

DISPATCH



Monthly Newsletter of the West Jersey Chapter

The West Jersey Chapter of APICS is a 501(c) 3 non-profit organization dedicated to the continuing education of supply chain management professionals.

Editor – Peter DeCarolis

Volume 24, No. 9

May, 2006

APICS Professional Development Meeting Thursday May 18, 2006

A Joint Meeting with the Council of Supply Chain Management Professionals

Managing for Uncertainty at BASF

Presented by Margie Pierce

Director Foreign Trade & Logistics Compliance - BASF

Agenda:

5:30 – 6:15	Networking	
6:15 – 6:30	Welcome	Jane Biddle & Rich Hermann
6:30 – 7:30	Keynote Presentation	Margie Pierce
7:30 – 9:00	Dinner	

Margie Pierce, Director Foreign Trade & Logistics Compliance, BASF

As Director of Foreign Trade and Logistics Compliance for BASF North America, Ms. Pierce is responsible for global foreign trade operations overseeing customs compliance and duty management. In addition, she has full responsibility for all importing and exporting operations for BASF Corporation's multi billion-dollar foreign trade business portfolio into and out of North America. Before moving to logistics, Margie spent over 20 years in the Information Technology profession as an operating systems engineer, devoting portions of her career to the banking, and pharmaceutical and chemical industries. As Director of Applications for BASF Corporation, she oversaw all financial and logistics application system portfolios for BASF's SAP R2 and SAP R3 system environments. As architect for the interfaces between SAP and BASF's legacy system portfolio, she engineered an interface control system that ensured data integrity between all interface processes and the SAP system. Mrs. Pierce is APICS certified (2000 and 2005) in Logistics Inventory and Supply Chain Management. She is also involved in the Americas SAP Users Group (ASUG) and has held positions as Director of Technology, Vice President and President

Board of Directors Meetings The Board of Directors meets at 6:00 PM on the first Thursday of each month. Please contact any board member. All are welcome to attend.

The Dispatch is sponsored by the West Jersey Chapter of APICS. If any firm wishes to sponsor our newsletter, please contact Pete DeCarolis, Editor @ (201) 488-4848 or dispatch@apics-westjersey.org

PRESIDENT'S MESSAGE

**Jane Biddle, CPIM
President**



If you were among the attendees at April's Tri-Chapter meeting, you should be more aware and enlightened about the pluses and minuses of doing business in China. We would like to extend our thanks to panelists Anthony Boas, Thomas Tsui, Bill Walker, and Jack Zhou and Art Shaffer of the Central Jersey chapter who made this exciting event possible.

Education Update

Welcome to spring training time! In addition to getting out the baseball gear and roller blades, spring is also a good time to take advantage of the top notch CPIM courses that APICS West Jersey is offering locally. Well respected instructors Ralph Fariello, Terri Juszynski, and Ron Dolan are offering a full slate of CPIM courses starting at the end of May and beginning of June: Basics of Supply Chain Management, Master Planning of Resources, Detailed Scheduling and Planning, Execution and Control. Go to www.apics-westjersey.org to learn more about the APICS education programs, what West Jersey has to offer, and register and pay on-line (corporate credit cards now accepted).

Stay tuned for the announcement of new CSCPE Educational Program Launch!

Programs Update

West Jersey will be closing out the 2005-2006 PDM season with a 'bang'! In May, we will co-host our annual joint meeting with CSCMP (previously known as CLM); we are pleased to have Margie Pierce talk to us about how BASF responded to this past year's hurricanes and how life will be different moving forward. And, for June chapter favorite Bill Nickle will be hosting another exciting game. Come prepared to learn first hand how performance measures drive behavior (free WJER Team T-shirts for all participants)

May 18th Managing for Uncertainty at BASF (joint meeting with CSCMP)

Margie Pierce, Director Foreign Trade & Logistics Compliance, BASF

As the world's leading chemical company with revenues of over \$50B a year, BASF has considerably improved its supply chain capabilities and contingency planning over the past few years. A combination of business flexibility,

strategic logistics partners, and new SAP event management capabilities helped to prepare the company for uncertainty. However, hurricanes Katrina and Rita posed a number challenges to its Gulf Coast facilities. During this presentation, Margie will talk about what steps the company as taken over the past few years to prepare, the potential and real impact of these natural disasters, and how the BASF organization will continue to adapt for uncertainty over time.
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Pres. Msg. Cont'd...

