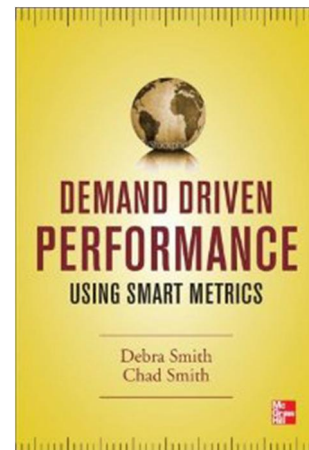


# YOU CAN DO THIS

## A CEO'S PERSPECTIVE

By Dan Eckermann

From the Foreword of *Demand Driven Performance – Using Smart Metrics*, Dan Eckermann explains how the Demand Driven methods helped turn around an American manufacturing icon. As President and CEO of LeTourneau Technologies, Inc. (LTI) Dan guided the implementation of these tactics across one of the most complicated and volatile environments in manufacturing and supply chain.



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I can easily identify with your state-of-mind if, after reading this book you still ponder whether the potentials described herein are real. I had these doubts myself at one time. I had previously believed that these types of methodologies would only work in high volume, low mix operations like those in Detroit, or perhaps in other well-defined operations with highly repetitive nature. I had nearly convinced myself that these methodologies could not possibly work at LeTourneau Technologies, Inc where complexity in operations at our Longview plant was severe (understatement); i.e., highly integrated vertically, from scrap steel to finished product; 600,000 BOM Records; 165,000 Part Numbers; 60,000 Manufacturing Orders annually; 290,000 Manufacturing Operations annually; and, 500,000 Drawings. These are WOW numbers by anyone's measure for managing logistics. The logistics challenge is rarely this complex for most companies.



**Why is it so hard for manufacturing executives to capture more of “the gold” from their operations?**

The short answer is that they often do not see “the gold”! Even when they do see it, they may not believe that it *can* be captured; and, when they do see it, and believe that it *can* be captured, they often do not know how. This is partially explained in that company logistics can be complex, and that our natural behavior does not always lead us to doing the right thing, the right way in such complex situations. In fact, our natural behavior can easily make a complex logistical situation worse; as, there are many examples of this happening in practice. The type of work processes referenced herein for addressing complex logistical situations are not intuitive, and certainly not simple. If they were simple, everyone would be doing them, and doing them right! In this book, the authors will present methods that are proven to work. Once explained, logic will prevail; and, their understanding will become easier.

Here is further explanation for not capturing “the gold” that relates to how and where management typically focuses. For example, it is completely natural for a manufacturing executive to achieve an effective selling function, as he or she seems to always understand how important this function is to the company's success. Similarly, the same management mind-set normally understands the functional importance of engineering, production, accounting, HR and IT; and therefore focuses here with




expectations. To the contrary, the management of logistics by the same executives is often expected to somehow “happen” without deliberate focus.


This management mind-set frequently looks to the functions of purchasing, production control and similarly titled functions to inherently perform their supply chain management, and often believes that these functions are producing the best results possible. After all, these functions are likely achieving results comparable to those of the past; and, with an acceptance of past norms being good-enough, this management mind-set fails to see that these seemingly hard working employees almost never achieve the results that may be possible. **Bottom line:** This mind-set in management does not expect, nor demands the achievement of real, break-thru improvements in their respective supply chains.

Even when and where the achievement of real, break-thru improvements are expected in a company’s supply chain management, it is rare to find leadership that is capable of applying well-thought methods *through-out* the organization, beginning with the top. Pause here for a moment and ponder these basic questions. Where is your CEO on this matter? Is this person visibly involved, leading the charge? We know that this person cares about improving your company results, but have you informed him or her of what is realistically possible? Have you informed this person of how much “gold” is there to be had? And, have you informed this person of how much of “the gold” is not currently being captured?

