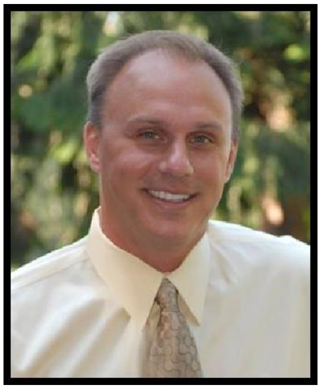
Is Orlicky's MRP relevant today? Think DDMRP

Guests were Carol Ptak and Chad Smith

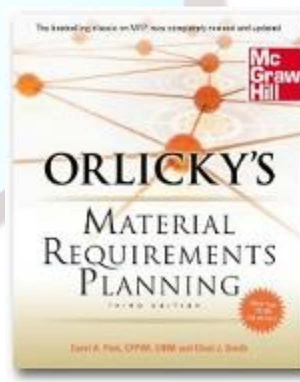
Related Podcast:

Is Orlicky's MRP relevant today? Think DDMRP

Carol Ptak and Chad Smith are the co-author of the new [Orlicky's Material Requirements Planning 3/E](). A fully revised and updated edition of the landmark work on material requirements planning (MRP), *Orlicky's Material Requirements Planning*, Third Edition focuses on the new rules required to effectively support a manufacturing operation using MRP systems in the twenty-first century. This authoritative resource offers proven solutions that help you gain the competitive edge through strategic lead time reductions, substantial reductions in total inventory investment, and significant increases in service levels. This is an indispensable tool for manufacturing practitioners and anyone preparing for CPIM certification.



Carol has written several books on MRP, ERP, Lean and Theory of Constraints. She is the Past President of APICS International and former Vice President and global industry executive for manufacturing and distribution industries at PeopleSoft. Chad co-founded Constraints Management Group in 1997 after working under the tutelage of Dr. Eli Goldratt for several years. Constraints Management Group specializes in demand driven supply chain and manufacturing solutions for a variety of industries. Clients have included Boeing, Unilever, IBM, LeTourneau Technologies and Roseburg Forest Products.



Joe Dager: Welcome, everyone. This is Joe Dager, the host of the Business901 podcast. With me today is Carol Ptak and Chad Smith. They have founded the Demand Driven Institute, an organization devoted to the proliferation and further development of demand-driven strategies and tactics in industry. They are also the co-authors of "Orlicky's Material Requirements Planning" book, the third edition. Carol and Chad, could you tell me how the book is going so far?

Chad Smith: So far, it's been great. We've gotten some fantastic reviews from some of the folks that were in MRP right from the very beginning, so the formal planning crowd. We got some really great feedback from the Lean and Six Sigma and even the Theory of Constraints crowd. When you get all those people agreeing on something, it's usually pretty special. So we're excited about getting it out there, letting more people know that it's available. In fact, Amazon just made it a Kindle version here, I think, in the last week or two.

Now it's just a matter of getting the word out and mobilizing some of the people that have already read it and to get them to give us reviews on Amazon. But so far, very promising.

Joe: Orlicky wrote the book. Its been a long time ago -- I think you said like 36 years. Is it still relevant? I mean, that seems like ancient history.

Carol Ptak: That's the thing that's the most interesting is today, in the hyper-competitive times that we have, "Orlicky's MRP" is more relevant than ever. Think about it: back in the day when he wrote it, the big worry was, "How do I get what I need, how much do I need, and when do I need it?" Before that we could afford to keep some of everything around all the time. Then we really got into this whole area of we were capacity-constrained. And now we find ourselves in this whole new world that we've never seen before, where manufacturing companies around the world have excess capacity, and now the shift comes back to material again: "How do I have what I need where I need it?"

Because the problem that we face is that the customer's no longer willing to wait, and so this whole idea of "How do I get the right material in the right place at the right time?" is even more critical than it ever was before, but now that first question has changed. It's now not just how much and when, but it's where: "Where do I position that inventory so that I get the best response to the marketplace?"

Joe: Are we still basing everything on some type of forecast? If that's always uncertain, aren't we always going to be wrong, no matter what we do?