June 15th – Win as Much as You Can!

Bill Nickle, Logistics Operations Director, MasterFoods

This interactive exercise applies game theory to demonstrate how performance measures influence behavior. Teams can choose to either be co-operative or competitive to maximize their reward. The result is an interesting blend of trust, communication, decision making, and teamwork (or not).

Next Season (2006-2007)

The WJER Board is starting to put together the chapter schedule for the 2006-2007 season. If you have recommendations regarding PDM topics or speakers, panels or panelists, plant tours or seminars, or any other thoughts about how we can better serve you, please drop me a line president@apics-westjersey.org.

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“Frank Talk”

Musings from the wizard - Don Frank, CFPIM, CIRM - D. N. Frank Associates

I recently had the pleasure of doing a webinar for APICS entitled: *Putting Intelligence into Part Number Management*. One of the many things I talked about, but which seems to have gotten the most attention, was that I recommended that new part numbers be simple sequential numerics and that trying to encode meaning to part numbers was a holdover from the old punch card days.

I've done an informal survey as a result of the webinar and have gotten feedback from over well over 50 people worldwide. Some of the conclusions I've drawn are: Many of the respondents were using significant part numbers

Many recognized that simple sequential numerics were the way to go but they were bound by legacy systems to stay with significant part numbers.

Quite a few respondents were concerned that there was scarce resource material on part numbering best practices.

Continued next page...

Frank Talk cont'd...

Some didn't even recognize that there may be a problem here.

Just to put the problem in perspective, one respondent reported that a data entry person working on a full keyboard makes approximately 1 keystroke error in 300, but while using the 10-key numeric keypad makes about 1 keystroke error in 3000. When you think about the number of data activities going on in your company and the impacts of these data entry errors, this should give you a moment's pause.

I've learned that most people think that creating and maintaining part numbering rules belong to 'them', whoever 'them' may be, not 'us'. APICS devotes only a few charts to the subject in the CPIM Certification Review Course and, while they recommend not using significant part numbers, they do not really explore how part numbers are generated and maintained. The whole part numbering concept seems to be buried under so much 'more important' information being conveyed that it gets lost in the shuffle.

I've also learned that most software houses and consultants seem to duck this issue, saying that 'we' really don't care what 'your' part numbers look like as long as they fit into the field we provide.

Frankly, in the lean 21st century information management world, not only is the part number structure itself ignored, but the integrity of the key data elements (or objects) associated with part numbers seems to be glossed over. Here's an example, using Six Sigma probability logic, of what can happen if the part data integrity is ignored:

Assume that there are just 5 essential data elements in any part master record, Part number, unit of measure, revision status, lot size, and lead time

If each data element is 98% accurate, the bill of material (BOM) per line item data accuracy is $(0.98)^5 = 90.5\%$
If there are 10 part line items in a BOM, now the probable integrity of the Gross Requirements calculation process, based solely on IM accuracy is: $(.98)^{5*10} = 36.5\%$

By and standards, that level of data integrity is unacceptable.

Frankly, we need to take a Lean approach to part master data. Be careful not to misinterpret what I'm saying here. I'm not suggesting that you change all your current part numbers to the simple numerics, there is no value added in this activity. I am saying that there is no excuse for not using the Lean approach for new parts being generated.

What's perhaps more important is that I'm saying that the effort to standardize the data associated with part numbers will provide large and quick payback.

