

February 2012



COMMUNICATOR

A Monthly Publication of the Racine/Kenosha APICS Chapter

March PDM You've read the book, "The Goal"? Presented by: Jeff Rideout

You've read the book, "The Goal"? Then you know how it cleans up and smooths out production streams, on paper. Now let's get real benefits for you and your company. We'll be working through the beginning steps of TOC applied to you as we watch "The Goal" on video:

1. Identify your enterprise constraint/system,
2. Determine ways to exploit (optimize) Constraint Flow, and
3. Align (subordinate) other resources to support the Constraint Flow.

Bring a team from your company! Bring your company process map / value stream (i. e., the steps an order goes through as you process it). For most, a good start is to think about your company as Sales, Engineering, Production, and Shipment. For example, steel fabricators often receive a Request for Quote, then a Purchase Order, which leads to a job order. The job order instructs on cuts, forms, then welds to make an assembly, followed by clean, paint, pack and ship. And send an invoice, which also goes through multiple steps when payment arrives (or doesn't). Any thinking/discussion done ahead of time will help you make more progress on your issue(s).

Many business leaders have read Goldratt's best seller "The Goal"; it's required reading in certain undergraduate Business Administration courses as well as MBA programs. But applying the TOC approach to achieve success remains a hurdle. If you found "The Goal" compelling but are unsure how to adopt/adapt this approach to your firm, attend this meeting for a mini-workshop on how to enjoy the enormous power of TOC in your business. Jeff

Rideout will screen some of "The Goal" video and explain each step to enjoy the benefits highlighted in the book. He will use as many of your examples as possible to help you take advantage of this powerful approach. Several SE WI firms gained an enormous competitive advantage using TOC with Jeff's support.

Speaker Info

Jeff Rideout was trained in Theory of Constraints (TOC) by Dr. Goldratt, and Goldratt served as his mentor until his death this past June. Jeff has implemented TOC in over 50 organizations across the US over the last 16 years. Jeff has guided implementation of TOC concepts to Johnson Polymer, Johnson Controls, Appleton Papers and 3 companies in India. He is a founding member of TOCICO (Theory of Constraints International Certification Organization, www.tocico.org). He also volunteers for "TOC for Education," an organization bringing TOC to our schools

When: Wednesday, March 21, 2012

5:45 Registration/Networking

6:15 Dinner

7:00 Program

\$00 per RAKE member

\$10 per non-member

\$00 per full-time student

Where: Infusino's Banquet Hall

3201 Rapids Drive

Racine, Wisconsin

Infusino's Banquet Hall, Racine

Call: 262-564-2236

For easy online registration, go to

www.rakeapics.org

PDM Reservations

If you plan to attend, and would prefer to register via fax, please use the form below.

To: Rosemary Van Treeck. CPIM, CSCP, CIRM

Gateway Technical College

Fax to: 262-564-2989

Reservation for March 21, 2012

Please RSVP by March 19, 2012

APICS RAKE Chapter #302

Name _____

Member _____ Non-member _____ Student _____

Member Number _____

Company _____

Phone _____

Email _____

Name _____

Member _____ Non-member _____ Student _____

Member Number _____

Company _____

Phone _____

Email _____

NOTE: Credit card payments can ONLY be processed online. Payment at the door must be by check or in cash.

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CPIM CERTIFICATION REVIEW COURSES

Execution and Control of Operations

March 6, 8, 20, 22, 27, 29

Strategic Management of Resources

May 1, 3, 8, 10, 15, 17

2320 Renaissance Blvd. Sturtevant, WI 53177

Membership Corner

Total Membership: 150

Welcome to the following new members:

- Henry Van Every
- Jorge Perez - Diversey HQ
- Todd Taylor - Shurline
- Jacquelyn Ginther - Diversey HQ
- Elizabeth McCarthy
- Peter Rusin
- Kelly Barrington - XTen Industries
- Deb Rexhausen - Diversey HQ
- Deanne Handley

Please join us at our next PDM for your free welcome bag full of goodies and information

RAKE CHAPTER 2011 -2012 CALENDAR AT A GLANCE

February 22nd, Board Meeting

March 6th, ECO class starts
March 21st, PDM
March 28th, Board Meeting

April 25th, Board Meeting

May 1st, SMR class starts
May 16th, PDM
May 23rd, Board Meeting

June 27th, Board and Transition Meeting

As always, any member may attend our board meetings. Contact any board member for time and location.

Education News

Did you take a CSCP class in the past? Are you considering taking the exam, but are not sure? Please be aware that the CSCP materials were significantly rewritten for 2012. There is one last opportunity to take the CSCP exam based on 2011 (or earlier) materials. Please see the info from APICS below:

Your last opportunity to take the 2011 APICS CSCP exam is approaching

Registration for the April/May 2012 APICS CSCP exam window opens February 7. Both the 2011 and 2012 APICS CSCP exams will be offered during this exam window.

