

# *Business901* Podcast Transcription

*Implementing Lean Marketing Systems*



## The Advantages of Lean in Food Safety

Guest was Preston Blevins

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**Preston Blevins discusses his new book *Food Safety Regulatory Compliance: Catalyst for a Lean and Sustainable Food Supply Chain (Resource Management)***

*Note: This is a transcription of a podcast. It has not gone through a professional editing process and may contain grammatical errors or incorrect formatting.*

## Transcription of the Podcast

**Joseph Dager:** Welcome everyone, this is Joe Dager the host of the Business901 podcast, with me today is Preston Blevins. Preston's career spans over 45 years with two related careers; the first as manufacturing operations and supply-chain practitioner, and the second in the ERP/supply-chain software industry. He recently authored the book, *Food Safety Regulatory Compliance: A Catalyst for a Lean and Sustainable Food Supply Chain*. Preston, I would like to welcome you and at first glance at the title of the book, I thought you bit off more than one person could chew. But after reading the book, I think you did a pretty good job.

**Preston Blevins:** Thank you, appreciate that. In the beginning, I underestimated how difficult it would be but once I got into it, I really enjoyed the research and the peer review by itself it was worth the effort of writing a book.

**Joe:** You did something that's pretty unusual. You put in an executive summary which seems common sense thing to do but not so common in most books. Why did you do it that way?

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**Preston:** Well, if you go to the owner or CEO of a food company particularly what I would call a tier two or three, what you'll find is that they don't have a lot of time to go through a 340 page text book. I wanted to outline for them the contents but also give them a sense of how they would assign chapters to different individuals within the company. They could create a plan and also make sure that when assignments were made that they could go back and determine whether the person actually had finished their assignment. You probably noticed in the book at the end of each chapter there are quizzes. Pretty big appendix and everything else so that was the intent, speak to the owner or CEO allow them to do some planning, cover Lean or cover Material Planning or cover Food Safety or cover Sustainability; they could actually parcel out assignments. That was the reason.

**Joe:** From reading the book, I came away with the impression; you do not view Regulatory Compliance as necessarily a bad thing for people. You took a very positive stance about it.

**Preston:** Yes, well first of all, food safety is an obligation. It's just like anything else, gun safety you name it, dealing with the air quality; it's an obligation, so it has to be dealt with. What I concluded after working with food companies for a period of several years was that many of them viewed it as a burden. What really is at the heart of both food safety and productivity improvement and the management of assets is the need for standard processes, rigorous compliance with those processes. If you have that then at least you can do a Kaizen event and improve it.

Also, data integrity was very important; timeliness of data really enhanced productivity

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improvement, and lately I've introduced that stronger in my conversations with individuals.

The FDA in a special report that was published about a year and a half ago really spoke to the new global food supply chain. One of the things that they recommended, there is a section called Productivity, what they said is that the current first world, the industrialized first world, the only way it will survive with all the competitors across the new global food supply chains is by improving productivity and so all these things go hand in hand. You've got to integrate the way you do food safety in the processes; you've got to make it less labor intensive, you've got to make it sure it's very accurate. It all kind of ties together; I just don't understand why many individuals didn't see it but sometimes the apparent is not apparent to everyone. That's what I tried to point out in the book, how everything comes together. You can leverage food safety or you can leverage operational excellence but they are both related. The things that drive them are all related.

**Joe:** Are we saying that regulations can help us become Lean?

**Preston:** Yes, almost certainly. It forces innovation. I was at the AME conference; I guess about four or five years ago and the gent from Toyota that established their first North American presence was there and from the audience one individual said, 'have you ever fired anyone for not performing?' He said no. I said, 'well, have you ever fired anyone?' He said, 'yes, I have fired individuals who said there were no issues because the correct answer would be; there are no issues, but I think I need to tighten our standards so that we have to innovate and get more efficient.' That was an interesting response on his part, but it's true.

