



People who know what they are doing Standardized education is what's right for the Supply Chain

by Duncan McLeod

President's Note...

This month's **DBMEXECUTIVE** is about involvement. Doug discusses executive involvement, and how successful S&OP projects have strong, committed senior management support. He lists three ways to help you do this. Ever been on a project where people just don't understand the basics? I have, and it's one of my pet peeves. I support the reverse: people who know what they are doing (PWKWTAD). This is my call to all organizations to educate your team on what they should know, and make it mandatory for all members. And, beginning this month **DBMEXECUTIVE** goes bimonthly. That's every two months by our definition. See you again in February 2009.

I'm not the same person I was twenty years ago. Some things about me have changed, others have stayed the same. My eyes have changed. I don't see things the way I once did. I wear glasses to help me read, and if I push my arm back any farther I will be in Albuquerque. But that's not the half of it. The strange thing is that although my eyes are fuzzy around printed words, they are clear around concepts and requirements. Let me explain what I mean.

In **DBMExecutive** V1.8, I reflected on the progress of the global supply chain. I listed seven of my pet peeves – fundamental areas of business process improvements that are often ignored. Here is the list again, to help enforce it:

1. Huge investments in computers and bar coding systems but no focus on inventory accuracy.
2. Master Schedules in Excel spreadsheets.
3. Holding purchasing accountable for component prices instead of landed cost or total cost of acquisition.
4. The Sales and Operation Planning Process is not driving the Demand Plan and the Master Schedule.
5. Product line proliferation.
6. Let's do Kanban this week.
7. Not enough people understand the supply chain.

I have seen people running around organizations, jumping from project to project—many of those projects are included in this list. Throwing more bodies at the problem cannot solve these business commitments. Actually, that is issue number eight on the list.

In this article I will talk about my number one pet peeve: PWKWTAD, or People Who Know What They Are Doing. Why they are necessary to have and how you get them.

Trained vs. Instinct

I had to train to become a pilot. It was hard work but I have never regretted it. Then I extended my training for my multi-engine and instrument ratings as well. There were written exams to pass, and a separate flight test for each rating. Every two years I have to retest to maintain my instrument rating. The aviation system depends on me knowing what I am doing when I am flying. I can't fly unless I am qualified to fly. No exceptions.

Doctors earn a degree in medicine. They go through an internship, and belong to a governing organization that oversees their actions.

Lawyers have a degree in law and must pass the bar before they can practice in a court of law.

Professional engineers have a degree in engineering and receive their accreditation from a governing organization.

To become chartered, accountants must go through a formal certification process.

These professions are all separated by accreditations, and governing bodies. This way everyone begins with an agreed knowledge base, skill and individuality take over after that. I'm not saying every job requires this degree of specialization. Businesses could not survive if they did. Still there should be some degree of specialization or accredited knowledge for positions that are critical to the future of an organization.

Think about the people responsible for your Supply Chain. Give them all a pair of elastic armbands, green eye shades, tell them to get the right parts in and reduce the inventory where needed. No big deal. *Had a hunch bought a bunch* doesn't cut it anymore. We need certified professional people managing this new global supply chain. It's not rocket science – it's supply chain.

Education in Medieval Times

In the old days (before 1984) education in general was considered one of the table stakes for effective materials management. I had taught hundreds of people about managing the supply chain, with varying results. Some became leaders in their fields, others just consumed the oxygen in the classroom.

It was obvious that measuring hours of education didn't tell the whole story, and didn't count for everyone. Knowledge and skills transfer were key. I needed people who were certified in production and inventory management. They had to prove they had the basic skills first, before I taught them on how to apply these skills in their own businesses.

Certification for Standards

Certified in Production and Inventory Management (CPIM) is a designation developed by The American Production and Inventory Control Society (APICS).

To become certified, the candidate must successfully complete the program, including writing the five exams. Maintaining the certification requires continuous work in the field of the Supply Chain.

