

Welcome to the RA Stahl Company Executive S&OP Newsletter

October 2018

Issue: 9

The World of a 'Prosumer'

Alvin Toffler was an American writer, futurist, and businessman, opining in the area of modern technologies (digital and communication), emphasizing their effects on worldwide cultures. In 1980, Toffler (1928 - 2016) coined the term "**prosumer**" in his book **The Third Wave**. He defined a prosumer as a population that blurred the distinction between a "producer" and a "consumer." In other words, the producer and the consumer are one in the same population. That is: those that produce a product also consume that product. Toffler depicts this circumstance as a positive, for a host of reasons.

In 1980, Toffler predicted that the notion of a prosumer would take hold. I put it this way: it made no sense to produce cars in Asia and ship them to North America; nor produce chemicals in North America and ship them to Asia.

Toffler's prediction was that within a geography, each population would begin to produce and consume things they used. He was widely praised for this belief.

**... a prosumer mindset
blurs the distinction
between a producer and a
consumer.**

As we know, however, that's NOT what happened. We in North America chased the "cheap labor" syndrome and began to out-source widely, for economic advantage - extending lead times by multiples. While this outsourcing may have served some companies with short-term gains, it didn't work out so well in the long term. Today, many companies (for good reason) are now rethinking this supply chain strategy.

In addition to this, consumers have begun demanding their products be "tailored" to their unique tastes and likes. This has brought on **mass customization** for many products. Doing this from half-a-world away is prohibitive, which is an additional pressure on producing in the same market as the consumer, greatly shortening lead times and responsiveness.

So . . . many companies are now faced with significantly reversing the trend of the last decade to massively out-source, to do more to in-sourcing - that is, produce the product we consume, right here in North America.

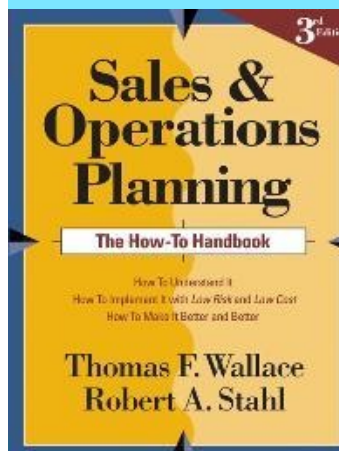
For many, the challenge now is how to manage the reversing of



Join Our Mailing List!

In This Issue

Bullets from Bob



Order Book

Sales & Operations Planning

The Executive's Guide

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

Thomas F. Wallace
Robert A. Stahl

Order Book

this out-sourcing trend with as little disruption as possible.

Fortunately today we have developed and evolved a superior tool for doing these types of things. It's called executive S&OP. For those with a mature and authentic eS&OP process, they will use its strategic determination and deployment part as a competitive weapon in doing so.

Read on...

BULLETS from BOB

Using eS&OP as a Strategic Weapon

The 14th Edition (2013) of the APICS Dictionary defined executive S&OP as:

- "Balancing demand & supply at the aggregate (family) level
- Fully integrating financial planning with operations planning
- A forum for establishing and linking strategic planning to day-to-day operations" (*setting appropriate policy, strategy, risk, and financial responsibility*)

Accomplishing these objectives is sequential - in other words, they happen one after another in an evolutionary way. Some call this the "maturing" of S&OP. The Gartner Group identifies this maturing S&OP process into four stages, described as follows:

<u>Stage</u>	<u>Characteristic</u>
Stage #1 -- Reacting	Solving Actual Supply Chain Problems as they happen
Stage #2 -- Anticipating	Solving Supply Chain Problems proactively before they happen
Stage #3 -- Collaborating	Gaining full cross-functional alignment of all resources - soft and hard
Stage #4 -- Orchestrating	Using S&OP as a Strategic Weapon to set and/or change strategic policy

Thanks to the efforts of the many practitioners there are many companies today that already have achieved Stage #4. These companies will fare well in transitioning from an out-sourcing to a prosumer strategy in a controlled and smooth fashion. For those that have not progressed to stage #4, there is no time like the present to work on getting there.

This is what Stage #4 of maturity feels like through the five steps of an eS&OP process:

- The atmosphere tends to be informal, comfortable, and relaxed, in spite of the serious decision-making at hand.
- All departments understand that disagreement is not only OK, but also necessary for good decision making, openly explaining why they disagree while other people listen intently.
- As such, resolution of this conflict brings on positive, not negative, energy. People have learned how to disagree without being disagreeable.
- Because of the defined and disciplined cross-functional

practice within eS&OP, everyone begins to see the business through the other person's eyes, causing them to realize this is a team sport.

- The end result is that human energy is aligned. And, when that happens, a company can achieve things not before possible.

... when human energy is aligned, a company can achieve things not before possible.

With this alignment of human energy, changing a company's supply chain strategy from out-sourcing to producing geographically where the product is consumed becomes a routine exercise.

If today you don't have a fully functional S&OP practice, this is a good time to lay a plan to achieve that goal. One or more of the below books might be of help in gaining an understanding and intent to implement or upgrade to a Stage #4 S&OP practice for the competitive advantage that it provides.

Thanks for listening & Best Wishes,
Bob Stahl

For more insights about eS&OP, refer to my web site for free downloads, and/or get one or more of our books at:
www.RAStahlCompany.com



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

Contact Information:
508-226-0477
RStahlSr@aol.com
www.RAStahlCompany.com

Bob Stahl has spent 48-plus years as a practitioner and counsel to manufacturing companies. He is a teacher, writer, and eS&OP Executive Coach. He 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, and several are translated into seven languages throughout the world. Bob is a past S&OP Editor for the International Institute of Forecasters' (IIF) *Foresight Journal*.