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We can give you an example of the automotive industry, had we kept tight reins on reduction of emissions that we had 20 years ago because it was ratcheting up and then it was loosened for a period, today we would probably have cars that would get 75 miles per gallon on a standard engine. I think regulations, if they are well thought out forces innovation because in the end, you still have to make money, or you're not going to be in the market place. I think climate change, right now, can be the catalyst for a huge amount of innovation and it will be really something special to see over the next 10 years.

**Joe:** One of my favorite chapters was the last one about sustainability, and you were very upbeat about that and how to create sustainability and improve safety. I think that you addressed a little about the climate change in there.

**Preston:** Right, sustainability has more to do with GHG emissions. Water is really probably the most critical resource issue today because we're running out of what they call blue water. That's drinkable water that could be from aquifers, rivers, lakes, and basins in general. Food is very intensive user or creator of GHG emissions and it uses lots of water.

It depends on the product but by and large that's the case. Right now, all the tools to figure out what the supply chain is doing exist. If you take the SCOR supply chain modeling tool and SCOR's been around for about 15, 20 years, you can do it from a business perspective. You can go from field to fork and then you can layer on top of methodology that had that same humana view of the supply chain, it's called the Water Footprint Network. You can take that for emissions – GHG emissions you can take the field to fork

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view with a GHG Protocol Scope 3. So for the first time we've had the opportunity to figure out how much an apple really means or a can of tomato soup by way of emissions and water usage. They use the word virtual; that's cumulative throughout — it's almost like a cost roll up that you would use in ERP through a bill of material.

Again the innovations there have been funding for Lean initiatives beyond equipment use, maybe new equipment that was more efficient with energy use and water use by various agencies of the government where just simple Lean techniques have been applied, and they've had big reductions in energy consumption. I think it's going to be a gigantic innovation engine and anyone who's a laggard in bringing out water frugal products or emissions frugal products will wind up being jeopardized over time

If you go to the Carbon Disclosure Project that's actually a service to the global five hundred communities, you'll see that most of the participants in that forum are from the food companies, major ones, PepsiCo or their ultimate customer, the Walmarts of the world. It's getting very disciplined, and I would have to take another five or more minutes to describe how that all fits together with the GHG Protocol and the Carbon Disclosure Project.

Needless to say that there are major corporations and institutional investors who control \$88 trillion worth of investment money that are now looking at companies and how they're managing their carbon emissions, is there a reduction plan in place and how they are managing water use and is there a water use plan in place. All these large corporations that were early adopters, the Global 500, they are now pushing down the supply chain. I

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think in the book I make reference to the fact that some 80% of all procurement departments are trained in sustainability issues, and those obligations are those things that they'll be measured against before they get orders. This is the suppliers now, and the future will include sustainability criteria.

**Joe:** The individual farmers really need to be taking a look at this.

**Preston:** Well, a lot of them are taking a look at it, perhaps not all that should but I live in an area where avocado orchards are common place. In fact, there's a highway near our house is called the Avocado Highway. They've gone out, and they've learned how to do the watering that's efficient, just the characteristics from the tree and in some cases they've seen that larger orchards are not sustainable, so they've had to remove some because there's not enough water. Farmers, they can get their act together when they have to, and there's a lot of science that's being applied. I don't think that it's an excuse any longer because of technology; even a small farmer can deploy a lot of good things, a lot of systems and techniques, affordability is no longer a big issue on sustainability.

**Joe:** You have an extensive background in ERP.

**Preston:** Right.

**Joe:** What are some of the trends you see in software and compliance?

**Preston:** You and I, before we started the podcast, talked about cloud applications where

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it's a service. There is one company or several companies now that will take incoming documents from suppliers to their customer. It all deals with food regulatory safety and automatically analyze them even before their shipment arrives, and they'll put them in centralized databases. They are in the cloud, and they will fire out exception messages. I see a lot of cloud capabilities coming up; I see a fair amount of no touch data management and in this case they will list off their deals with compliance record keeping.