Doing “the right thing, the right way” in supply chain management clearly requires breaking from convention and tradition. Through managing difficult challenges in an unusually complex case, I know that there are better ways to manage company logistics than what many companies are practicing today. From this experience, I also know with solid confidence that many companies can improve their bottom line by first *seeing* “the gold”, and then by *knowing* how to capture “the same gold” with right actions. **Clearly, method improvement should be pursued before spending more Cap-Ex for many companies!** Fortunately in this era of time, there are proven methodologies and excellent consultant services available that can assist in making your break-thru improvements happen in practice. This book conveys effective methods that provide many answers in these regards.

A real-world case with LeTourneau Technologies, Inc (LTI) is only one example where much more of “the gold” was indeed captured in modern times. This improved capture happened through a dramatic shift in management thinking and through much hard work in the path to improvement. This USA manufacturing







legend, whose roots date to the 1920s, had developed substantial assets and advantages that became the envy of many heavy equipment manufacturers; i.e., *excellent technologies; strong market participation on six continents; huge production capability; excellent brand name, and extraordinary work ethics throughout the organization in essentially all functions and locations.* With this backdrop, one might be prompted to say, “For what more can one ask?” The short answer for LTI became “better logistics management”, the kind that makes customers happy and the kind that falls right to the bottom line! Many companies miss “the gold” right here in logistics management.

It is a tribute to the many employees of LTI who helped this manufacturing giant to survive for many decades into its modern setting. Unlike many other USA manufacturing companies who fled offshore, reportedly to survive, the excellent employees at LTI achieved the accomplishments and advantages defined above, right here in the USA! Even with that acknowledgment, these employees admittedly practiced their extraordinary work ethics with a severe handicap; as, LTI had not yet become proficient at logistics management. In fact, we may have rated only “3” on a scale of “0-10”, with “10” being what could have been possible through effective logistics management. This failure was portrayed in several negatives, largely summarized as: (1) poor on-time delivery to the customer; and, (2) unacceptable return-on-average capital employed.

This failure to manage logistics occurred in spite of heroic efforts by our employees who had become very good at expediting, pushing hard, working lots of overtime, etc! Remember, this was an organization known for its extraordinary work ethics. They were indeed recognized as the “can do” crowd! In spite of their inherent work behaviors, these same hard-working employees eventually became exhausted at trying their normal intuitive work actions, over and over again, without achieving acceptable results, and without capturing enough of “the gold”. It was this exhaustion that led to our ultimate break from convention and tradition in managing logistics. Give us credit at this point in our rich company history for not giving up and for relentlessly believing that there was indeed a better way!

Now, fast-forward to our initial encounter with a highly capable consulting group and their ability to apply a very effective methodology that had not yet become well-known in broad manufacturing circles. We followed their methods much akin to those addressed in this book. Many in the manufacturing world still do not know of these methods; and even where there is awareness of their existence, knowledge and leadership in their execution is lacking. This is not criticism of any person’s intelligence; rather, it is an







acknowledgment that these implementations are not easy; and again, not intuitive. Among the typical priorities that become routine in many companies, it is often very easy for logistics management to be pushed aside for other “more pressing” matters; and, this makes these types of method implementations even more difficult, with less probability of capturing “the gold”.

Fast-forward again, this time to several years later, to the same company operations with the same employees including the same managers, BUT with different methods. For this important LTI case history, there is not enough space herein to address the entire improvement path pursued, including the many associated work actions. Nonetheless, this era is well-documented including its favorable results. While perhaps difficult to believe for anyone who has not yet been engaged in this type improvement work, some of the key results from this era are summarized here: *dramatic improvement in on-time delivery with routine meeting of customer expectations, contrasted from our previous times of rarely meeting customers’ delivery expectations; multiple volume growth in new large equipment production, from the same facility that previously was believed to be operating at capacity with lesser volumes; multiples of volume growth in the complex after-market parts business segment that contributed substantially to company profitability; hard-working employees moved from working in frustration to working with more defined purpose and achieving favorable results; return-on average capital-employed improved by multiples; and, for the company ownership, it eventually became possible to sell the company for approximately 25X their net investment after 17 years of ownership.* These are the facts. Admittedly, as CEO for 13 years, there were many concurrent improvements that contributed to these very favorable results; however, it was clearly the improved management of company logistics that allowed most other improvements to happen. It was indeed better logistics management that was the *theme* improvement that permitted essentially all other improvements. In essence, the benefits of increased volume would not have happened without better management of flow. I believe this strongly with much logic and reason. These same operations had nearly always stuttered with volume surges in the past, but not this time!