Chad: Absolutely. You're correct, Joe. As long as we continue to try to outguess what is a more variable and volatile set of circumstances, we are going to be in trouble. And I think that's one of the things that we've identified as something that dramatically needs to change in the formal planning community in moving forward. Companies have to find a way to align their working capital and their assets and their resources as close to the actual demand as possible. I think a lot of people think that by forecasting better they are getting ahead of things, that they are priming the pump, so to speak, that they're taking care of their long-lead-time items, when in fact they're really just pushing their resources and their activities further away from the market.

We've been trained and we've been conditioned, by big software, by academia, to try to attack a symptom, and that is get better at forecasting, rather than attack the real issue, which is, how do we actually position materials and inventory closer to the market and then take signals based upon the real-time replenishment of those key positions?

How do we take signals and drive activity and synchronization, not only through our organization but through the supply chain?

Joe: Would it be fair, then, to say that you're kind of building a flatter supply chain?

Carol: It's not really a flatter supply chain, because when I think of a flatter supply chain, I think about what's happened in the Lean community, where they believe that the way to get more accuracy in their forecasts and to be responsive is they flatten the bills of materials, which meant that now I go, and I have everything on the same level of the build going into the final end product. Which is OK, and it works really well if you've got a company that is very, very reliable, with demand that's really reliable, that the next one looks like that last one, and that's all great. And to me, when I think about a flatter supply chain that would work the same way if I had a supply chain that always looked the same way that always demanded the same thing.

But the fact that it's not flatter, it's actually more responsive. Because when I think of how most people describe a supply chain, they do describe a supply chain as linear. And in all the years I've been out there, I've never seen a linear supply chain, where I've got a company that has a customer and a suppler and a supplier's supplier and a customer's customer, until you finally get to the customer's customer's customer and the supplier's supplier's supplier. That's a linear supply chain, and I haven't ever seen one of those.

To me, supply chains are almost web-like. That's why we put that graphic on the cover of this book. Somebody said, "Where did you get this graphic from?" And I said, "Well, that's what's in my head, is what a supply chain looks like."

They said, "Ooh, that's a real scary place." It's web-like. It's got nodes. It looks like a fishing net, but in three dimensions, with all these little things going on. I don't buy from a single supplier. I don't sell to a single customer.

So it's not about flattening the supply chain as it is being able to think of it like a spider's web, being able to sense that vibration in the web, so that that spider can get out there and grab its prey and eat. That's really what a supply chain is all about.

The book and the work that Chad and I have been doing is getting that supply chain to have a higher ability to sense and adapt. I hesitate to use the word "reactive" because I don't want to be reactive. I want to be able to sense and adapt to what's going on in the marketplace rather than just reacting to what's going on, because when I just react, I can make some very poor decisions.

As Chad said, I'm looking at inventory in a whole new light. Inventory's on our balance sheet as an asset. Why it hasn't been looked at before, saying, "Hey, that asset should yield a certain return on that investment," before, it needs to be now, because we're all being crunched for this investment that's tied up in those dollars of inventory. So it's how, in that position of the supply chain, I can sense and adapt to the market so that my inventory investment's giving me my best return.

Chad: I think you're hitting on one of the critical differences, or critical changes, that we're proposing for the new formal planning logic for the 21st century, that the point of diminishing returns has been reached. The idea that we're going to spend tons of money, tons of time, tons of energy on trying to be able to guess better. What we know today is that forecast accuracy is actually declining, and that's happening despite the proliferation of all these advanced forecasting algorithms.

Well, why? It's very easy to draw the connection, that the world is a totally different place. The supply chain is more complex, the product structures are more complex, and the customers are much more intolerant than they've ever been before.

Instead of trying to optimize an old approach that really isn't returning anything for us, we've got to change completely the way that we define what demand really is. MRP is a calculator, right? It doesn't care what you call demand.

If you give it demand that's a problem; then it will create problems for you. We've got to give it a different type of demand signal, and that demand signal has to be all about what is actually being consumed at strategic points in the supply chain.

Joe: When you talk about strategic points, can you define or elaborate on that a for me?