Mobility has become a big deal and in some cases the consumer has probably raced ahead of the manufacturing community or the farming community and that they've all been mobile. I mean people do a lot of things on their iPhone and their iPad or the equivalent of it. Everything's going wireless and mobile, and it's having an impact. Information's available instantly, in fact, information pollution is probably more of a problem, get too much of it, and you can't make a decision. So decision support has always been a big deal in manufacturing, in all aspects of our economy. I think the technology itself is forcing the change within the ERP community itself and expectations of users have increased; they don't want complicated applications; they want human engineered screens; they want information whenever they want it and want to get it wherever they're at, not sitting at their desk.

**Joe:** How can individual food industries, let's say, be more proactive with the regulations? Can they participate in helping form them?

**Preston:** The regulations are being formed. First of all, I think the FDA has less clout on a day to day business basis than the Global Food Safety Initiative, which is industry driven



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from the large retail communities in the very large food companies. It's far more disciplined, far more comprehensive than what the FDA has to offer. In fact what, the FDA has to offer is just a block, a building block within that whole GFSI boundary. The two schemes seem to be the most popular are the BRC and SQF. Today if you're a second, third tier food supplier in any way, be it ingredient or whatever the case may be you're going to be subjected to annual audits. You're going to have to first get approved, and I think the BRC and SQF profiles or criteria are fairly disciplined. Food companies can influence anything but in the end, the risk management starting with the Walmarts of the world and PepsiCo and whoever else, they're almost self-regulating, and it's even more disciplined in my mind at least than the FDA. The only thing they don't have is that they don't have the authority to shut you down but then they do have, if someone's adhering strictly to that, they won't just give you the order anymore, your customer won't give you the order.

**Joe:** What's on their future plate? What are they really driving? Do you have an insight to their concerns?

**Preston:** There are pressures about labeling going on right now. I think over time, let's say, within the next five years, they will start to see an emphasis on water content of something that a consumer buys, the GHG emissions that are gathering steam.

I think water will come first because as a resource; we're in a more critical condition particularly in, let's say, the Western U.S., and other parts of the world. In fact, with global warming and it's been stabilized because of some natural cycles for the next five or 10

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years. But with global warming which average you have more water where you usually have lots of water, and you have less water where you have usually not much water. I think water content will get in there, the big emphasis, at least in the U.S., and I know in Europe there's always been an emphasis on health, their nutritional values, and lots of things going on.

This is what attracted me into the food industry is that there's a constant set of pressure. All the things being demanded are good for society, and they represent challenges and those who address the challenges first are going to be market leaders, and they're going to come out ahead. The key is just to keep in touch, be persistent and make it like Lean. Lean is a – it's a system; it's just not a set of tools, it's a system. Dealing with Food Regulatory Compliance is something where you try to absorb it, make it efficient, get a benefit out of it. I think that there's a dynamic right now that's very positive.

**Joe:** It's not about resisting change; it's really about adapting the change and making it work for you.

**Preston:** Yes, it would be, in fact, you'd want to leverage it, change is an opportunity.

**Joe:** I think one of the things that I've heard the food industry insist is that they have to follow regulations that maybe someone else doesn't, let's say, in another country. How does that work outside of United States?

**Preston:** Well, you remember at least in the case of the FDA; they are making it a

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requirement that imported food be managed to the same criteria as domestically generated food. GFSI originates outside the boundary and it's an organization out of, I believe Switzerland, if my recollection is correct. The real key is that the ones, who dictate the flow of revenue and purchasing within the food supply chain, are going to protect themselves, and they're going to make sure that there are mechanisms in place so that anything imported is safe. So, they'll impose that requirement probably — they have imposed it well in advance of the FDA because they're just — again it's a risk management issue.

**Joe:** I appreciate all this information you've given us but about your book, it's separated, I think and broken down very well as you alluded to earlier that certain people will look at the ERP, certain people will look at sustainability, certain people will look at the supply chain. Who did you think that would really benefit the most from it?

**Preston:** If I'm a major supplier, a major customer, and I have a myriad of small to medium sized suppliers. I want to cultivate my supply chain because that's my value chain, right? And I want to cultivate that, so I want a system, and I think Toyota, using a different out of industry analogy, outside of food, did a great job in creating Toyota City where they cultivated a supply chain. Every company within that supply chain was coached and so they could use the book in many ways to start the process of improving their supplier's operating environment and their ability to economically comply with food safety requirements.

