

RA Stahl Company

Executive S&OP Newsletter

October 2015

Issue: 2

Welcome to RA Stahl Company

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eS&OP REMAINS AN EXCITING PURSUIT

As I continue my work as an advisor and coach, I remain amazed by the high level of enthusiasm toward the adoption of eS&OP concepts and principles. I believe the reason for this is because of the well-documented benefits that it has delivered to so many.

During this past month or so, a few things have re-fueled my energy for what I do - coaching companies to achieve the quantum benefits of authentic eS&OP:

- A Top Management Dinner Meeting at the St. Louis Chapter of APICS - a record turnout of enthusiastic, engaging, leaders of industry with a keen interest in learning how to do eS&OP authentically for its full potential. (The deck from that meeting is available for downloading from my web site.)
- An International APICS Conference in Las Vegas - a very large turnout (hundreds) to listen to Tom Wallace and me present a talk, *S&OP Success - Achieving Transformational Results*. (The deck from this presentation is available for downloading from my web site.)
- Working with a "service only" company in Salt Lake City that has successfully adopted the principles and mechanics of eS&OP to run their business with significant gain in aligning human energy.

I'm very grateful for the technology of the Internet that enables me to conduct Virtual Meetings, extending my career due to less travel being required. It continues to be a real thrill for me to work with executive leadership teams that empower eS&OP Design Teams, made up of young people, to develop the tools that enable leadership to move the eS&OP ball forward.



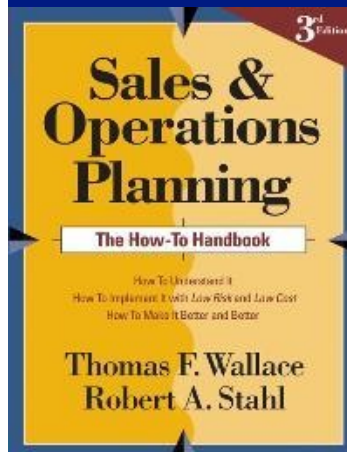
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ANOTHER TRIP TO CHINA

Four years ago I took a trip to China to present a Seminar in Shanghai. My wife Pat and I then spent another week+ on a riverboat going to many cities along the Yangtze River, ending up in Beijing. At that time, China was in a period of boom, building like there was no tomorrow. A lot has changed since then - their growth has flattened out, they have a new Chairman, and their economy has had some significant problems.

When I was recently asked to return to do another eS&OP event, I was thinking that they would not be able to fill the room - WRONG! The class is full and in November I'm heading to China again. After the conference, we will again spend some time visiting and observing. My feeling is that things will not be the same as four years ago. In my Q1-2016 Newsletter, I will communicate my observations.

BULLETS FROM BOB

Lean Forecasting

"If only we had an accurate forecast?"

Yes indeed - a highly accurate forecast would make things a whole lot better. The only problem is the "IF." Let's not hold our breath waiting . . .

It seems as though people have been trying forever to develop predictive models that generate accurate forecasts. While progress has been made, getting a highly accurate forecast remains an elusive goal. A number of years ago, I met and discussed forecasting with Dr. David Orrell, an Oxford scholar who has spent his career developing predictive models. He said, *"Techniques such as agent-based modeling, nonlinear dynamics or network theory can be used to simulate systems, visualize data and detect weaknesses or suggest improvements [but] . . . the aim is less to **predict** the future, than [to] **prepare** for it."*

What Orrell is getting at is that variability in forecasting will always exist and that companies need to learn how to deal with that reality. How to do that is the question.

eS&OP has contributed significantly to solving this problem in a numbers of ways:

Sales & Operations Planning

The Executive's Guide

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

Thomas F. Wallace
Robert A. Stahl

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- **First**, it has created a "new approach" to sales forecasting at the Volume or aggregate level that expresses the forecast in broad market-facing families that are tied to extrinsic leading indicators, versus a plethora of inaccurate detailed non-value-adding forecast data over the extended horizon.
- **Second**, it looks at the future through several prisms and reconciles the differences to a single company-wide forecast, creating greater credibility and confidence.
- **Third**, through the effective use of simplifying data assumptions about the detail of Mix, eS&OP has enabled the Volume forecast to be tied to the resource side of the business without full granularity.
- **And last**, but not least, this simplified approach has allowed rapid and meaningful simulation, testing the risk and consequence of the inherent variability limits.

In short, forecasting properly done at the Volume level eliminates a lot of the traditional "non-value-adding" activity that just creates noise. This approach might be best referred to as "**Lean Forecasting**" - sharply reducing non-value-adding activity.

The CEO of a major corporation, who has been successfully using eS&OP for some time, put it this way, ". . . *before Executive S&OP, things were ad hoc and inconsistent. After implementation . . . there is a regular cycle of meetings where we agree on what the demand picture is, understand the potential variability, and determining how we are going to supply it - setting appropriate strategy, policy, and risk. We no longer make disconnected individual decisions, but rather make decisions collectively, fully knowing the impact, risk, and consequence of the alternatives choices.*" In short, they are setting conditions that make for routine success at the MIX level.

Managing a business has never been more difficult than today due largely to the increasing levels of uncertainty. Fortunately, we now have the tools to better deal with that uncertainty and variability. We see more and more companies capitalizing on the effective use of eS&OP tools. We hope you are one of the fortunate and, if not, that you become one soon. Within six months, you can have the

basics of a first-rate eS&OP process in place across your business. Let me know if you'd like more information.

And remember what Dr. Orrell, the Oxford guy, said; "...*the aim is less to predict the future, than [to] prepare for it's variability.*"

***Note:** Tom Wallace and I co-authored a white-paper on this topic titled, FORECAST LESS AND GET BETTER RESULTS. If you'd like a copy, send me a note at RStahlSr@aol.com and I'll forward you a copy. Thanks for Listening!*

ANNOUNCEMENTS

- **Ordering books**

It will remain as before. If you're in my web site, click on a book and it will take you to the TFWallace Web Site (being managed by a company other than Tom) and you can order any of our books. Let me know if you have any difficulty.

- **November 12 & 13, 2015** - Shanghai S&OP Conference
 - Guofeng Hotel in Shanghai, China
 - The New Approaches of Best-Practice S&OP
 - The Cultural Challenges of Best-Practice S&OP
- **January 14 & 15, 2016** - APICS PDM & Seminar
 - Raleigh/Durham, NC
 - S&OP Success: Why and How to Engage Top Management
 - S&OP Implementation Seminar: Achieving Transformational Results
- **May 11, 2016** - APICS PDM
 - Albany, NY
 - eS&OP Topic To Be Determined
- **May 17, 2016** - APICS PDM Top Management Night
 - Greenville, SC
 - S&OP Success: Why and How to Engage Top Management

(Note: If you would like more information about any of the events above, please do not hesitate to contact me at: RStahlSr@aol.com)

Bob Stahl has spent 40-plus years as a practitioner and coach to manufacturing companies developing leading-edge processes for their manufacturing, logistics, and supply-chain practices. He is a teacher, writer, and S&OP coach, and has

coauthored six books, including *Sales & Operations Planning-The How-To Handbook, 3rd Edition*, and *Sales & Operations Planning-The Executive's Guide*. Three of his books have been used for professional certification. Bob was also the inaugural S&OP Editor of the IIF's (International Institute of Forecasters) *Foresight Journal*.

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