If we want to improve our global supply chain then we need to certify the participants. The APICS CPIM program is a great starting point.

Certification by Example

I used the CPIM program as a cornerstone for PWKWTAD at my very first client back in 1980.

At that time the client had fewer than 100 employees. Thirteen of them signed up for the program, including all of the people in the materials department, the production control department and purchasing, plus the systems manager, the inside sales coordinator, the warehouse supervisor and the warehouse lead hand. The receptionist was busy. For many of these people, the Executive VP said that certification would be a condition of their employment – if you want to continue in our

materials management area then you must be certified.

To set an example he participated in the program also.

The local APICS chapter helped us secure teaching facilities at a local college. We invited other local companies to participate, and a few sent one or two people. There were no teaching materials in those days so we had to develop them from the original self-study guides.

The classes were focused on preparing the students to pass the certification exams. APICS held the examinations three times per year. If you missed an examine date you had to wait four months to take it again.

I am proud to say that many of those original students went on to have successful careers in materials management or supply chain, as we call it today.

Many of them stayed with that original client, some moved to other companies, some became consultants. Most maintained their commitment to APICS, and the success of the Grand Valley Chapter can largely be attributed to their early work.

The company was phenomenally successful and a large part of their success was due to this certification program.

I have not seen another organization make this kind of commitment since. Beginner's luck? Not really, this was my first client and they had to be successful.

I pushed hard to make sure the certification program happened. I took ownership of the program, and I taught the program. Since then I have suggested to many clients that they get their materials people certified. I have steered them to the local colleges or the APICS self-study program.

This laissez-faire approach on my behalf has shown marginal results. A few people with individual initiative completed the program, but very few companies did what my successful first client did: declared education as a condition of employment and made everyone accountable.



A supply chain can't be based on a few people getting certified. We need to get all of the players certified - the terminology must be shared.

I believe that the first step in eliminating my other six pet peeves, which are all supply chain issues that plague most organizations, is to make sure we have people who know what they are doing.

Decide that certification is a condition, not an option. If you get past this step, call us at DBM and we will give you some ideas on the next steps you should take

It's not rocket science – it's supply chain.

Contact DBM at 1-800-863-6625. Or visit us on the web at www.dbmsys.com.



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Executive Involvement S&OP success need not be lonely at the top

by Doug Dedman

Maybe you've been running S&OP for months, and executing at an operational or sales level. You have good plans. Everyone is working hard, making the stated numbers, and moving things in the right direction. Yet despite this you don't seem to be getting the benefits you expected out of the process.

Alignment between sales and operations, new market captures—these things still elude your organization. You may feel that the people in your organization, while headed in the same direction, may not all be contributing the right effort to get there. You've got passengers on your train, but some have tickets to destinations not on your line. Even worse, they are taking other passengers with them.

No matter how good your people, no matter how impressive your benefit list of S&OP achievements, your team will not get there if senior management is not involved. And I do

Senior Management involvement is necessary for S&OP success.

mean involved.

I have seen many S&OP implementations fail with committed senior executives. These are the executives who tacitly approve the project list and request regular email updates, only to wonder what went wrong when they find out, through email, that the project has been shelved. Committed is not involved. Not sure of the difference? Ask your spouse.

Involvement is a process

I once worked with an organization that was struggling to maintain senior management involvement in their S&OP decisions.

They had started a formal S&OP process by building on an already established monthly meeting. This meeting was a management meeting that involved both sales and operations, and also included finance, engineering, and senior executives.

In this meeting they reviewed their past performance. They also looked at graphs of future performance, which included a chart on forecast accuracy.

This data was presented at the beginning of each S&OP meeting. The data also included accuracy measurements from last month's forecast for each product family. But families were not lining up in the data; there was a mismatch that was obvious in the graphs. Forecast accuracy was measured in aggregate.

After months of no one questioning the numbers, out of frustration the director of sales asked:

"No matter how good your people, no matter how impressive your benefit list of S&OP achievements, your team will not get there if senior management is not involved."

