

# Welcome to the RA Stahl Company executive S&OP Newsletter

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## My Expert Witness Experience Good News - Bad News

The GOOD NEWS is that a company, and it's leaders, were being charged with legal accountability for telling the investing public things that were allegedly not true about their demand, supply, and inventory status. The case centered on the fact that if their leadership did not know their claims were allegedly untrue, they should have known. Their allegedly false statements caused their stock value to rise dramatically. The BAD NEWS is that the case was not brought to complete fruition. Let me explain!

In August of 2016, I was selected by a couple of law firms to join their team as an "Expert Witness." As part of the law firms' work, they brought cases to court involving corporations and executives who have had problems upholding their responsibilities to shareholders. Specifically in this case, the CEO communicated to the investing public that ". . . we are definitely being stretched . . . demand is definitely stretching our ability to supply. And we've not quite caught up with that demand curve yet." This, of course, painted a very favorable picture, causing their stock to be in high demand.

The problem was that his statements about demand, supply, and inventory were allegedly not true. As the Expert Witness for the plaintiff, I took data provided by the company for the "case period" and put it in a *Holistic View*, showing demand, supply, and inventory, ala eS&OP. (See the *Bullets from Bob* piece below for further discussion.) This Holistic View dramatically demonstrated that in (9) nine of the (10) months involved, the company out produced demand, causing total inventory to increase by 256%.

The company's leadership claimed to be ignorant of these facts. When the investing public knew the actual facts, the stock price fell precipitously at great loss to the investors and stockholders.

In short, if the company was following "**Generally Accepted Manufacturing Principles (GAMP)**" - specifically, eS&OP practices -- this claim of ignorance could not have existed. I was hoping that the company and its executives would be found liable for not conforming to **GAMP** in the same way companies and executives are held accountable for "**Generally Accepted Accounting Principles**" when violations happen.

The BAD NEWS is that this case did not go to a jury for a finding of liability. The plaintiff and defense law firms agreed to a settlement for a relatively minor sum, "with prejudice." Legally that term means that there is NO admission of liability and that the case cannot be tried again.

While I was disappointed in this outcome, I think this case does represent a major step forward for our field in that the case was brought. I was, however, hopping for a liability verdict. Although disappointed, I was thrilled to be part of this break-through case, and to work with some first rate attorneys.



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### Sales & Operations Planning

The Executive's Guide

- Balancing Demand and Supply
- Aligning Units and SSS
- Enhancing Teamwork

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Robert A. Stahl

### Sales & Operations Planning

The How-To Handbook

How To Understand It  
How To Implement It With Low Risk and Low Cost  
How To Make It Better and Better

Thomas F. Wallace  
Robert A. Stahl

# BULLETS from BOB

## The Holistic View

### ***An Integral Part of eS&OP***

The dictionary defines Holistic as " . . . characterized by comprehension of the parts of something as intimately interconnected and explicable only by reference to the whole . . . "

eS&OP's Holistic View does exactly that. It paints a single picture (graph) of all of the interconnected data for a company regarding demand, supply, inventory, and/or backlog. The "whole" can only be comprehended when looking at ALL of the data in one picture.

As W. Edwards Deming demonstrated with regard to Statistical Process Control (SPC), the visualization of statistical data is important to human understanding - i.e., bell shaped curve, run charts, control charts, and the like. This visualization breakthrough was the foundation for the revolutionary development of the Six Sigma / Total Quality Management (6σ/TQM) movement. It revolutionized how companies dealt with variability and all of its implications.

Similarly, eS&OP takes all of the data regarding the supply chain and puts it in a single picture (see insert for an example, taken from the S&OP How-To Handbook, where it is fully explained). As with the 6σ/TQM movement, in eS&OP, the data graphically presented is necessary but not sufficient to gain full

understanding. As with 6σ/TQM, the data picture must be coupled with a defined and disciplined process that deals with the disagreements and conflicts that it brings to light.

When an executive team views this Holistic Picture, it brings about different observations, causing intrinsic disagreement, based on functional prisms.

Resolving that disagreement into

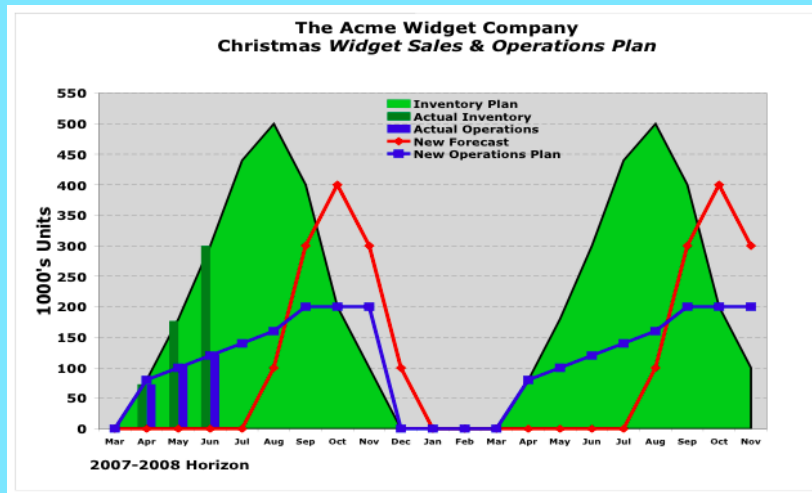
a consensus strategy, policy, budget, and risk acceptance is what eS&OP is all about. Left unresolved, this disagreement becomes lasting conflict that inhibits the alignment of human energy, diminishing an organization's abilities.

Obviously, data organization and presentation is part of this vital activity of gaining consensus. Everett Dirksen (Senator, IL) many years ago put it well ... "we have to learn how to disagree without being disagreeable." This change in behavior is one of the main keys to success with eS&OP.

## **Blizzard of Data**

In the last few weeks, I've read several articles, proclaiming that too many eS&OP implementations fail. They claim that more or better data would have prevented such. Nothing could be further from the truth!

As Lora Cecera's research has indicated, for those who have learned how to use eS&OP at a high



As Lora Eccere's research has indicated, for those who have learned how to use eS&OP at a high level state the following reasons for their success:

- 60% - Culture or behavior change by ALL
- 30% - Process definition and high discipline to it
- 10% - Technology

Technology is quite necessary, but NOT sufficient. Improving culture and process is where you should put your time and effort if you wish to get the full potential of eS&OP.

For more eS&OP insights, refer to my web site for free downloads, and order one or more of our books at:

[www.RAStahlCompany.com](http://www.RAStahlCompany.com)



Thanks for listening & Best Wishes,  
Bob Stahl

**Note:** If you have questions, comments, please don't hesitate to contact me.

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**Bob Stahl** has spent 40-plus years as a practitioner and counsel to manufacturing companies.

He is a teacher, writer, and eS&OP coach. He has coauthored six books, including *Sales & Operations Planning--The How-To Handbook, 3<sup>rd</sup> Edition*, and *Sales & Operations Planning--The Executive's Guide*. Three of his books have been used for professional certification. Bob was the inaugural S&OP Editor for the International Institute of Forecasters' (IIF) *Foresight Journal*.

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