The lesson to be learned, in this era of e-commerce and enterprise consolidation, is that if we don't pay more attention to the integrity of our information management core data, like that associated with our part master records, we run the risk of losing out in the race to become the supplier of choice of the world's consumers in the total supply chain.

MEMBERSHIP NEWS

WELCOME NEW MEMBERS

Elizabeth Thaler	Robert Meaux
Julio Lorenzo	Sergei Brussovansky
Jaime Andre Ruales	Ramesh Palla
Reinaldo Rivera	Gary Bane
Paul Lilly	Nam Ong
	Robert Shapter

"APICSVERSARIES"

20 + years

William Golden 24yrs **Frank Hoffman 21yrs**

15 to 20 years

Steven Devine 16yrs

10 to 15 years

David Smith 11yrs

5 to 10 years

Prasad Deshpande 9yrs

Up to 5 years

Michael Trocchia 5yrs	Arnoud Joliff 2yrs
Maurizio Scrofani 2yrs	William Fuchs 1yr
Adrienne Appello 1yr	Chi Chan 1yr
John Vojta 1yr	

CPIM Class Schedule

Detail Scheduling & Planning	Tuesdays starting 5/30 8 wks
Execution & Control of Operations	Wednesdays start 5/31 8 wks
Master Planning of Resources	Mondays starting 6/5 8 wks
Basics of Supply Chain Management	Mondays starting 6/5 8 wks

West Jersey APICS Wants YOU!

... Join our Company Coordinator Program

We invite you to join our Company Coordinator Program! Allow the West Jersey Chapter of APICS to help your company maintain your competitive advantage. We offer opportunities for ongoing education through attending our PDMs, and participating in Seminars, Conferences and Certification courses.

Advantages for you and your Company:

Special notice via e-mail of upcoming Professional Development Meetings (PDMs), Seminars and Educational offerings of the West Jersey Chapter of APICS.

Recognition for you, and your Company, for your support of the West Jersey Chapter of APICS.

We want to recognize and thank our Company Coordinators for sharing their enthusiasm for APICS, and our West Jersey Chapter,

with others in their organizations. We want to give special recognition to the following individuals and companies:

- Brett Hutchison from Tiffany & Company
- Michael Trocchia from Novartis Pharmaceuticals
- Patrick McShane from DPC Instrument Systems Division
- Paula Golembeski from Rudolph Technologies, Inc.
- Ray Mei from BASF Corporation
- Susan Heuckroth from Smiths Aerospace

These individuals serve as a point of contact in their respective companies for the West Jersey Chapter
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WJER Wants You...

of APICS. They receive special e-mail announcements of upcoming Professional Development Meetings (PDMs), Seminars and Educational offerings of the Chapter, and forward this information to others in their organizations.

In addition, many of them have encouraged their coworkers to join APICS, and attend APICS PDMs, Seminars, Conferences and Certification courses. We credit these individuals with building management support in their organizations for APICS, and increasing our membership.

For More information contact:

Dawn Fletcher, CPIM VP, Company Coordinators at
cocoord@apics-westjersey.org 973-408-8232

The Lean Reality Gap

By Jane Biddle, CPIM, Aberdeen Group

Lean manufacturing and supply chain processes have revolutionized the way that many leading enterprises serve their customers and manage supplier relationships. Over the past few years, 'Lean thinking' and techniques have expanded well beyond the automotive industry to deliver dramatic results into other industries such as industrial equipment, consumer goods, and food & beverage. Although senior executives are receptive to Lean, the 2006 Lean Benchmark Study by AberdeenGroup uncovered a large performance gap between those companies that are using selected Lean tools versus those organizations that have successfully 'Leaned Out' manufacturing and supply chain processes based on the principles articulated in the 'Toyota Way'. While 90% of the 292 manufacturers that participated in this study claimed to be committed to Lean, further analysis found that only 20% or fewer of these companies have mature Lean implementations that meet best-in-class criteria: 1) Lean philosophy reflected in the corporate strategy and TPS (Toyota Production System) principles deployed across the organization; 2) manufacturing is dedicated to Lean techniques such as workcell production, customer-driven planning, and continuous improvement (Kaizen); and, 3) core Lean techniques have been standardized and 'digitized' via technology solutions to support productions and supply chain processes. Companies that have mature Lean implementations are meeting and exceeding their expectations. For 25% of best-in-class respondents, Lean has outpaced expectations

