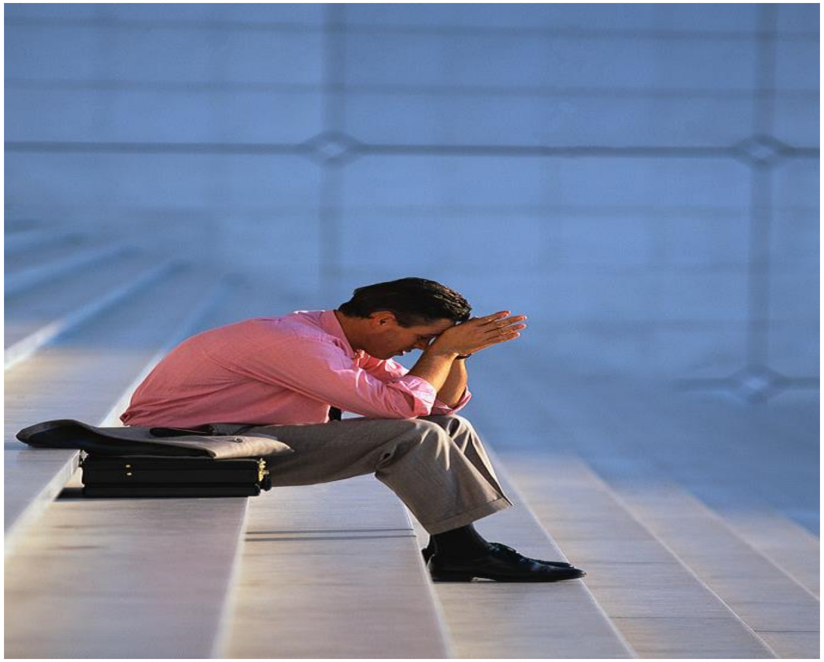
The Ghost Of Business Years Past

The Night Before Budget Approvals The CEO Is Visited By The Ghost Of Business Years Past And They Revisit The Business Cycles of Years Past.

What they saw surprised the CEO:

- The Revenue Plan was more of a wish list then reality
- Sales numbers were late and a percentage adjustment to the previous year was used to develop the plan
- Managers used sales information based on the previous years numbers. Even though the previous year they fell short of revenue goals, increased inventory, missed customer expectations
- To meet Budget requirements managers cut education programs and other training and improvement projects and reduce the workforce

What Would Your CEO Find ?



The CEO Returned With a Different Perspective

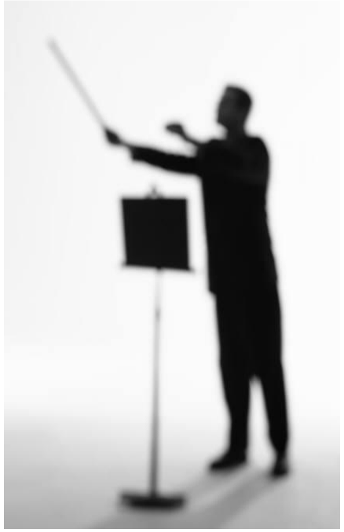
- Leadership is at its best when the vision is strategic, the voice persuasive and the results tangible

- He knew change was needed and also that he had to start from the top and work it down through the organization

- He new that he needed to spread the leadership power among the entire management level of the organization; granting them more authority and giving them the tools to make it happen

- It was time for a top down plan

Leadership Culture Shift



- Put the right people in the right positions
- Eliminate the hideouts
- Combine a culture of discipline with leaders who own the responsibility and you get excellence in performance
- When we work as a team towards a common goal no obstacle is insurmountable

BUSINESS CHALLENGES

- Process Alignment from Sales and Operations Planning to the Shipment of the Product
- Improved Internal Communication
- Strategic and Tactical Planning Improvements
- ERP Optimization
- Customer Relationship Management
- Cost Control and Reduction
- Global Supply Chain Management
- Insure a Highly Trained and Motivated Workforce

2015 CXO'S OBJECTIVES

Increase growth top line revenue	64%
Improve customer satisfaction and retention	64%
Remain or gain competitive advantage	59%
Cut overall corporation expense	41%
Reduce fragmented business applications	27%
Create a more productive workforce	20%

Execution Perfection Achieved with Process Alignment

The alignment of all key processes that allow a company to meet or exceed:

- Customer Expectations
- Revenue Management
- Management of Internal and External Capacity
- Profit Maximization

Typical Process Alignment

SYNCHRONIZE (S+C+D+R)

REVENUE
PLAN

ERP EXECUTION
Perfect

DEMAND
MANAGEMENT

S&OP

SUPPLY

CAPACITY

CONSENSUS

SUPPLY CHAIN | **MANUFACTURING DEMAND MANAGEMENT** | **PRODUCT LINE MANAGERS** | **MARKETING** | **SALES** | **FINANCE**

Process Alignment

Process alignment begins with the customer.

Processes for the management and control of customer information must be in place.

Sales and Operations Plan

The purpose of Sales and Operations Plan (S&OP) is to synchronize the plans and actions of Marketing, Sales, Operations, Finance, Information Services, Human Relations, and any other functions that are affected.

SALES AND OPERATION PLAN

The S&OP is the most realistic plan that a company can use to meet the monthly and quarterly goals of:

Finance
Customer
Operations
Marketing
Engineering
Sales
Human Relations

The Plan

- The S&OP plan typically begins with a Revenue Plan.
- The plan would encompass horizon time frames that are commensurate with standard supplier and/or manufacturing lead times in the subject company's specific business.
- When new products are common, a plan could easily have visibility out to eighteen or twenty-four months.