Chad: Sure, that's the key here is what we've come up with, with what we call demand-driven MRP or DDMRP, it's well blueprinted out in the book, through about 150 pages and well over 100 graphics. It's based upon five concepts. The very first concept, or the very first component of what DDMRP is, is something called strategic inventory positioning. Just think about today. If you're a planner in the supply chain or a buyer even, you come to work, and you're trying to answer two questions, all the time: how much and when?

You're trying to answer a quantity and timing. We think there's a fundamental mistake in approaching it just right then and there. What companies are going to have to do is they're going to have to back up a minute and answer what I think is the primary question of inventory, and that is, where should we place the inventory? Where, in our supply chain or in our manufacturing process, should we place inventory positions so that we can dampen variability, compress lead times, and better leverage our working capital?

It's not a simple answer. It takes kind of a cross-functional team to answer those questions. The questions that you have to really ask in order to properly answer where are things like you have to know what the customer tolerance times are. You have to know what the market potential lead time is. That's just simply what's the lead time if you could offer it, that the market would reward you with more business.

You have to take into account the variable rate of demand and supply. You have to also take into account the product structure, the shared child components across parent items. Finally, you also have to consider if there are any key operational areas that need to be protected in order to dampen variability or prop up lead times.

There's a lot of analysis and thinking and intuition, and there is a process to figure out where in the bill of material, wherein the manufacturing operation, wherein the supply chain you should hold inventory. The best thing is, when you find those places, it's a win-win for both sides of the fence, so to speak -- so, in other words, the people that take from that inventory position and the people that deliver to that inventory position. If those positions are placed properly and managed properly, both sides win.

Joe: When you're talking about the strategic position of this, are we doing something different from the operational level, or are we just positioning material differently?

Chad: I think it's a little bit of both. I think, if you look at the way that we're taught to place stock positions, typically stock positions are really only held at the finished-item level and the raw-material-item level. In fact, it's kind of a no-no, or it's at least accepted doctrine, that you don't stock at the intermediate-component level.

Carol: Think about it, because you think about the general perception is, what has been taught in the past, is that I've got total control of that because it's inside my four walls, so it would be not only not advisable but you'd be crazy to stock something that's halfway in between. We always said, "Well, safety stocks to guard against the variability of supply or demand." We never thought about stocking inventory somewhere in that central point.

Chad: The idea is, when you do that, you are decoupling points, points where we can stop the cascading effect of variability. We can create much better visibility, and we can actually even create much better schedule stability when it comes to resource schedules. If you go back to the '80s, you're going to hear all kinds of things around something called nervousness in MRP. Everybody was so concerned with the impact of variability on the demand and supply signals as the bill of material was exploded, thus created order-release signals, supply-order signals.

Then came along the idea of APS, where we tried to account for every minute of our resources manufacturing time. We had another level of nervousness, and these two things just kind of compound each other.

What we're really trying to do here with DDMRP is allow the product structure to really work for us, rather than against us. It's a blend of independence and dependence that people, I think, really need to explore a little bit, grasp, and they'll see how elegant it really is, and how really effective it is, too. It just requires some changes to the traditional way that MRP has looked at generating supply-order signals in a bill of material.

Joe: Are you opposing the other methodologies, I mean, or are you embracing Lean and the different types of methodologies out there that have been real prevalent in supply chain recently?

Chad: First of all, we owe Lean a huge debt of gratitude to getting some critical elements in front of the industry. One thing that I think is very important is the Lean crowd, I think, unfairly gets branded as anti-technology. I think that that's unfair because, up until now, technology hasn't worked for Lean very well. If you look at the basic rules of MRP and how it works, it doesn't work well for Lean. If you look at the Toyota Production System, even the critical points in the Toyota Production System about technology, I think, Liker's book, I think it's point eight.

It says, "Use only thoroughly tested and proven technological methods for your people and processes." Well, up until now, there haven't been thoroughly tested or proven technological processes.

So it's forced the Lean community, it's forced the TOC community back into manual systems. And those manual systems are breaking down. They're too intensive. And for larger corporations, you really lose a lot of visibility across an enterprise. In fact, for larger companies, Joe, the idea of enterprise Lean really doesn't exist. And why? It's because we have limitations with the technology.