Keeping with candor, I acknowledge a failure within our company in the same era by local management at another company location which also had substantial manufacturing capability and many hard-working employees. This local management chose to not use the same methods described herein to pursue their logistics management improvement, and their ensuing results at this second company location became negative. While this was indeed negative, it further proved the authenticity of the improvements






achieved simultaneously at the headquarters location. The comparison of these two sets of results within the same company and within the same market era, those *with* effective logistics management and those *without*, proved again that the methods described herein work in practice; and that vice versa, operating results are not as good when not so practiced.

Later, there was another event in the company that further proved the convincing case for the methodologies presented in this book. Shortly after the company sale referenced above, the new owner chose to partially abandon the methods that had been put into practice so successfully at the company headquarters location. This departure from these good methods in one large part of the operations was not mal-intended, but almost certainly a case of not understanding the power of the methods addressed in this book. Almost immediately, the previous excellent results began deteriorating. In essence, the same operations, with their same physical capacities, their same hard working employees, etc. soon slipped into poor on-time deliveries in spite of *lesser volume*. Within the same physical location but in a separate part of these large operations, the business unit managers chose to continue the good methods that had been implemented earlier. The favorable results in this business unit continued. This proved once again that these methods work when properly applied; or vice versa, it proved that favorable results are difficult to achieve in complex logistics management when effective methods are not applied. It admittedly requires “champions” of the improvement cause.

In spite of these very convincing experiences, many companies may continue to operate in their daily ruts, by “doing what they’ve always done, and getting what they always got”. Others, however, may choose to seek real, break-thru improvements with consistency, and ask, “Why not?” It is indeed a choice, and a very important choice for most. I personally believe that life is too short to not try for break-thru improvements; and, for those who desire to make such a difference in their respective companies, I recommend the following path of action:

1. Educate yourself by studying the basic literature available on these methodologies.
  2. Read and comprehend the contents of *this* book, *after* gaining your basic proficiency above.
  3. Become a catalyst to improve your operations with undying propensity to enlist internal support.
  4. Seek external help with experience in these methodologies that can expedite your improvements.
  5. Engage and convert your top management, by starting with any executive, and not stopping until the highest-level executive leads the implementation with a “stay-the-course” mind-set.
  6. Finally, never ever give-up; and, always “go hard”. Your company *can* do this.
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In closing, as I witnessed our employees succeed in their application of the methods addressed herein, I became a believer. I became well-read on the subject in the process. Admittedly, it took me longer than others, as I had to see to believe. Where have you heard this before? **I can attest that the methods described in this book worked in one of the most complex manufacturing operations that you can imagine with very effective results.** I wish that you could speak with the people to whom this book is dedicated as I personally learned much from Rudy M. Harris who saw our work into fruition. Eventually, I moved beyond being only a believer, to becoming truly passionate about improving company results through applying these methods. Trust me, “this stuff works”. I know, from experience!

### About Dan Eckermann

Dan Eckermann is a native Texan and spent nearly his entire career working in energy and mining related manufacturing. He served on the National Petroleum Council, an advisory body to the Secretary of Energy and is still a passionate “student” of energy. Dan worked for LeTourneau Technologies, Inc. (LTI) for a quarter century, as an operations manager within a business unit, as a business unit head and then spent his final 13 years as company head (President & CEO) until retirement. During his tenure as President and CEO LTI grew nearly tenfold.



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