The Manufacturing Leader

March, 2021

Perspectives for small and mid-size manufacturers

Personal Note:

From Rob Tracy

Welcome to Issue #6 of The Manufacturing Leader.

This month's issue covers 5 topics:

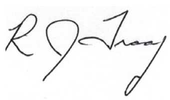
- Sales & operations planning in small & mid-size organizations
- Supervisor development
- Sales team management
- Managing risk in automation projects
- An editorial about choosing your role models

This issue marks our 6-month anniversary publishing the newsletter, and I'd love to hear your feedback.

As a little incentive, I'll offer a free copy of my book "How to Fix a Factory", to the first 25 people that email me with their likes, dislikes and ideas for articles.

Send your comments to rob@robtracy.net.

Thank you for taking the time to read the newsletter! I hope that your first quarter of 2021 ends up strong and you have great momentum going into the second quarter.



Aligning Sales & Operations with a 1-Page Plan - *By Rob Tracy*

The Problem

Sales and operations have crossed swords since the dawn of manufacturing. Lately, however, I've noticed a consistent theme: With unexpectedly strong sales, the manufacturing group has fallen behind, which has led to long lead times and missed deliveries. It's a tough spot because it can be hard to dig out of the hole once you fall behind.

The sales team complains about manufacturing's ineptness, wondering why they can't get more product out the door. The other side of that coin is manufacturing complaining about the lack of a decent forecast, saying, "If we had known this was coming…". They blame each other and meanwhile the customer is not being served well.

Capacity Changes Take Time

We need to face a modern manufacturing truism – it takes time to adjust capacity in a manufacturing plant. There is no magic dial to increase throughput by 20%, 30%, or 40%. People need to be hired and trained, and suppliers also need to ramp up. Certainly, a little overtime can have a short-term capacity impact, but it's relatively minor and potentially counterproductive as people become fatigued. Systemic increases in capacity and throughput take time.

Misalignment Impacts Customers and Profitability

The decision to increase or decrease capacity is a business decision, not just an operations decision. It requires that the leadership team look into their crystal ball and make judgments about what the future holds. There are implications to guessing wrong, and that includes guessing too high or too low. If you guess too high, you may have hired people and created an elevated cost structure. If you guess too low, you may not have built the capacity that is needed, leading to poor customer service. We're never going to guess the future perfectly, but rather than sales blaming ops and vice-versa, our energies are much better spent having a constructive dialogue about the actions that the team can own.

Simple Sales & Operations Planning (S&OP)

I have found that a simple Sales & Operations Planning (S&OP) process can be invaluable in making proactive decisions about capacity, and it has the positive side benefit of improving the relationship between sales and operations.

A one-page Excel spreadsheet with the following:

- 13 weeks across the top
- Bookings forecast by week – translated into the operations unit-of-measure, such as hours, units, or pounds
- Headcount by week
- Overtime by week

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Aligning Sales & Operations with a 1-Page Plan

- Production Throughput by week
- Calculated backlog (previous backlog + new business – production throughput)
- Calculated lead-time (backlog divided by weekly throughput)
- A weekly 30-minute meeting between sales, operations, and finance

The spreadsheet is straightforward with simple math, and it can become quite accurate as you dial in some of the inputs. The most important element is that it allows you to play "What if" games? What if sales are higher? What if they are lower? What if we increase to 10-hour days? What if we hire five more people?

All of these options can be adjusted and refined – live and in-person at the weekly S&OP meeting. At the end of the meeting, sales and operations are aligned and committed to the plan. Conducting the review weekly allows for adjustments as conditions change, and it tends to keep the meetings short since there are usually only minor tweaks to the plan.

I consider the weekly S&OP meeting to be a foundational meeting in a manufacturing company. The first draft of the spreadsheet can often be set up in a ½ day working session, and then it's just a matter of conducting the weekly meeting.

It's simple, and it works. Give me a call at 651-398-9280 if you'd like to discuss your Sales & Operations Plan.

Run Your Sales Team More Like Your Manufacturing Line - *Mike Braun*

If you had a manufacturing issue on your line, would you keep running it the same way? Chances are you would halt everything and fix the issue, right? So why aren't you running your sales department the same way?

Measuring Is Key

When it comes to your manufacturing line, you measure everything from material to cycle time to throughput. You wouldn't just measure the final product without looking at anything else, would you? So why are you only measuring your sales team by their final results?

By looking at The Big Three, you can determine the underlying cause of a salesperson's underperformance. Why is it down? Are they getting enough at "bats?" Are they converting the opportunities they find? Are the opportunities big enough to hit their goals?

Do They Have Enough Opportunities?