SALES AND OPERATION PLAN

- Keys to the success of the S&OP are the following:

  - **COLLABORATION**
  - **AGREEMENT**
  - **DYNAMIC PLAN UPDATES**
  - **FEEDBACK**
  - **CORRECTIONS**

Everyone Does Their Part. . .

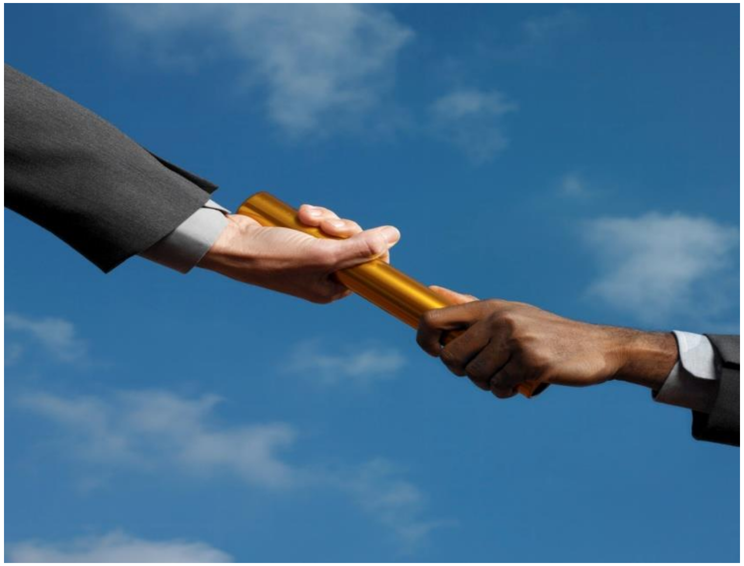
- Forecasts are developed by some combination of Sales, Marketing and Operations.
- The plan is agreed upon before being incorporated into the demand plan.
- Operations agrees to produce to the plan.
- Sales agrees to sell to the plan, including only quoting deliveries based on the plan.
- Marketing agrees to measure it against actual and to be ready to change the plan within prescribed time frames to react to variability.
- Engineering agrees to provide product releases and engineering support to meet the plan.

Keep in mind. . .

- Demand prediction may be the responsibility of many different functions for different types of demand.
- The comparison of plan vs. actual must always be the responsibility of the specific demand predictor.
- This responsibility includes the constant monitoring and adjusting and root cause determination to reposition the plan as more actual knowledge is acquired.

ERP ALIGNMENT

- Information that is developed during the S&OP process must now feed a planning systems that is in alignment with the execution systems.



The CEO Needed to Ask These Questions

- Is ERP in alignment with helping us improve customer satisfaction?
- Is ERP in alignment and assisting us in lowering are inventory?
- Is ERP in alignment with are order-to-delivery cycle time?
- Has ERP shortened are time-to-market?
- Has ERP helped us achieve a competitive advantage?
- Is ERP giving us the information & metrics we need?

The CEO Wanted Clear Definition, Direction and Plans For Process Alignment and Improvements

1. **Factory Management Philosophy (Mix Model Scheduling, Kanban)**
2. **Forecast Changes- MPS Instability/ Configuration Changes**
3. **Lack of exception message discipline**
4. **Manufacturing Lead times**
5. **Safety Stock**
6. **Lot Sizes**
7. **Lead Time Modifiers (Move, Queue, Receiving, Inspection)**

Improvements (cont'd)

9. **Inaccurate Inventory**
10. **Lack of Obsolete/Inactive Business Rules**
11. **Lack of rescheduling- date Alignment**
12. **Lack of Bill of Material Control**
13. **Lack of ECO's Controls**

Process Alignment and Perfection is Required In The "Order to Cash" Cycle

- Front end
  - Quotations
  - Order entry
  - Customer Relationship Management
  - Demand Planning
  - Sales force automation
- Execution (Lean ERP)
  - Planning/Inventory
  - Purchasing
  - Shop Floor
  - Receiving, Warehousing, Shipping

Process Alignment cont. “Order to Cash”

- Support
  - Rapid database build
    - Part numbers, BOM’s, Routings
    - Compliance
  - New Product Introduction (NPI)
  - Rapid customization of product
  - Product rationalization
- Financials

The Supply Chain Processes will be in Alignment WHEN…

1. **All "A" suppliers have been value stream mapped and non-value added activities eliminated**

2. **No buyer involvement for "A" supplier releasing**

3. **All "A" suppliers have service agreements (VMI, Evergreen, Consignment, Productivity, and Schedule Agreements)**

4. **All "A" suppliers deliver at first operation or "Kanban supermarket"**

5. **Same day or next day delivery for "A" supplier demand**

Purchasing Process Alignment cont.

6. Key suppliers feed "supermarket" or point-of consumption buffer areas
7. All pallets are pre labeled
8. All key "A" suppliers are all certified
9. ● No inspection ● No counting
9. All "A" suppliers have qualified specifications
10. All key "A" suppliers have standard delivery schedule
11. "B" suppliers will use "auto" MRP
12. "C" suppliers will use "bread man" deliveries

Perfection Achieved Through Process Alignment

- Begins with the Customer
- Align all internal and External Processes to meet Customer Demands
- Develop Metrics and Dashboards that are in alignment with your processes
- Review and Change as the Business Changes