Now, what Carol and I are doing here is we're saying, look. Let's not throw the baby out with the bathwater. Let's not just throw out the promise of technology and jump all the way back to manual reorder point systems. Let's figure out how we have to change the formal planning logic to create new rules that then foster new tools that both the formal planning crowd and the Lean crowd can embrace.

And so far, we've heard really good feedback from both sides of the fence here that says, "Yeah, this seems to solve the things that we need to see" and from the Lean side, it also seems to be right in line and actually even facilitate their objectives.

Joe: Can you give me a couple of the ideas that the Lean people have liked about the book?

Carol: Well, I have heard from a couple of Lean guys, because it's -- the reality is, like Chad said, Lean and the Lean implementation and the Kaizen books worked really well in either really small companies or as a pilot in a very large company. Now, the issue has always been how do you get it across the corporation? How do get it so that you can get a multi-billion dollar company to be able to integrate and do Lean across the enterprise? Because what a lot of companies will do with Lean is they'll say, "Well, you've got to flatten the bills and materials. You're going to have kanbans all over the shop floor, and that works great provided the next one in line is exactly what the last one in line was.

Now, if you happen to be producing red widgets and all of a sudden, about every 11th one, you have somebody that wants blue widgets, you've got to let that supplier know that paint from red to blue, lead time away that they need the blue ones.

So what the DDMRP approach has said is that it enables, it really enables the capability for both the Lean and the other pull techniques like Drum-Buffer-Rope to have the material available. As you look at all these kaizen events, the big issue that they always run into is, "Well, if only we always had our material available, then we could do all this."

What ends up happening is one of the big nonvalue-added activities that the Lean people find themselves fighting all the time is not that there's too much inventory. It's just that there's too little inventory, but it's having the right amount of inventory in the right place at the right time.

That's where the DDMRP approach has been such a godsend for them is that at very complex, complicated, integrated functions across very large companies, is having the right material in the right place at the right time -- not too soon, not too late.

That's really where we're really seeing the big difference with the Lean crowd is that where some of the other techniques that have come out work really great in a pilot or they work really great in small companies, what I really have been overwhelmed by is the number of very large companies that have jumped on the boat for DDMRP.

Chad: You want to be very, very careful, here, and say, we don't to convey the message that Lean is not working because Lean will work effectively in certain environments. It's these larger product structure environments and larger, maybe more vertically integrated entities where there's a problem, where there's a need for a wider net to be cast in terms of visibility. We know this. The answer is not to have inventory everywhere, and the answer is not to have inventory anywhere. It's got to be somewhere in between, in a very complex product structure environment, if you make Kanbans everywhere, you have too much inventory everywhere. At some point, the people say, we've got just way too much working capital built up.

Now, if you remove that entire inventory, you get killed on lead time performance. So the really unique thing about DDMRP is it allows you to find the right places in complex product structures and networks to stock and to manage around those areas, and it does it in a very Lean friendly way, with high visibility and real-time priority status.

Joe: One of my complaints is always about -- let's say a Lean supply chain -- is the first thing I hear about from someone. They always say, "Well, you bring the control point inside." Does DDP allow you to get that control point of the system closer to the customer?

Chad: Absolutely. I mean, the whole design is place positions or place decoupled positions in the spots that really matter. One of the things and one of the places that they really matter is where it touches the customer. The problem in maybe today's supply chain is if you just place a stock position at the finished skid level and you don't back it up in operations with good stocking practices, the amount of working capital that you have to have to have that position maintained is ridiculous. So it kind of works on itself.

Imagine these tiers of inventory positions in the right places at the right time. Not everywhere, but in strategic areas that really decouple and compress the lead times. So, if it takes a lot less time to replenish a position, then that position needs to have a lot less inventory to cover demand over -- and spikes -- over that period of time.

Joe: What are the strategic positions? Is it because it influences so many other strategic positions? Is that how you rate it?