The 2011 APICS CSCP exam will not be offered after the April/May 2012 APICS CSCP exam window. Exam window: April 7-May 19, 2012

Note: Your eligibility application must be completed two weeks prior to exam registration. [Apply for eligibility now.](#)

Be sure to select the correct test!!

2012 APICS Conferences

Mark your calendars! It's time to start getting ready for the 2012 APICS conferences. Visit apics.org/events for information:

- APICS Asia Supply Chain & Operations 2012 conferences
April 2-3, 2012
Seoul, South Korea

- April 5-6, 2012
Shanghai, China

- Register today.

- Best of the Best S&OP conferences, presented by APICS and IBF
May 10-11, 2012
London, England

- June 14-15, 2012
Chicago, Illinois, USA
Hilton Chicago

- 2012 APICS International Conference & Expo
October 14-16, 2012
Denver, Colorado, USA
Colorado Convention Center

President's Message

Who would have believed the winter we are having?? Much better than last February and the blizzard! So, what are you doing to take advantage of this mild weather? It is nice to be able to walk outside without all the ice on the sidewalks.

There is no Professional Development meeting this month, but we are busy preparing for the March meeting. We hope to see you there. The Execution and Control of Operations class will start on March 6th also. If you are interested, please register soon so we can be sure to have enough books.

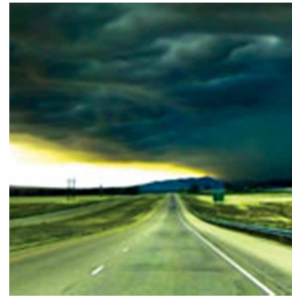
On February 24 and 25, the Great Lakes District (that's Wisconsin, Illinois, Michigan, and Indiana) will host their 17th Annual Student Case Competition in Downers Grove, IL. This is a great activity for student members of APICs and for the professional members as well. As of last night we have 31 teams signed up...we had planned to cap it at 25, but we had teams begging to be added. In total, there will be over 250 people there. There will be our quarterly district meeting in the morning, and the students will do oral presentations in the afternoon. They receive the case study on Friday night and turn in a written paper on Saturday morning. It is a busy couple of days, but a lot of fun, too. It is exciting to see the talent that the students have. Many are working on their APICS certification while they are still in school. WOW!! If anyone is interested in attending this activity next year, please let me know.

See you in March,

Rosemary Van Treeck, CPIM, CSCP, CIRM
President
Racine/Kenosha APICS

Your Resilient Supply Chain

by Mohanish Makharia, Gerhard Plenert, PhD,
and Ramanan Sambukumar | January/February
2012 | 22 | 1



Lessons in reducing exposure and mitigating risk

When designing supply chains, the focus often is on optimal use of resources, offshoring and outsourcing non-value-added activities, institutionalizing Just-in-Time systems, and investing in technology. While these new business models have resulted in more efficient and responsive systems, the supply chain risk profile has been altered significantly. Many corporations are left vulnerable. Caught unaware, even the most successful global organizations can suffer major loss of revenue, market share, and consumer trust.

Broadly defined, a supply chain disruption is an unusual spike or steep fall in either demand or supply, leading to a vast imbalance. According to Jossi Sheffi, director of the MIT Center for Transportation and Logistics, "The essence of most disruptions is a reduction in capacity and, therefore, inability to meet demand."

Real-world response

Cisco rode the technology wave in the 1990s to become the market leader in the network component business. When the tech bubble burst, demand slowed significantly. Cisco did not have the capability to track the inventory of products across its geographically spread supply system. Business leaders had no experience managing a downturn. Systems were designed

for high responsiveness and high inventory buffers. Lack of tracking capability resulted in significant inventory accumulation—which, in a bust market, led to the eventual write-down of \$2.2 billion in 2001 alone.

Based on limited success of prior launches, Apple acted conservatively while launching its PowerBook. But the market received the product well, and Apple was caught with a supply-side shortfall. The company had \$1 billion in unfulfilled orders, which resulted in loss of consumer confidence and a huge hit to its stock price.

Sumitomo Metal Industries was the sole source of brake shoes for Toyota's domestic cars in 1995 when the Kobe earthquake struck. Sumitomo's operations suffered, and Toyota—working with a lean manufacturing system that had no buffers—had to halt production. Toyota lost the opportunity to produce 20,000 cars, costing an estimated \$200 million in revenue. Similarly, during Japan's recent tsunami and nuclear crisis, the automaker had to delay the launch of two models and suffered an estimated production loss of 140,000 vehicles.

Following the September 11, 2001, tragedy, Walmart executives noticed a significant increase in the sales of US flags, lapel pins, and other patriotic objects. The world's largest retailer immediately locked up all available supply resources, leaving stores such as Kmart and Target out in the cold.

