

### A Personal Note from Rob

Welcome to the 8th issue of The Manufacturing Leader. This month's articles have a theme – growth and transition. While we're not proclaiming that the pandemic is over, there is certainly momentum towards a V-shaped recovery.

Here are the topics covered in this month's issue:

- S&OP – Directional data can be good enough
- Sales management – are you in tune with what is really going on?
- Forget onboarding - create a new employee experience
- Hiring better – addressing our biases
- Ownership transitions – planning is powerful

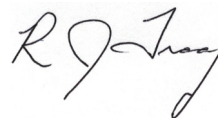
Normally, I limit my personal note to one column, but I feel the need to expound a little this month. Many manufacturers are seeing very high demand that is pushing the limits of their capacity.

While much of the media is focused on automation and Industry 4.0, I want to make sure that you're not losing sight of the basics. I have found that manufacturers can make tremendous progress by addressing the fundamentals, and doing so lays the groundwork for more glitzy options in the future.

Here is a list of ten core systems that need to be in place for a structurally sound operation:

- 1) **Talent System** – ensuring that you have the people you need to meet your goals.
- 2) **Clean and safe factory** – treating people with the first tier of respect
- 3) **Management system** – the right amount of management and daily management processes
- 4) **Equipment reliability system** – approaches to keep key equipment running
- 5) **Quality system** – ensuring that good parts are produced right the first time
- 6) **Supply system** – ensuring that you have a pipeline of the right parts at the right time
- 7) **Inventory system** – inventory is organized and tracked accurately
- 8) **Sales & operations planning** – keeping sales, operations and finance aligned about the mid-term business plan
- 9) **Data & measurement system** – tracking key information with accurate indicators
- 10) **Operating system** – the management disciplines to keep everyone focused and aligned

Do a quick self-check and see how you're doing against these ten. Bolstering the weak spots will put you in a great position to handle the growth we're seeing.



### S&OP: Directional & useful is better than precise and absent

- By Rob Tracy

I consider sales & operations planning (S&OP) to be a core discipline for manufacturers. When done correctly, the S&OP creates a shared perspective of the sales forecast, production capacity, customer lead times, and the projected financial performance of the business. It creates a unified set of actions and common objectives, and it builds harmony between sales and operations – two groups that have a predisposition to be at odds with each other.

#### Misconceptions of S&OP

However, some organizations believe that S&OP won't work for them. Three common concerns are:

1. Customer demand is too spikey (a technical term).
2. Lead times are too short to allow longer-term planning.
3. The sales team can't accurately predict future bookings.

On one level, each of these carries the scent of an excuse. They are easy cop-outs when performance is poor. Just blame one of these three.

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### Are You Out of Tune with Your Salesforce? - by Mike Braun

#### Are You Out Of Tune with Your Salespeople?

CEOs are charismatic leaders who have a vision for their company and many responsibilities such as developing products, selecting the right people, engaging with the marketplace, and making critical decisions across the organization. This means they may not always know precisely what their salespeople are doing. Here are three things all CEOs should be doing with their sales teams.

#### Watch your leading Indicators

Stop and think, do you know which events or milestones in the sales process typically lead to sales or results? Is it discovery calls or meetings, new "qualified" opportunities, demonstrations (demos) of your product or service, site visits out to your plant, or something else?

Knowing the opportunity numbers or leading indicators will help you predict your business and revenue for the month, quarter, and year. These metrics will help provide insight into the quantity and quality of salespeople's behaviors as well. It also allows you to measure your sales leader's progress and your needs for cash flow, product production, capacity, and customer trends.

#### Get Crystal Clear on the Right Customers

You should take care of all of your customers, it's true. But not all customers are created equal,

which is why it's essential to take extra care with high-value customers with a great customer experience.