Chad: Absolutely. A common component, a shared child component is very important in DDMRP, but not all of them. You can't just go right where a user ports and stick picking all the shared child components, because, in reality, there are typically just a few shared child components that really matter. They're the components that fall on the longest unprotected sequences in the bills and material. So those people that just go out and say, "Well, let's just stock all shared child components," well, you probably, maybe running a little bit too rich in terms of the inventory. You're not getting money back for some, or you're not getting lead time back for some of that inventory investment on some of those shared children.

Carol: It really is about finding your leverage point in your supply chain. As Archimedes said, if I can find a lever and the leverage point, I can move the world. In this way, it's if I can find that shared component and I understand my holistic supply chain, I can move a whole supply chain. So it minimizes the inventory, but yet, at the same time, moves that entire supply chain.

Joe: Is this all based on technology? I mean, is this just all new technology out there and I plug a software package in and it works?

Carol: Sorry, Joe, for laughing. Coming out of the software industry, I watched so many software companies and their ads say all you have to do is just buy our software and all will be right with the world, and that's just so ludicrous.

Chad: Remember, any software is just a tool. And what is software? The software is the ability to just reinforce routine, right? So, we got to back up and say, "Where does software really come from?" Well, software is a way to enact certain rules. "Well, where do those rules come from?" Policies and vision and things like that. So what Carol and I did is we went right back to square one and said, "Wait a minute. Let's go back to Joe Orlicky and let's first answer the question, 'Is Joe Orlicky's vision still relevant today?'"

As Carol said before, absolutely, it is. In fact, it's probably more relevant than it ever has been." You know, supply chains are still islands of MRP connected to each other. If we want more agile supply chains, well, we'd better get more agile forms of MRP, and not just at the individual level, but at the collective level, as well.

Then we said, "OK, well, if the vision is still relevant, if the vision is still good -- maybe even more relevant -- what are the rules then that need to change, given the changing circumstances in the 21st century?" OK, well, so we were able to define the rules that get us in trouble, the currently, the conventional forms of MRP and the rules associated with them.

Then we were able to also come up with the new rules or amended rules to adapt to this new set of global circumstances and only then should people be talking about technology. If you get the rules right, then the tools are going to be OK.

It's when industry really gets into trouble when they start developing tools and then try to backfill the rules and the vision after that. In, unfortunately, I think many companies have learned that lesson the hard way when they've selected an ERP package. They've let the ERP application dealer construct their business rules and vision more than themselves.

Carol: Well, and, in fact, Joe Orlicky's first book, the first edition of this book came out before the age of commercially available software. Back in Joe's day, you had to specify your rules first. All the software was written in-house, and then you implemented it. That's why I always get sort of a chuckle now out of people today that complain about implementing it. I sort of feel old when I say, "Oh, back in the old days, we had to specify the rules first, then we wrote the software, then we implemented it. So you're already at step three.

What Chad and I believe is that the DDMRP book is in the same position that Joe's original book was, is that the body of knowledge is there. The whole last half of the book actually puts into the public domain the specifications on how to build a DDMRP system. And that's how we specifically wrote it that way. It is very, very specific. It's got basically a whole specification in that second half of the book.

Joe: So the new book is really a how-to book.

Carol: Oh, yeah. A smart software company is picking that up, looking at that, could say, "Hmm. Here's our future in our lap."

Chad: Carol and I think that that's going to happen. Immediately, no, because I think that in many cases, the big ERP companies have really -- are blind to the problem. Why? They don't have to use it on a daily basis. The people that know the problem are the people -- they are on the front lines -- of the planners, the buyers, the materials managers. They get the problem. You know how we know they get the problem? Is because most of them are using some form of work around tool, like a spreadsheet or an Access to enact rules or enact, get visibility that they can't get out of their modern ERP product with their kind of old MRP module embedded in it.

Joe: I was surprised to see that you talked about visibility and collaboration as a very important ingredient of all this.

Chad: Of course, I think one of the big holes -- go back to when Joe and his cadre were specking out MRP and building MRP systems from the ground up. This idea of collaboration, real-time visibility, the Internet -- it just didn't exist. I mean, from their perception, they had this giant calculator that could calculate faster than anybody could ever dream of. So what did they do? They focused on the planning side. That's why we got "material requirements planning." We never really built in any execution. DDMRP we try to carefully separate what planning is versus execution. And very simply, planning is the process of generating needed supply orders. All right? And in execution, in DDMRP execution, that's the process of managing open supply orders. And priorities change all the time, especially in this more volatile world.