If you're a tier two or three supplier, you would benefit because it — when I spent time at BatchMaster several years, I ran into all kinds of small food companies. They are operating

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spreadsheets, and they don't know what to do. They've got six or seven spreadsheets and legacy accounting system and everybody is running around, everything's just – it's just not integrated. They're very inefficient so they would benefit from the book. I think the one thread that is very consistent in my mind is there's one chapter where I took the top 10 issues in food. I used cause and effect thinking to it. I think that's lacking in the United States in general. We're all kind of formula based; calculation based, methodology based and we really don't try to sit down and think through what is the root cause of the problem. If you remember that chapter, what I did is, I laid out strategies for each of the 10 issues. What we really found was that eight of the 10 issues were all interrelated, and there was a logical starting point and a logical ending point, which in this case, happened to be food safety.

So cause and effect thinking just getting people to say, 'wait a minute, maybe we need to cultivate some skills and inclinations within our organization that's a little bit different from traditional approaches.' I think that was helpful. The other one that I felt very strongly about particularly when you get down to small to medium sized food companies is they can't recruit a lot of talent. Food industry isn't as glamorous as going into aerospace or defense or making the latest, greatest computer software. I really went into work force development and how you would upgrade a work force and cultivate a high performance work force from individuals who had a modest education.

Work force development is another major benefit to get that thinking going that you got to work with what you have. You look at all the Lean techniques; cause and effect thinking is very sympathetic to Lean or vice versa. They're really interrelated. Techniques like value

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stream mapping, spaghetti diagrams' talking Lean now, Kaizen events, those are all things that our work force can be trained to do. Infuse them with this idea that a day to day improvement is part of the culture, and it's a good thing for them and everyone. Those are the take away; it would be the cause and effect thinking, and the beneficiaries are really the supply chain master in all the participants and also the idea that work force development is critical to future success. Again going back to that FDA report where they talked about continuous productivity improvement as the only survival strategy that will work for North American food companies, they actually come out and said that. This all contributes that continuous productivity is needed.

**Joe:** I think you did a great job. I have to admit when I did the quizzes in the back of the chapters before I started reading, and there were certain chapters that I definitely needed to read. It really gave me some glaring insight to where my knowledge base was. Is there anything you'd like to add about regulatory compliance that maybe I didn't ask?

**Preston:** I want to emphasize that they're interconnected, they're beneficial. Those who are positive and try to be opportunistic and make it work better for them, who absorb it quicker, will probably be the market leaders. The FDA has warned that those who don't improve productivity and food safety and lockstep may not be around in the future because of the global food supply chain. I personally think looking – we have to respect the FDA because they have legal authority, but I think GFSI and all the schemes associated with that, be it BRC or SQF need to be taken seriously. People should enjoy the challenge and try to conquer it and feel pride in the fact that they're running a productive, highly efficient organization that produces a safe product with a work force that enjoys being with that

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organization.

**Joe:** Where can someone learn more about the book and also contact you?

**Preston:** One, I have a LinkedIn profile, so it's under Preston W Blevins. I also have a website that's embryonic but it could also be found under Preston W Blevins and then if I just did a simple look up on the book of – I just put into Google or whatever you want to use as a search engine, Preston W Blevins; that's B-L-E-V-I-N-S, and then CRC Press and there's a full website that CRC Press has put up for the book, and it pops right up. It's pretty easy to find, and it has bios and table contents and all kinds of stuffs that everyone would find useful. It's also now available as an eBook, which I'm happy that that was done.

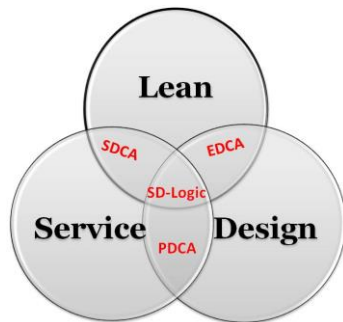
**Joe:** I would like to thank you very much Preston.

**Preston:** Thank you.

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