Question: Where do these numbers come from anyway?
Answer: From us, replied the operations staff.

The problem was that the sales numbers were being reported by operations and not by sales. It was no wonder that data was not lining up correctly.

Without the involvement of senior execu-

tives there was no direction or challenge to the numbers. The data was just accepted, and then on to the next issue. The passengers got off at the nearest stop, because they weren't represented in the process. Sales didn't have to account for the numbers because they weren't their numbers to begin with.

After the question was raised, it was the sales department who reported on the sales numbers in the next meeting. This was a valuable lesson for this organization about both involvement and responsibility. The catalyst to making this change was a senior executive.

Involvement includes commitment

Involved means attending meetings, running meetings, being a face recognized with the project so that people know you are committed to its success. Showing up for pizza lunch once a month isn't the same thing.

Involved means converting from a tacitly approving executive into an active, direction setting cheerleader. It means leading your people where they need to go, to get the results your company needs. It means asking questions that can seem obvious to your employees.

Three things can get you on your way to executive involvement: be clear with your requests, have a safe place to learn, and take control when you need to.

Let me explain what I mean.

Be clear about what you are asking for.

You ask for sales numbers. But what does that mean? Sales means different things to different people. To sales and marketing, it often means bookings, when an order is taken and entered into the system. To operations it often means shipping, when the order physically leaves the warehouse. To finance it may mean invoiced, when the order is billed to the customer or when the cash is received. When you ask someone to participate and take ownership of an issue you need to be clear about what you are asking them for. Don't assume they know. Spell it out if there is any doubt. It is both to their benefit and to yours. And it answers the question for those who didn't want to appear uninformed in front of the other team members. Human nature.

Have a safe place to learn:

Have you ever been in a situation where you felt you should know something about your process that you didn't? To make matters worse everyone else seemed to know the answer, and assumed you did too. When you are a senior executive it can be difficult to learn something new. You are in a senior position because of your expertise in what you know, not what you

don't. This is especially true when you have to learn in front of your peers or subordinates. In the story above, I give a lot of credit to the director of sales. He was willing to stand up and say that he didn't understand where the numbers were coming from, in front of a team who assumed he did. This highlighted a gap in knowledge that was hindering their process. The knowledge gap was keeping him and the sales group on the outside as observers not as participants. Once the gap was identified, it was corrected, and the team was able to correct the data problems. With the team, senior executives must be willing to ask the questions that others need to hear. There is no better way to show involvement.

Take control when you need to:

Most S&OP processes don't start in a complete vacuum. Your company will most likely have a monthly process meeting in place that already has some of the elements of an S&OP process. And maybe you already have some or all of the participants needed to run S&OP in that meeting. Occasionally, I find this to be the case. Most often though, I find that the monthly process meeting is run or owned by only one part of the organization: sales, marketing, operations, or finance. While the other areas may participate in the process, they may only be there as observers. When this happens we are confronted by organizational silos, with each area protecting their own interest through their level of indifference or aloofness towards the process.

An executive's best recourse is to take control of the process meeting, and reset the strategy so that all participants get involved. Some people may resent it, and you, for making them accountable instead of just listeners. But what you are doing is making the team function as a team. This will get you closer to the results you expect. Sometimes the worst you can do is keep quiet.

Involvement is a necessity

S&OP is where execution butts heads with strategy. Day by day, whether in sales or operations, we are working out how to best to satisfy our customers. Simple to write, hard to achieve.

In the monthly S&OP process we look at a snapshot of Thursday's activity. We consider our orders, inflow rates, quoting activity, daily/weekly production runs and our material purchasing. Then we look ahead. It's here, in the forward looking, that we need executive involvement because we need to make decisions that can affect company direction. That is the role of the executive.

We are the engineers of the train, and we also collect the tickets.

To take your S&OP process to the next level, contact me at dbmexecutive@dbmsys.com. Or call 519.621.3841.



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