So there has to be a carefully detailed blueprint for how to execute today, and you've got to have rules. You've got to have different types of alerts. You've got to have routines and processes to account for changes that will happen, inevitably and how that comes back around to effect planning as well.

Joe: In a typical MRP system that someone has right now, is it easy to make a change?

Carol: To get that MRP system to do Demand Driven MRP?

Joe: Yes.

Carol: That would be like asking a leopard to change its spots. Just functionally, the whole underlayment of how that system works is all based on inventory. If you peel the tree back, as Chad talked a little bit about earlier, advanced planning and scheduling systems -- we could do those because we had ERP systems. We could do ERP, because we had MRP, too, manufacturing resource planning. But you do MRP2 because it had closed-loop MRP. We could do that because we had MRP. We could do that because we closed-loop MRP. We could do that because we had MRP. We could do that because we had BOMP processors and DBOMP processors.

When you peel it all the way back to the middle of the entire infrastructure, it's all about inventory. The reality of what we have to shift to is that the center of it has to be about demand. The technological side of it, if you will, has to be focused on the demand side.

Now, does that mean that everybody has to rip out their MRP systems? Absolutely not. The data comes over and the planning that happens in the DDMRP system, because what's at the core of this new tree, if you will, if you think of the old systems, were trees that continued to grow and evolve, because we were able to move from a BOMP processor to a DBOMP processor because computers got faster.

We could go from DBOMP to a full MRP system because we now had 8K of memory. I mean, think of that: 8K with the first MRP systems. We could go from MRP to closed-loop because we had more computer power.

That tree has continued to grow by adding rings. The reality of where we're at today is that that tree is rotten to the core, because at the core it's all about inventory. DDMRP is what's at the core is all about demand, and it's how do I start to grow this new tree based on the center of demand and being able to sense and adapt to what's going on in the marketplace.

Now, it doesn't I have to pull out of the old system. There's a great amount of information that is hidden in that system that pulls over, that the analysis is done to say, first, where do I put that inventory, because I want my whole system to be able to sense and adapt to those changes in the marketplace.

Chad: There are some subtle nuances between the different ERP products out there and their respective MRP modules. Some will have some elements of DDMRP that can be accomplished. The problem is in being able to put the whole package together. DDMRP is not just something that you go, "Well, I like a little bit of this and a little bit of that, and I'll do some of that." Really, you've got to put the rules together to make the kind of huge impact that DDMRP has made in the early adopters.

The early adopters, the performance that they're reporting is staggering, relative to using the traditional tactics. They get those results because they're doing all of the components of DDMRP.

I think that there's going to be a lot of smart people out there that read the book, that go through the blueprint, and they're going to be able to get some wins immediately by doing some of these tactics, even if it's kind of offline.

What we really need to do is they need to get wins, and then they need to demand better. OK? Quite frankly, they're the customer. They need to demand change. They need to demand better systems. And they also need to demand of their software provider to make fundamental overhauls of code that really, in some cases, hasn't been touched in 35 years. OK?

The customer should be able to demand that. And the problem today is its very difficult for the planner or for the buyer to demand that kind of change, to even articulate the magnitude of the problem, and then the subsequent direction.

That's how we've tried to lay that all out. In the book, we present the past of MRP, what MRP is today, why it's breaking down, what the effects are of it today, and then what the blueprint is for the future.

Joe: How did it evolve into this? Can you just give me, really, a brief history? Because I'm sitting here saying, "OK, this makes sense. This is good." But the idea just didn't pop up. It evolved from somewhere, didn't it?

Carol: Well, it's sort of a funny story, how the whole thing came about. Chad and I have known each other for years. Actually, I'm the old one on the team, so I've sort of watched Chad grow up. He and his former company developed this really cool product. I was teaching at the university at the time, and he brought it to me and he said, "This is what we got. We think it's really cool."