Why do some companies do so much better than others in times of disruption? The answer lies in the ability to detect the disruption and swiftly act upon it. While these events cannot be predicted accurately, their major impacts can be narrowed down to one of five areas, including

- supply failure
- manufacturing operations failure
- logistics failure
- information and technology failure
- workforce unavailability.

While operations and supply chain managers focus on efficiency and responsiveness in traditional "business-as-usual" environments, they should be flexible enough to quickly switch their operation scenarios to adjust for disruptions. A scenario-based strategy for disaster-proofing with a focus on consequences will not only minimize damage to the bottom line, but also can help score wins over debilitated competitors.

What is a resilient supply chain?

Disruptions happen for various reasons, and the nature and timing of their impacts also fluctuate. A labor union problem can be anticipated, but a terrorist attack is completely unforeseeable. A fire in a factory can halt operations immediately, while the outbreak of an epidemic in a supply zone could have subtle consequences that will take more time to set in. Companies with resilient supply chains—and those that take proactive risk-mitigating steps—can anticipate issues more effectively than their peers and delay and minimize the end results.

In Figure 1, company B has institutionalized a business continuity plan and invested in visibility systems for early detection of disruptions; company A has not. When a disruption occurs at point T, company B is able to discover it at point B1 and recovers from the disruption rapidly, minimizing the impact. Company A detects the disruption only at point A1 and takes a longer time to recover.