Stop and think about the events or milestones in your sales process that you know typically leads to sales, such as discovery calls or meetings, new "qualified" opportunities, demonstrations (demos) of your product or service, site visits out to your company, etc. Pick one (or two) that you feel are the best leading indicators. This is often the most challenging part.

If a salesperson cannot generate enough opportunities, they will struggle to reach their goal.

Do You Know Their Close Rate?

Do you know your close rate? Is it accurate? Or are you just guessing? Many companies have a "gut feel" for what it is, and maybe that is where you need to start. In short, what percentage of the leading indicator that you picked before should convert into a closed deal? That is your close rate.

Now that you've defined how you will measure close rate, establish a goal for that as well. There is no universal standard. The goal is to start and improve the trend over time.

Even if the salesperson is very active and sees many opportunities, they must have the ability to move them through the pipeline and eventually close them.

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Running Your Sales Team Like Your Manufacturing Line

What's Your Average Deal/ Account Size?

Are you tracking this today? Does your team know what it is? Average size does depend on your type of company; some companies may look at average order, sales opportunity (deal), or project size.

However, other companies with recurring revenue models might look at average revenue per client, monthly recurring revenue, or yearly recurring revenue. In some cases, a company will look at how many units per order people have, or even gross profit per order or account.

Even if a salesperson finds enough opportunities and closes them at a decent rate, they will struggle to hit a target if all the deals or accounts are too small.

Now that you know those three numbers, you should see the areas that need to be improved.

Now That You know

You'll want to sit down periodically, we recommend weekly or bi-weekly to review the salesperson's leading indicators, make a plan, help define targets, track progress, and adjust quickly when you need to. Once you know your team's Big Three, you'll make sure your sales team is running as smoothly as your manufacturing line.

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.

Minimizing Automation Risks to Maximize ROI - *Paul Neblock*

One reason that automation has yet to be widely embraced by many small and medium-sized enterprises (SME) is project failure or the perceived risk of automating. If an investment fails to produce results, who can blame owners and executives for shying away from another bite of the apple!

Three Risk Categories

My review of dozens of automation projects across industries and processes has revealed three types of risk: Strategic, Technical, and Project Management. Let's examine each category.

- **Strategic** – the risk of taking the wrong automation path that impacts the business's ability to compete. This also includes the decision about how projects will be scoped and managed.
- **Technical** – significant automation faults, reduced output, or complete failure due to lack of understanding of the variability of the process to be automated. This is the number one reason for project failure or delays and cost overruns.
- **Project Management** – there are multiple failure modes in this category ranging from too wide of automation scope (too many parts or assemblies) to selection of the wrong automation provider. Most of these issues arise due to lack of technical experience in managing automation projects and lack of a detailed project plan.

Risk Mitigation

Strategic Risk Mitigation includes four critical actions that set the foundation for the entire strategy:

- Complete a formal SWOT analysis and identify how automation impacts the business. What areas of impact are most important? How much improvement is needed for each affected metric?
- Utilize a competent technical person to lead the effort to identify, evaluate, and select projects to support the strategy. Someone who can lead product/process analysis, understands automation alternatives, and can work at both a tactical and strategic level.
- Require a formal project management process and structure for each project that includes tactical risk mitigation.

Many projects are launched and investments made without understanding the underlying risks of highly variable processes. Technical risk mitigation starts during the evaluation and selection of automation projects.

- Clearly determine the scope of each project – the process(s) to automate, the part families to include and those not to include. Remember, too much complexity results in very high automation cost, delays, and high risk of failure.
- Assess technical process risks for each prospective project for areas such as: complexity, equipment condition and performance,

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Minimizing Automation Risks to Maximize ROI

material variability, and process capability. Using statistical techniques to assess process capability, inspection of parts from key part vendors, and review of machine downtime and physical condition should be a minimum.

- Explore alternative solutions for each opportunity by identifying and contacting a few appropriate automation integrators. Integrators have specific areas of specialization that should guide this search, identify risk areas, and provide project estimates.

Project management risks are minimized if the Strategic and Technical risks are mitigated. Automation projects of any size and complexity should include the following elements:

- A clear, complete project plan and mission (A3 format is great)
- A cross-functional project team including support personnel
- Clear project scope (frozen) that is the basis for the contract and project
- Evaluation of alternative suppliers
- Inclusion of often overlooked items such as material handling, utilities, maintenance access
- Three-stage acceptance of the project: design review and sign off, acceptance at the automation supplier, and sign off after defined runoff in your factory at rates

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Develop Your Supervisors BEFORE You Need Them - *Gayle Noakes*

The Supervisor's job has grown over the years. It used to be mostly about meeting the production schedule and making sure all the machines are running. Now they also need to work on scheduling issues, attend multiple meetings, support Lean and Continuous Improvement efforts, lead problem-solving meetings, be part of project teams, address endless emails, etc…

What if they started learning some of these skills BEFORE they are actually asked to take on the Supervisor role? Imagine having a pipeline of talent starting with your operators, through your Leads and into Supervisors.