I looked at it, and I said, "Do you realize what you have there?" He says, "Yes, we think it's this." Then I go, "Well, it could be that, but what you've also done is that you have solved a problem that we've been facing in the MRP, material-planning area for about the last 50 years." Chad looked at me and went, "Why's that a problem?"

Chad doesn't come out of the material-planning side. Chad grew up in the Theory of Constraints side. I grew up in the material-planning side. But I was so trapped in "this is how we always did things" that I understood the problem real well, but I would have never devised a solution.

Chad came up with this incredibly innovative solution, but didn't realize that what he'd solved was an entirely different problem than what he thought he'd solved. So it's sort of like at 3M when they invented Post-It notes? They were going for something else, but what they invented was this incredible adhesive that would come off and on as you needed it.

What Chad and his team came up with was the direction of a solution and the nuances of a solution that solved problems that we've been facing for 50 years.

Chad: Our biggest challenge, when Carol and I sat in that room and kind of noodled it over for a couple hours, was it became apparent that in moving this thing further, what we were going to have to do is go back to square one and really, really research and understand and articulate the magnitude of the problem. And I think that that's one of the reasons why Carol, in an earlier talk with you, Joe, alluded to a time when she was at the APICS International Conference in, I believe, Kansas City, and there was a standing-room-only crowd to speak on a particular topic, and it was like the precursor to this.

We knew that we were on to something because people kept telling us, "You're hitting the problem. This is my life. You've nailed the problem." That got us very excited because introducing the world or people to something new, to a new solution, the key starts with getting them to agree with you on the problem. Once you get all sides to agree on what the problem really is, the effects that it has on you and them, then the door opens for them to agree on what the solution is.

So that's where we're at now. We believe we've articulated the problem well enough, for most people that live in the planning world, the continuous-improvement world, the operational world, to say, "Yeah, this makes a lot of sense."

Now it's time for us to bring that solution to the world and say, "OK, if this is the problem, then now here's the road to the solution." And it's not an insurmountable task. It is going to require some rules to change. And I guess that shouldn't be a surprise to anybody. If something is fundamentally broken, then it's going to require a little bit of effort to change some of the rules.

Carol: In answer to your question, it was a classic example of how one plus one equals three. It's something that neither of us would have been able to do separately, but together, it was really very complementary. As Chad said, I understood the problem. He had a direction of the solution. It's taken time, as we've really noodled through and spent many, many hours on this and supported by research because so many times we stepped back and said, "Are we missing something? Is this really right?"

As Chad said, we have been absolutely overwhelmed by the acceptance in the marketplace, from the first APICS magazine that published one of the earliest white papers that they ran under the title called "Brilliant Vision" as the title story of the magazine. We sat back, and we went, "Whoa, maybe we got something here"--to the conference, to the initial reviews on Amazon on this book.

We think we're on to something here. It's really been a great collaboration. You never develop anything by yourself. It always takes a team. This is a good case here.

Chad: When McGraw-Hill approached us, came to us and offered us the opportunity to revise the Orlicky text... The Orlicky text, when Joe wrote that book, he says, in the book, there were 700 companies that were doing MRP or had committed to doing MRP at the time. That's 1975. If you think about the magnitude, the effect of what that book had on the industrialized world, it's staggering. And to be able to come back and rewrite that book and really go back to the vision that Joe had and say, "OK, now, the vision, how does that translate in today's circumstances?" and get the opportunity to lay that blueprint out, it's just been an absolutely phenomenal experience.

Joe: The regular supply-chain people, of course, should read the book. Who else should maybe read this book?

Chad: In my opinion, I think anybody that's interested in planning, working-capital reduction. The book is 536 pages, so it's not light reading by any stretch of the imagination.

Carol: At least with the Kindle version now, it's a little lighter.

Chad: I think the controllers, I think the CFOs of the world are going to want to take a look at this, too, or at least certain sections of it, because it has huge implications on working capital and how to use working capital properly, and how you can actually hurt yourself through all the well-intentioned efforts of working-capital reduction unless you do it in the right way. I think that the Lean professional, I think that the Six Sigma professional, I think that the Theory of Constraints professional is going to be acutely interested in this. I think the S&OP crowd should take a look at this. I think it represents a very good bridge between the S&OP process and the on-the-floor tactics in scheduling that needs to occur on a daily basis.

