

Welcome to the RA Stahl Company Executive S&OP Newsletter

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www.RAStahlCompany.com

IT'S A NEW YEAR!

As this New Year begins to unfold, it is filled with optimism and enthusiasm based on the dramatic improvements thus far, and the booming economies around the world. Let's hope that this optimism continues to be converted in ways that benefit all people.

Companies and corporations thus far have responded very favorably to their improved circumstances, spreading the benefits over their entire population of employees. This is terrific and will continue only if these companies and corporations can further capitalize on the opportunities now present. That, of course is not a given. Whether they will continue and expand, depends on how companies respond in kind.

For that reason, I've penned the below BULLET, titled, "*Becoming Master of Your Own Destiny.*"
Enjoy!

BULLET FROM BOB

Becoming Master of Your Own Destiny

Today's stimulated and expanding domestic and global economies present both opportunities and risks. How a particular company will fare, depends largely on how well it can respond to the massive uncertainty that's sure to be part of it.

Anticipating demand is inherently unpredictable, whether the situation is boom or bust. Business leaders today have an ever-increasing amount of data at their fingertips. This additional data does improve modeled predictability, but all the data in the world will not eliminate the intrinsic uncertainty of demand anticipation (i.e., forecasting). Some companies will be fooled by this illusion of precision and control. I call that the "*perception of precision*" that is a real danger.

For sure, balancing demand and supply remains an imperative to a successful company. The key to success, however, is not to try to predict the variability of demand, but rather to employ a strong process that ***manages through*** the variability. David Orrell of the International Institute of Forecasters (IIF) has said: "*We should spend less time trying to perfectly predict the future, and more time on preparing for its inevitable variability.*"

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massive uncertainty . . .***

In our book, ***Sales Forecasting - A New Approach***, Tom Wallace and I presented a few things about forecasting:

- Focus on process improvement, not forecast accuracy
- Emphasize Teamwork, not Formulas
- Forecast Less, not More (do *Postponement*)

We suggest these techniques because we realized that the work of getting an "accurate" forecast reaches its



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Bullet from Bob

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point of diminishing return very quickly, regardless of data availability and mathematic modeling power. Getting a good forecast is the result of defining and establishing a robust process that focuses on getting a forecast that is reasoned, reasonable, credible, and transparent. This is a human, not a mathematical exercise.

Succeeding in this world of increasing uncertainty will involve managing through the external variability, and working to eliminate the internal variability (upstream to suppliers and downstream to customers). To accomplish this, will require three things:

- **Get on the same page** - inside your company collaboratively agree on the needed flexibility and response time, acknowledging constraints of working capital, financial performance, and risk - providing the foundation for a viable strategy.
- **Simplify** - don't get lost in the massive volume of data available . . . see the forest, not the trees. Don't fall victim to the "perception of precision" requiring more and more data.
- **Engage** - all members, up and down the supply chain, with regard to external variability and the tolerance windows, and the elimination (or drastic reduction) of internal variability through the use of Lean & Postponement methodologies.

The most effective way for leadership to manage through this uncertainty is with an authentic executive S&OP (eS&OP) process. For maximum impact, however, it must be embraced across the entire organization, due to its behavior change component. Moreover, some of the best practices in eS&OP are counterintuitive such as operating with less detail, focusing on policy, strategy, and risk. The benefits of a successful implementation are indeed transformational: increased operating profit, reduced working capital, and gaining improved service levels, doing things not before possible through the alignment of human energy.

One CEO, Phil Dolci, speaks to overcoming disagreement that in turn aligns human energy: "...the hard benefits are substantial...but, the intangible benefits are just as valuable. We have much better teamwork because of the engagement and constructive conflicts that are natural components of eS&OP. This approach has extended to almost every process and function within the business, which is not something I anticipated as a benefit when we started implementing eS&OP"

You can read the entire interview with Phil Dolci at the following link:

<http://rastahl.fatcow.com/A%20CEO's%20Perspective%20on%20S&OP%20and%20Forecasting.pdf>

**For more eS&OP insights, refer to my web site, and one
or more of our books at:
www.RAStahlCompany.com**



STILL LOOKING FOR OUR BOOKS?

As two of the top Executive S&OP consultants in the world, Tom Wallace and I have authored a collection of books that has proven essential to many businesses and business students throughout the world. In an effort to move this inventory of books from when we printed to stock, we are offering a discount on the remaining titles we physically have in inventory.

If you are interested in taking advantage of this offer, please contact me directly at rstahlsr@aol.com to get the titles available, prices, or to place an order. Supplies are limited on certain titles and standard shipping rates will apply. You can also get more information about what Bob is working on and descriptions of the books at his website: rastahlcompany.com.

We hope you take advantage of this offer and these prices while the inventory lasts.

Thanks for your business and we look forward to hearing from you,

Bob Stahl