● Change your viewpoint
  o After response time compression in your manufacturing/operating platform ........
    “You’re no longer a manufacturing company that happens to manage inventory........you’re an inventory management company that just happens to manufacture the good.”

● Understand and pursue The Primary Metrics
  o Customer  → Perfect Order Delivery & Fill Rate
  o Cost  → Value Chain Expense
  o Cash  → Free Cash Flow, Cash Conversion Cycle, Cash Conversion Ratio
The shift must be made from the right histogram to the left histogram. Otherwise, efforts to streamline the value chain are severely limited.....as people will mitigate risk using inventory as the hedge.
Customer order policies must be established downstream and supplier replenishment “rhythms” established upstream. Otherwise, the response improvements within the production facility are not properly leveraged.

Reduced WIP in factory drives increased Raw Material unless demand is shared with suppliers and provisioning is pulled from suppliers as factory consumption occurs.

Reduced cycle time and increased capacity drive increased Finished Goods unless customer integration enables reliable “true” demand picture.
Supply Chain Complexity – not a “one-size-fits-all” strategy

Order to Ship Optimization
Architecting an overall supply chain strategy will help align activities, embed process, and prevent Random Acts of Lean.

**Overall Goals:** Improved service levels, cost, speed-to-cash
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**Overall Goals:** Improved service levels, cost, speed-to-cash
Free Cash Flow is best served when customer demand is matched to capable supply. Sustained working capital reduction only occurs when the overall supply chain is architected versus “elements” that seldom tie.

Cash Management is a function of forecasting, collecting, disbursing, investing, and planning for the cash a company needs to operate smoothly.

Net Income + Amortization/Depreciation - Changes in Working Capital - Capital Expenditures

= Free Cash Flow

Core Discounted Cash Flow driver for Wall Street, Investors and Enterprise Valuations (Higher Free Cash flow and outlook = Higher Stock Price)
While many companies assume they are demand-driven, nothing could be further from the truth...

<table>
<thead>
<tr>
<th>Misconception #1</th>
<th>• We are demand-driven because we have complex forecasting tools</th>
</tr>
</thead>
<tbody>
<tr>
<td>Misconception #2</td>
<td>• We are demand-driven because we have implemented Lean manufacturing</td>
</tr>
<tr>
<td>Misconception #3</td>
<td>• The marketing department has detailed data on all customers which will allows us to become demand-driven</td>
</tr>
<tr>
<td>Misconception #4</td>
<td>• The corporate forecast is a demand visibility signal</td>
</tr>
<tr>
<td>Misconception #5</td>
<td>• Sales and Operations Planning allows us to be a demand-driven company</td>
</tr>
<tr>
<td>Misconception #6</td>
<td>• Becoming demand-driven is a technology project</td>
</tr>
<tr>
<td>Misconception #7</td>
<td>• Demand-Driven starts and ends with the factories</td>
</tr>
</tbody>
</table>
Considerations...

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