But once again, it is 29 chapters. It's 536 pages. It's one of those things that you'll have to digest there a little bit. But there's going to be parts of that book that appeal to many, many different parts of the organization, maybe even sales. Because one of the things that we talk about is it's very critical to know, to get the market's pulse on what lead time or acceptable lead times are. That's really a really key input into the DDMRP equation.

Carol: Yeah. I'd just summarize it as, anybody that is anywhere involved with a manufacturing company that wants to be competitive now and into the future.

Joe: I read the sales and marketing part, the other belief I have, and read certain other chapters of it. I can't say I read it cover to cover. It is very well-written. It was very easy to understand the different points you were trying to get across, so I compliment you on that.

Chad: Thank you.

Joe: But the one thing that I believe is marketing's role is changing so much within industry right now, and one of their requirements is bringing that pulse of that customer more directly into them four walls. I mean, that's one of their primary missions right now.

Carol: That's why we were so thrilled to highlight the sales and operations planning chapter that's in there. If you noticed, that chapter was written very different than the rest of the book because it was written by Dick Ling himself. Dick is the father of sales and operations planning. I mean, it would be like having Joe Orlicky still around talking about MRP. Dick is the guy that coined the term "sales and operations planning." He and Andy Coldrick have done some incredible new stuff in S&OP, and they'd never published it.

Dick is a friend of mine from the APICS days, and I called him up and we felt that it was very, very important to include sales and operations planning and that whole idea of marketing back to the customer and that customer's voice. I reached out to Dick to include some of the S&OP stuff, and he said, "Carol, Andy and I have had this huge breakthrough." He sent me a couple white papers that they had written, and then I asked him, I said, "Would you write a chapter for this book?"

Chad and I were so honored to include that chapter in this book because we just think it's such a necessary condition. But rather than trying to re-voice the man, the giant, that we were standing on his shoulders, it was the man himself wrote it. So that chapter does have an entirely different voice because it was written by Richard Ling.

Joe: You mentioned APICS here. You're going to be speaking there. Could you tell me when that conference is?

Carol: In late October, the APICS International Conference is coming to Pittsburgh, Pennsylvania, on October 23rd through the 25th. And Chad and I are going to be speaking on DDMRP on the 23rd, on Sunday and doing a book signing after that. So we're very excited to be bringing the APICS material back to APICS.

We think this is a great opportunity for APICS to stand up and take a leadership position, once again, like they did in the '70s with their MRP crusade that made APICS the largest professional society in the United States.

Joe: Chad and Carol, I'd like to thank you very much. This podcast will be available on the Business901 blog site and also the Business901 iTunes store. So, thanks again.

Chad: Thanks, Joe.

Carol: Thank you very much. Bye now.

Business901 *Podcast Transcription*

Implementing Lean Marketing Systems

Joseph T. Dager

Ph: 260-438-0411

Email: jtdager@business901.com

Web/Blog: http://www.business901.com

Twitter: @business901

What others say: *In the past 20 years, Joe and I have collaborated on many difficult issues. Joe's ability to combine his expertise with "out of the box" thinking is unsurpassed. He has always delivered quickly, cost effectively and with ingenuity. A brilliant mind that is always a pleasure to work with." James R.*

Joe Dager is President of Business901, a progressive company providing direction in areas **such as Lean Marketing, Product Marketing, Product Launches, and Re-Launches. As a Lean** Six Sigma Black Belt, Business901 provides and implements marketing, project and performance planning methodologies in small businesses. The simplicity of a single flexible model will create clarity for your staff and, as a result, better execution. My goal is to allow you spend your time on the **need versus the plan**.

An example of how we may work: Business901 could start with a consulting style utilizing an individual from your organization or a virtual assistance that is well versed in our principles. We have **capabilities to plug virtually any marketing function** into your process immediately. As proficiencies develop, Business901 moves into a coach's role supporting the process as needed. The goal of implementing a system is that the processes will become a habit and not an event.

Business901 *Podcast Opportunity* *Expert Status*