in key performance areas such as customer service and flexibility. As more companies become proficient with Lean, building competitive differentiation based on operational excellence will become increasingly difficult to achieve. In addition to delivering low cost high quality products, organizations will need to deal with challenges such as heightened customer expectations, ongoing shareholder pressure, and increasingly comprehensive regulatory requirements. Market leaders are becoming adept at balancing their long term strategy (based on a tailored TPS 'game plan') against market driven profit objectives by increasing executive involvement in day-to-day activities, encouraging employees ... *continued this page...*

Lean Reality Cont'd... to continually look for ways to make improvements, and building an organization capable of embracing and managing change over time.

Winners over the next decade will be those companies that not only adopt Lean techniques into manufacturing, but also embrace the Lean Principles outlined in the Toyota Way. However, the pressure to meet corporate and Wall Street expectations can make it difficult for executives to devote the time and resources needed to develop the future leaders and cross-functional teams needed to drive and sustain Lean over time. To balance short and long term objectives, consider building a performance measurement program that not only links traditional production metrics (e.g. yield, Takt time) with corporate performance objectives (e.g. profitability, customer satisfaction), but round out the program by include 'growing and learning' objectives recommended in 'The Balanced Scorecard' by David Norton and Robert Kaplan.

As Lean gains scale, technology solutions play a more critical role. Today's leading ERP vendors manage Lean transactions in the factory, between facilities, and across the supply chain; key players include Epicor, Infor, Oracle, QAD, and SAP. Secondly, emerging Lean specialty and MES solutions empower operators to proactively respond to issues and opportunities in real-time; key solutions providers include Apriso, FactoryLogic, Plexus, and Visiprise. Finally, shorter product lifecycles are driving the need for solutions that will enable rapid design and validation of lean manufacturing processes and lines; players that generate and retain digital manufacturing models include Dassault, Pelion Systems, Siemens, and UGS.

Commentary: Who Does DDSN Best?

By AMR Research

As companies attempt to develop and implement demand-driven supply network (DDSN) strategies, we are frequently asked who does it best and where they can go to learn from DDSN leaders. No one organization has all the answers. Instead, we find that all companies, even DDSN leaders, excel only in pockets of buy, make, move, or source processes.

Based on two years of attending conferences, completing reference calls, fielding inquiries, and going through intense client engagements, I now share information on where I have found leadership in the key processes of sales and operations planning (S&OP), demand management, inventory management, lean manufacturing, contract manufacturing, supply management, and aftermarket service.

Three groups are asking who does DDSN best:

DDSN leaders pushing for further excellence;
Mature supply chain organizations making the shift to DDSN after many years of pushing for supply chain excellence;

Organizations just beginning to understand the concepts that more mature supply chain organizations have mastered.

Since 48% of companies have supply chain organizations with less than two years of experience and value chain excellence is rising in importance, this is a frequent question.

For perspective, let's start with a definition of DDSN leadership. DDSN leaders are striving to become demand driven and build agile and responsive supply networks. Demand-driven strategies include investing in downstream data systems to better understand market insights, and to better sense and shape demand through a redefinition of demand management. It's also maturing and changing the focus of S&OP and building a demand visibility signal. *Continued next page...*

DDSN Continued...

Other DDSN leaders are building agile and reliable supply networks. This is done through a series of supply-side initiatives aimed at rethinking global strategies, inventory policies and design for supply strategies, redefining manufacturing for improved responsiveness, and building supply networks to improve costs, performance, and time to market.