Do you know who your high-value customers even are? It's often not your highest revenue clients but rather those that continually purchase, follow your processes, promote you in the marketplace, and see the value you create by paying the prices you need to provide this excellent service. If you can get specific on what makes these customers good for you, it will help you focus your sales efforts to attract similar customer types.

Once these strategic target customers are defined, it is critical to engage directly with them to understand their needs better. You'll also want to make sure your team is checking in with them frequently. According to Zendesk, "Roughly 50% of customers say they would switch to a new brand after one bad experience." You don't want to lose out on revenue or a high-value customer.

#### Get In The Field

When was the last time you were out in the field with your salespeople? Maybe it's time you jump in to see what all the fun is about.

When you are out interacting with your salespeople, you can provide the necessary support, insights, reinforcement, and additional coaching and training.

In many scenarios, CEOs only become involved with sales when an issue arises or when sales are below target. Getting involved early allows you to see what is actually happening and redirect any potential problems.

If you aren't as engaged with your salespeople or sales leader by the time a problem reaches your ears, it may be too far along to prevent. Seeing firsthand the challenges the sales team faces and hearing directly from your customers sooner will allow you to address issues first and usually gives you more choices before things go wrong.

#### The Results

As the CEO, you may have taken a step away from sales, trusting that everything is running smoothly. But you may not know precisely what is happening. Once you figure out your leading indicators, which customer is right for you, and join your salespeople in the field, you'll be in a much better position to provide the guidance the team needs.

*Mike Braun is a founder and co-owner of Pivotal Advisors: A sales execution firm dedicated to building the best sales organizations on the planet. Over the past 30 years, Mike has had the opportunity to provide hundreds of organizations with methods and strategies to achieve consistent sales growth.*



### Don't Onboard, Create a "New Employee Experience" - by Gayle Noakes

When new people join our company, we are often already behind. We put pressure on the new people to get up to speed fast. We move them through "onboarding" quickly and soon they are on the production floor, feeling the pressure of the production schedule and the need to build perfect parts before they even know what they are doing. No wonder some of them leave the second day and never come back!

We can do better. What we really need to focus on is "retaining" these new employees we have worked so hard to "attract". Instead of "onboarding", let's create a "New Employee Experience". Let's show them from the very beginning that this is a place where they can learn, grow and contribute for the long term.

#### Five Tips to start building a great "New Employee Experience"

- ▶ Language is very powerful. Calling them "new hires" sounds like we are not sure yet that we want them as employees. Let's call them "new employees" right away so that they already feel like part of the company.
- ▶ Let's look at this process from the new employee's point of view. Joining a new company is scary, even terrifying for some. They are walking into a new place where they don't know

anyone. They want to do a good job but are afraid they may not meet expectations.

- ▶ Learn who your new employees are and adapt to them. For example, in one manufacturing company, they learned one new employee had been a stay-at-home mom for 11 years and was reentering the workforce. Another new employee had just worked for their competitor and was joining the company as an inspector. Both were bright and eager to learn and can contribute in different ways right from the start.
- ▶ Change the structure of the process:
  - Spread the "New Employee Experience" over a period of time. Too often we put them on overload Day 1. One company spread the learning out over a week, providing classroom learning each morning and production learning the rest of the day. The new employees told us that coming to the training room at the start of each day gave them a "home" where there were people they knew and could ask questions. By Week 2, they did not need that any more.
  - Safety and Quality training is critical. In one company, Quality Training went from a 2- hour data dump the first day to an interactive learning session on Day 3 where the

new employee learned several defects at a time and then identified these defects on real product. Totally different experience!!

- Create an off-line area to learn the job without the pressure of production. Not possible? Be creative in your approach. Teach them:
  - How to use the tools they need to use
  - Review the visuals, Standard Work, and other documents
  - Many machines, like a CNC, have a panel of buttons and gauges. Take a picture of it and teach the new operator how to use this
- Operations need to be the Champion, partnering with Production Supervisors and Leads, HR, Safety, Quality, Engineering and other Senior Leaders. All of these groups need to own the success of these new employees.

