



140 SALT ROAD, ENOLA, PA 17025

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## May Executive Roundtable

**What would you fix** to make the biggest difference in the company in the coming year.

Data flow from the manufacturing floor. Right now there is a need for someone to go through every single transaction from the shop floor. Every production journal, inventory, etc. At one point had \$50,000 of phantom inventory because of duplicate lot numbers.

Supply chain data flow from the shop floor. Getting the right stuff to the right place at the right time. Poor execution of transactions on the shop floor.

Are currently working on communicating more effectively and marketing with social media. Virtual connections. Instagram, LinkedIn, Zoom, etc. to produce more sales. Wholesalers with showrooms.

Interface the CRM with other systems. They track interactions with other systems, but in a very outdated way. Where is the opportunity, who is the client? It slows things down.

Contract manufacturer does complex, high precision machine parts in jobs that run for years. Setting up a new line is very complex. Only a couple of people on the floor can do that so setting up a new line is a chokepoint. Machine language experts, ability to take a blueprint to produce what the customer wants. Education just doesn't teach that now. These people are the chokepoint in their manufacturing.

ERP database is 26 years old. Fixing a process is excruciating and time consuming. Getting a new ERP system would be great. Now the whole system is based on workarounds.

For ERP implementations the most important thing is to get heavy training with customer service, production, and accounting people.

For the most successful implementations you can spend more on training than hardware and software combined. It is absolutely worth the money for all the training you do.

Labor at all levels can be a problem. People may be moving for \$1 per hour, but sometimes for a 30% pay raise. This is not just in the big cities. It is also happening in the middle of nowhere.

### Unskilled and skilled labor supply

People who are already there for years stay, but the new hire system is a revolving door.

In Florida they are not having a lot of trouble finding good workers. Adding a second shift a couple of months ago was not difficult. All the welders from NJ must be moving to FL. There tends to be a strong Hispanic workforce in the south, and that fixes a lot of problems for strong manufacturing floor.

Truck drivers are very hard to find right now. One particular problem is passing the drug test. It seems like all the drivers are 45+, or they fail the drug test. One company is moving its warehouse just because they can't find people who will pass the drug test. So they are moving to a bigger metro area.

For some manufacturing jobs it can also be tough to find people to handle dangerous chemicals or jobs because of drug testing.



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### Heavy demand for products

Getting supplies is a big difficulty. There is a huge premium to get supplies shipped from China. \$14,000 for a container.

Computer chips are hard to get and 20-30% increase in prices and still short supply.

Labor overseas is also a lot higher, not just in the USA.

Future orders are being made automatically by the systems that measure lead time. So inventory is being built.

Customers are ordering the same thing from multiple sources and hoping one of them delivers. If one delivers then they cancel the order with everyone else. There is a buffer that is being built by customers trying to make sure they can run their factories.

BDO did a survey of 600 mid-market CFO's. A lot of the companies are making strategic decisions to diversify the supply chain all over the world and not just to China.

One company with half their manufacturing in China has intensified their search for manufacturing capacity outside of China. Not abandoning China, just finding new sources.

### Are you losing orders, or getting new clients, as supply chains are diversified?

One company has seen sales soar because they are selling fresh and are national now. Consolidating the supply base to the food retailers has been a big thing in the USA. So, if you can get a new product into the big boxes, it will be a high growth situation.

One manufacturer has high growth going on right now due to construction. They also lucked out because they were sourcing products from inside the USA. So they are able to have products available where some distributors can't get products shipped to distribute.

For an automotive OEM manufacturer, they made a decision to get into federal sales because automotive is so competitive. It isn't unusual to get a call on a Friday afternoon saying, "Cut your price 5% or we are going with someone else." **It took 8 years** to make their first federal sale, but the great thing is that there is so much contract stability, price stability, and long term profits. They are still in automotive, but that 8 year investment was **really worth it** once they broke into the federal fraternity..