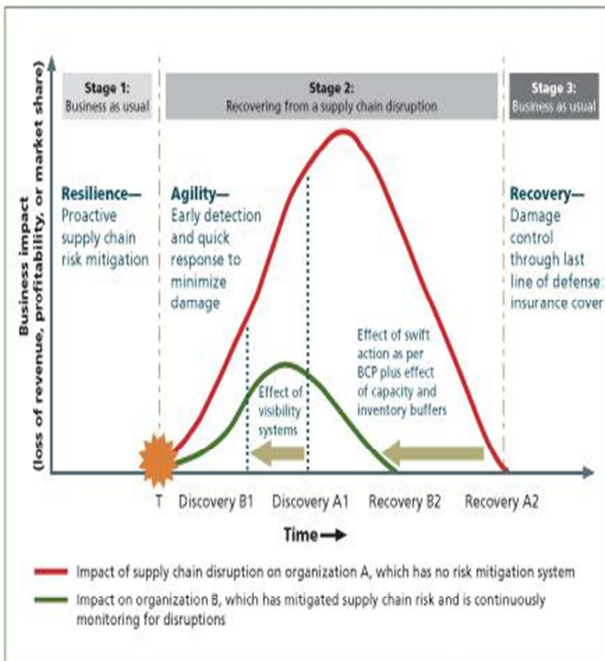


Figure 1: Supply chain risk mitigation framework

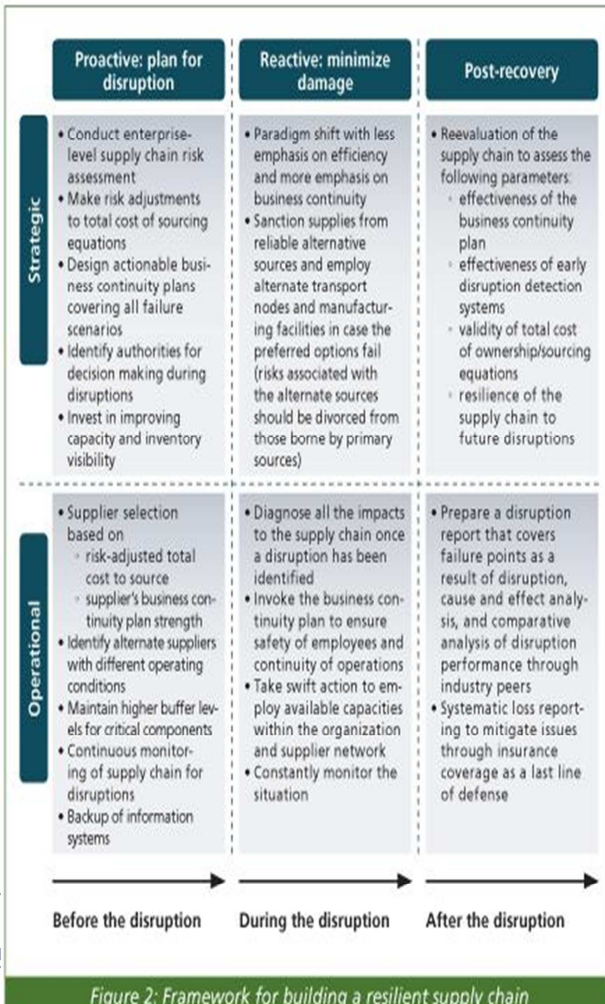


Figure 2: Framework for building a resilient supply chain

Effective business continuity plans enable users to assess the vulnerability of the company to supplier and manufacturing operations failures, logistics failures, workforce unavailability, and information and technology disruptions. They also help create accurate what-if scenarios and assess the capability to respond to disruption. When creating a business continuity plan, it's necessary to engineer a clear, actionable contingency plan for failures of any supply chain pillars. Also make sure to identify key thresholds for executing risk-mitigating decisions, such as sourcing from alternate partners, channels, and manufacturing and distribution systems. Disasters that ultimately lead to chaos often result from misaligned company departments and functions. In such situations, centralized decisions based on real-time information from all sources are crucial. It's essential to institutionalize a contingency management team that will direct all actions during times of disruption. This team must be comprised of senior people who can exercise influence over the various decision makers of the company.

Philips was a major supplier of semiconductors to Nokia and Ericsson in 2000 when a fire at a plant in Albuquerque destroyed chips for millions of cell phones. Nokia immediately set up a troubleshooting team to assess the full impact and find alternatives. They rapidly sourced three of the five affected chips from within their existing supplier network, with a five-day lead time. A senior management team also worked out a deal with Philips to help source the remaining two parts. With these efforts, Nokia was able to make all customer shipments in time.

Unfortunately, Ericsson took weeks to respond to the situation and, by that time, lost most of the market capacity to Nokia. The impact was devastating for Ericsson, which took a \$2.34 billion loss in its mobile phone division, due to not only component shortages, but also a poor product mix and marketing failures.

How to prepare for supply chain disruptions
In addition to a successful business continuity

plan, there are further essential steps to effective risk mitigation.

Technology. It's important to invest in information systems that improve real-time visibility of used and spare capacities and inventory in the entire system—including those of suppliers. Institutionalize supply chain intelligence systems, including exception-event-planning systems designed to discover incidents that cross the threshold of normal operating parameters. Employ the power of social media for early detection of disruptions. Dell, known for its pioneering work in supply chain, uses social media to interact with customers, thus enabling it to improve reaction time and be more responsive to market needs.

Flexibility. Standardize components as much as possible to derive aggregation benefits and reduce overall inventory and engineering costs. In a volatile market, attempt to postpone the customization of a product until after receiving the customer order. Identify the next-best alternatives as backups for the most vulnerable supply chain nodes.

Sourcing. Supply chain decisions should not be made on the basis of traditional costing models, but rather, on the total cost of sourcing equations that are adjusted for the expected value of supply chain risk.

Testing. Conduct regular mock drills for likely disruption scenarios to evaluate preparedness.

Critical components and supply chain nodes. Segment inventory in levels of criticality based on unit cost, sourcing, manufacturing options, and lead time to restock. Maintain progressively higher buffer levels for critical segments.

Supplier selection and monitoring. Screen critical suppliers based on their risk scores, and mandate the selected ones to institutionalize a realistic business continuity plan. Test the relevance and dependability of suppliers' plans. Conduct regular meetings or teleconferences

with key suppliers to get their opinions and feedback on potential disruptions.

Supply chain intelligence. It is vital to keep an eye on each country or region for threats and trends that will affect the supply chain: weather, port and transportation worker strikes, fuel prices, currency exchange, inflation, labor rates, pending legislation, political elections, natural disasters, and more. Constantly monitor the supply chain for exception events and assess their potential impacts. Watch supplier quality, raw material price, and market demand variations. Finally, employ historical data for operations planning, and avoid certain regions in certain times. For example, Florida ports are subject to hurricanes from June to November. Perishables or other time-sensitive goods may need to exclude South Florida ports from their distribution networks through these months.

As can be seen from the disruption cycle in Figure 1, efforts can be classified in three phases:

1. Proactive steps before the disruption occurs—building a resilient supply chain, addressing all identified disruption impacts, and investing in early-warning systems.
2. Reactive steps when the disruption has occurred and been detected—acting with agility to expedite recovery.
3. Post-recovery steps—performance reporting, reevaluating the supply chain, and recovering losses through insurance claims.

While the strategic vision must take a top-down trajectory, operational activities need to be implemented from the bottom up. Based on the efforts required before, during, and after a disruption, Figure 2 presents a comprehensive framework to build a resilient supply chain.

Minimizing the damage

When a disruption has been detected, a rapid shift from an efficiency-maximizing scenario to one based on maintaining business continuity is

critical. Senior management must be involved. The business continuity plan needs to be invoked and risk mitigation strategies operationalized. Once the impacts of the disruption are assessed, customer commitments should be reevaluated in the new demand-supply scenario.

The frequency and severity of supply chain disruptions has increased tremendously in the past two decades. A resilient, flexible, and scenario-based supply chain provides a competitive edge: It is not a choice, but a business imperative.

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Racine/Kenosha Chapter

2011 - 2012

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