We spend so much time and effort finding and attracting new "hires". Let's put the same amount of effort into retaining our new "employees" with a great New Employee Experience!

For more ideas, listen to the Manufacturers Alliance podcast I did at <https://www.mfrall.com/podcasts/>

*Gayle Noakes spent 20 years working in manufacturing companies. She now owns Gayle Noakes Supervisor Success, working with manufacturing companies to build the skills of their front-line Supervisors. Learn more about building leadership skills in your supervisors at [gaylenoakes.com](http://gaylenoakes.com).*

### Can We Master the Hire - by Kara Sime

Attracting and retaining good talent is important for every small business. Without talented employees, it is hard for any businesses to grow or thrive.

I recently picked up a book titled Mastering The Hire, by Chaka Booker. The subtitle is what caught my eye: 12 Strategies To Improve Your Odds Of Finding The Best Hire. If you have done much interviewing and selection, you know it can be a 50/50 chance you will select the right person. With these odds, just toss a coin? But few are willing to choose our next co-worker with a coin. We want to see them, hear their words, feel their energy and decide if we like them – we want an intangible “fit”.

Let's improve your hiring hit-rate. First, pick up the book. It really does have excellent research, insight, interview questions. However, many of the techniques involved will only be mastered if you practice and hire A LOT. Small businesses often do not hire enough to get much practice.

However, this book is about you – the interviewer – becoming mindful and mentally aware of

your own self, biases, interests, impressions, etc., and “Mental preparation serves as a foundational tenet for every practice in this book” (pg 188). You can get to the bottom of the real skills sitting on the other side of the desk and improve your selection skills if you put your mind to it.



If you do not have time to read this book or implement the strategies that will increase your odds of hiring someone who can do the job, then I suggest at least try Strategy 1 “parking your first impressions.” This

might be the easiest and most awareness inducing thing you can do. When you first meet the candidate, and are sitting across from them, draw a line on your page as if it is a scale, with YES at one end, NO at the other and I DON'T KNOW in the middle. Rate your first impression of the candidate and if they are good for the job, by putting an X on the line.

Now, let this thought go. Interview and ask questions mindfully trying to prove they are/are not a skilled candidate. Review the first

impression later to better understand your own mind and ask yourself (or others interviewing) what their first impressions of the candidate were and why? Try to neutrally ID why you thought they were a strong candidate or not. Over time, this genuine discussion and contemplation will help you discern what biases you bring into the interview. If you discover you have strong pre-conceived ideas at the start, check them, and then take time to read this book to uncover where these ideas come from, how to better manage your intuition and remove bias from the process.

Why take the time to do this? Can you master the hire? Yes – becoming more mindful and aware will help you and it is in your best interest to wisely use your time, selecting not the best interviewed candidate, but the best skilled candidate for your job.

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### Transitions are Inevitable - Manage Yours Wisely - by Christopher Weaver and Lisa Horn

You spent years investing time and energy in growing your business. Like raising your children, the process had its ups and downs, its moments of joy and sadness, its triumphs and failures. And, like raising your children, you've reached a point where the business is mature and the next chapter of your life is around the corner. You want the best for your family, your employees, and your customers, so how do you take care of them and also enjoy your well-earned retirement?

#### The Seven Ps

When I was in the Army, my platoon sergeant liked to say, "Prior proper planning prevents poor performance." That's actually only six Ps, but if you know any (former) sergeants, you can probably guess the unprintable seventh. Let's look at each of these words in the context of your end goal – a successful transition for everyone involved:

#### Prior

Start early! You can't wait for the last minute – you can't even wait for the last year. A good transition takes time, so give yourself, your family, and your transition team plenty of it. Is the next generation of your leadership ready to take the reins? Are your customers comfortable with your sales team, or are you the nexus of each relationship? Are your accounting records in good order? All of those things and many more will be put

under a microscope during the process. Give your team time to address any weak points.