How do you do this?

1. Look for potential leaders within your operators. They may or may not be the best machine operators you have. What you do see from them is that they:
   - Show initiative
   - Demonstrate a willingness to put themselves out there
   - Come forward with possible solutions, not just problems they expect others to fix
   - Naturally see connections between things
   - Notice when someone is struggling. They step in and help, without making the person feel stupid.

   For example, a 3rd shift Lead I met recently participated in two different training sessions I was conducting. In both sessions, as I noticed a participant with a questioning look on his face, this individual was already leaning over, asking him good questions and patiently helping the participant get the point of the learning exercise.

2. Once you identify these potential leaders, have them start doing other activities besides running their machines. I recommend starting with just one thing, such as:
   - Participate in a Kaizen event
   - Be on the Safety Committee
   - Lead a 5S effort in his/her area
   - Participate in a Continuous Improvement project team

   For example, in one manufacturing company I worked for, I facilitated a team of operators from one department. Though the team created many positive results, I remember one in particular. One operator took on only one task besides running his machine – ordering the safety supplies for the department. This was a very important job as they worked in an area with potentially harmful chemicals. There were times in the past the safety equipment did not get ordered. Now, it was always ordered on time and it took a duty off the already too busy Supervisor. The operator was very proud to have this responsibility and was much more engaged in the day-to-day work.

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Develop Your Supervisors BEFORE You Need Them

3. For those where Step 2 is successful and they want more, make them a Lead. Create the Lead position as a stepping stone to Supervisor or other possible positions. Help them learn how to manage work, train others, delegate to build the skills of others, etc.
4. If they show more potential, there are a variety of roles I have seen individuals at this stage be promoted into including a Supervisor, Eng. Tech., Quality Tech and a Junior Purchasing Agent.

Building skills over time takes support. When we give people a work opportunity, we need to set them up for success:

- Clearly define the opportunity.
- Tell them why you are inviting them to do it and that you believe in their ability to do this.
- Listen to their ideas and coach them on this opportunity.
- Follow-up with them after the opportunity to learn from them how it went and get their ideas on how they might do it even better next time.

Taking on the Supervisor role and being successful at it will be so much easier when they come to the job with many of the skills already in place.

About the author: 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.

Pick Your Role Models Carefully

Editorial by Rob Tracy

The headlines are full of leadership wisdom from our modern industry titans: Musk, Bezos, Zuckerberg, and Jobs (even though he passed away nearly 10 years ago).

Do you want to be like them?

What I can say for certain is that I don't aspire to be Elon Musk, Steve Jobs, Jeff Bezos, or Mark Zuckerberg. Looking back at olden times, I also don't wish to be Henry Ford, John Rockefeller, or Andrew Carnegie. These people all built businesses that had a profound impact on the world, and it made them enormously wealthy in the process.

However, despite their business brilliance, they seem like deeply flawed humans. I read the book "Steve Jobs: The Exclusive Biography" by Walter Isaacson, and Jobs was a pretty awful person. Perhaps the world needs people like him to change the game, but I don't think that means that we should all aspire to be like him.

Pick your role models carefully. Look past the headlines. There are many highly successful companies that have/had outstanding leaders. Here are two examples of people that are good role models for me:

Example #1: Herb Kelleher

Herb Kelleher of Southwest Airlines built a company that has LUV as one of its core values. Their reputation for being fun and doing the right things for customers is well known. Kelleher showed that creating a culture of engagement and teamwork can create outstanding outcomes for Southwest's people and stakeholders. Southwest Airlines has outperformed all of the other major airlines, and their attitude towards people was an essential ingredient of their success.

Example #2: Bob Chapman

Bob Chapman is the CEO and Chairman of BarryWehmiller. He has grown the company from $20 million in 1975 to $2.5 billion today using a model that he calls Truly Human Leadership. His book "Everybody Matters" describes his philosophies about putting people first. One quote from the Barry-Wehmiller website sums up their philosophy nicely: "We measure our success by the way we touch the lives of others, and that comes through in everything we do."

I admire these people because they have created outstanding businesses while demonstrating a deep respect for people.

I will not change the world the way that Jobs, Bezos and Musk have, but I'll be happy if my family, friends, and colleagues say that the world is better because I was here.

About the author: Rob is a consultant that focuses on helping leaders of small and mid-size manufacturers to achieve their goals. He can be reached at 651-398-9280, LinkedIn or rob@robtracy.net