While the two go hand in hand, industries like automotive, chemicals, industrial equipment, and aerospace start with a supply-side focus, while retail, consumer products, and high-tech usually start with the a demand-side focus.

Sales and Operations Planning (S&OP)

For leadership in S&OP, turn to the chemical industry with close competition in the high-tech industries. While most will not let us share their names, chemical companies are pioneers in seizing market opportunity through the development of market SWAP plans, the use of product profitability analysis, and price management technologies.

We finished a year of comprehensive research on S&OP with the AMR Research Report "Handbook of Sales and Operations Planning Technologies," March 2006. As we finish the first quarter of 2006, interest in this area remains high.

Use of Downstream Data

Companies that are the most advanced in the use of downstream data are direct store delivery (DSD) consumer goods companies, including Anheuser-Busch, Coke, and PepsiCo. Other notable leaders are Procter & Gamble and Seagate.

While many companies are collecting downstream data, confusion reigns on how to use it. We often find that while downstream data can be used by five applications -- marketing effectiveness, sales account management, category management, vendor-managed inventory (VMI), or corporate forecasting-- most companies lack a comprehensive strategy. As a result, we are seeing increasing interest in building an infrastructure to collect, harmonize, and use downstream data in a more holistic strategy.

Demand Planning

For demand planning leadership, look to the media and home entertainment industries, including Disney Buena

Vista. Other examples can be found in DSD consumer goods companies and in the apparel and footwear industry.

For these leaders, the frequency of demand forecasting is increasing, the modeling is becoming more complex, and the focus is shifting from unit forecasting for factory production to channel attribute forecasting to better sense and shape demand and forge market opportunity.

Inventory Management

Hewlett-Packard and John Deere are good case studies here. In the most advanced organizations, shared-service organizational models are evolving in which specialized teams provide a service to line-of-business owners. These teams retain ownership of the models and closely tie the assumptions to the business strategies. We also see that the best results happen when they are connected to a part *More DDSN...* of a systemic process like S&OP or new product development and introduction (NPDI).

Lean Manufacturing

We continue to be impressed with the work by Johnson Controls, Samsung, and Toyota. Leaning out supply chain processes -- manufacturing, supply, and logistics -- continues to be the focus of many DDSN leaders.

Management of Contract Manufacturing

In the discrete industries, Boeing and Herman Miller were voted the best by providers of contract manufacturing service in our March 2005 study of contract manufacturing. For process industries, look to leading pharmaceutical companies for best practices. These companies were early leaders in the building of successful contract manufacturing supply networks.

Supply Management

Leadership here seems to be more a function of executive leadership than industry segmentation. For an understanding of the potential of sourcing and procurement technologies, study the progress of companies like Disney, [IBM](#), Heinz, and GlaxoSmithKline.

The greatest hurdle here is change management. As a result, we continue to see leaders invest in the training of their procurement organizations, rethinking organizational design based on commodity strategies, and building global strategies.

Service Excellence

Many companies are just waking up to the opportunity in service supply chains. The first step is the realization that service supply chains are fundamentally different than the product supply chain. This change from a break/fix mentality to one of performance and availability is reshaping many of these initiatives. For service excellence, study the practices of service leaders like Boeing, Caterpillar, and Cisco.

This commentary was adapted from a recent alert published by AMR Research Inc., a market research and consulting firm in Boston. It was written by research directors Lora Cecere and Colin Masson. For more information on DDSN, visit www.amrresearch.com.

CAREER CORNER

The West Jersey Chapter of APICS provides a service to its members information on new positions.

If you are interested in any of these opportunities please send your resume electronically to Vice President Employment at employment@apics-westjersey.org.

To advertise a job opening, please send position overview to Vice President Employment at employment@apics-westjersey.org.

Check our web site for more detailed descriptions.
www.apics-westjersey.org/careers

Check out the Career Tools section of the APICS
National web site for some useful tips and ideas. Go to
www.apics.org enter your user name & password then



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The Association for Operations Management



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Next PDM May 18, 2006

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