#### Proper

Build the right team! You're good, but you can't do it all on your own. You'll need the right people, inside and outside of your business, to help you. Before the process is through, you're going to need operational, financial, and legal expertise, plus solid tax advice. Working through obstacles together is more efficient.

#### Planning

Think about others! You're not the only one who needs to prepare. Have you had an honest conversation with your family about your goals? Is your leadership team ready to step up so you can step down? Active participants or not, your family has a connection to the business. They may dream of seeing the business become a multi-generational enterprise. Your leaders may dream of taking the business to the next level and beyond. Recognize the investment others have and value their insights.

#### Prevents

Manage your expectations! If there's one thing you'd like to avoid, it's regret when everything is said and done. You (and your advisors) have to be honest and realistic in your assessment of the possibilities. Focus clearly on what's achievable and trust in your team.

#### Poor

Healthy is wealthy! Have you ever known someone who retired after a long and successful career...and promptly died? It happens. The accumulated stress of a career, the stress of transitioning, post-retirement boredom – these things are real and can hurt you and your family. Remember to handle things one day at a time and in manageable chunks.

#### Performance

Perfect is the enemy of good! There is no universal yardstick by which you can measure the success of your transition. It's not about EBITDA, the multiple, or net cash. It's about satisfaction with the path you've taken. Don't let someone else's opinion of the "right" numbers encourage you to overlook what's right for you and yours.

#### Is it really that simple?

Is it simple to lift 300 pounds? Yes – but that doesn't mean it's easy. A business transition is a process, not an event. Find the right people to help you develop a good plan, then execute. Your next chapter is waiting!

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### S&OP: Directional & useful is better than precise and absent - By Rob Tracy

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That said, there is undoubtedly some validity to the challenges. A fuzzy crystal ball makes planning more difficult, but that is the reality for most manufacturers. Frankly, part of our job as leaders is to look into that fuzzy crystal ball and make wise, educated predictions of the future.

Looking past the forecast's imperfections, I believe that the

feed the company's financial projection. Companies choose a three-month horizon because:

- a. It's far enough into the future to allow operations to react (e.g., hire and train people).
- b. It's short enough to allow sales to have a reasonable prediction of bookings, at least at an aggregate level.

For this kind of planning, we need data that is directionally correct.

they can do the work of figuring out how to make it a reality. For example, they may decide that the best path forward is to run a little overtime as needed to meet short-term demand and then wait to see the forecast next month. At that point, if it looks like bookings will continue to rise, they will hire additional workers.

With practice and intentionality, the models for forecasting and production capacity can become more sophisticated, but those are the fine-tuning dials. Simple models and math can get most of the job done.

We must also remember that choosing not to plan capacity is a choice unto itself. In times of rising demand, like many manufacturers are experiencing today, it is likely to result in being very late to the party. This can lead to long lead times and poor on-time delivery.

I encourage you to create an S&OP process. It may be a little rocky and rough at first, but even a rough plan is better than no plan at all. If you'd like to discuss how S&OP could help your business, please drop me a note at [rob@robtracy.net](mailto:rob@robtracy.net)

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desire for granularity and specificity is a signal of a misunderstanding of the purpose of the S&OP. It suggests some people view the S&OP as merely a longer-term production schedule.

The S&OP is not the same as a production schedule.

#### What is S&OP

The S&OP is a mid-range plan, usually three months or so, and the purpose of the plan is to align the sales forecast w the operations plan, which can then

The precision will get dialed in as the time horizon moves closer and the forecast turns into actual orders. I am satisfied when the sales organization provides a forecast that says, "In 3 months, we anticipate that bookings will be 10% higher than where we are today". If they can break it down by product line or customer, that's great, but it's not a requirement.

#### Setting Direction with S&OP

Once operations know that they will need to produce 10% more,