



Art Koch's Profit Chain® Series

2021 = Optimism

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As we exited 2020, I stepped back and reflected on the past year, looking forward with optimism for 2021.

Even though 2020 was a troubled year, I'm not going to rehash the details. I

believe there are multiple bright spots of hope ahead and an excellent reason to have confidence in humanity.

1. Historically, pandemics have lasted approximately two years. We are now one year into the COVID pandemic. I'm hopeful we will see the light at the end of the tunnel with this pandemic very soon.
 2. I'm utterly amazed at how swift the world's pharma industry and regulatory agencies developed and approved a new vaccine for COVID. I'm optimistic about how industry and government regulators can unite with a common goal, which offers hope for solving other world-wide issues such as AIDS, malnutrition, malaria, and climate change.
 3. Again, I'm astounded by the confidence that investors have demonstrated in the worldwide financial markets. They have barely missed a beat.
 4. The December, Institute of Supply Management (ISM) Purchasing Managers Index increased to 60.7 (anything above 50 indicates growth) brings hope that our economic cycle has shifted toward growth, representing six continuous months of growth and is the highest since August 2018. Please see https://ycharts.com/indicators/us_pmi for a complete history.
 5. Finally, democracy has prevailed, which brings hope that the democratic model of the United States will continue to be the one that the world emulates.
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As we enter 2021, I am optimistic that the manufacturing sector is moving in the right direction. We are aware that the COVID pandemic of 2020 caused a seismic disruption to the world's supply chains that sent a tidal wave through the industrial and retail sectors. Depending on the survey used, 76% to 84% of executives said they needed to rethink their manufacturing footprint and supply chain strategy. They signaled confidence in their organization's ability to compress lead-times by reshoring and insourcing operation-critical parts to regain control of their supply base.

The December ISM Purchasing Managers Index increase brings hope that the NA Industrial sector continues expansion.



I am pausing here to draw attention to the fact that private equity has \$1.5 trillion, yes, TRILLION, of dry powder on the sidelines, ready to invest. I'm hopeful that the smart money will heavily invest in the North American industrial sector since executives have signaled a desire to compress lead-times by nearshoring, reshoring, and insourcing.

I have great confidence that we will experience three to five years of strong growth in NA industrials. There will be a similar parallel in demand for operations, supply chain, and skilled professionals to support the resurgence.

Here are three of the many areas to be addressed to get ahead of the growth cycle:

1. Invest in supply chain professionals.
2. Address broken processes, inaccurate inventory, and data integrity.
3. Process sustainability
4. ...
5. ...

How are you preparing for the next wave of expansion? How are you demonstrating

and communicating your hope, confidence, and optimism for the next 3-5 years to the organization?

Art Koch's Profit Chain®

Create dramatic improvements to inventory velocity, customer service, and corporate profits.

If you have any questions or concerns about your operations and supply chain business strategy, please contact me by [e-mail](#) or at +1 (336) 260-9441.

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Self-Ranking - Pick one of the four questions below and then fill in your comments in the space provided.

1. Don't think this applies to your business or enterprise? (Write three to four reasons why it might not.)
2. This is a new idea and strategy; it's something we need to work toward. (Brainstorm the first steps.)
3. We can do better, modify our strategy, and now we are moving in the right direction. (What are the next steps to ensure success?)
4. Our team gets the necessary time to keep their minds fresh, and we have plans to live our dreams. (Comment on how you're ready.)

- _____.
 - _____.
 - _____.
 - _____.
-

Organizational recognition of the need for change	High	2. This is a new idea and strategy. We recognize it's something we should be working toward.	4. We are doing it and have a high degree of confidence in our process and results.
	Low	1. Doesn't apply to our business.	3. We are trying this methodology. However, we could be doing better.
		Low	High

Organizational drive for on going process improvements

Don't be afraid to call with any questions or comments.

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The Inventory Doctor™

Assessing the health of enterprise inventory and procurement practices.

Inventory Is Evil!™

in·ven·to·ry / 'in-vən-ˌtôr-ē / noun

Inventory is the term for the goods available for sale and raw materials used to produce goods available for sale.

in·ven·to·ry is evil! / 'in-vən-ˌtôr-ē is 'ē-vəl / phrase

"Left unchecked inventory has many negative unintended consequences to profitability. It hides problems; **therefore, it delays fixing problems!**"

Turning Operational Problems into Profits™

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Thanks in advance for your time and for being a loyal client. Looking forward to helping you and your team again soon.

Carpe diem,

[Art Koch](#)

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