

Executive S&OP and The Cycle of Resolution: Resolving Conflict to Align Human Energy

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PREVIEW: *In previous columns Bob Stahl has written that success in using S&OP comes not only from the proper application of tools, techniques, and processes (the hard stuff), but from the behavior of people with the willingness to get tough issues out in the open (the soft stuff). Now he and Stewart Levine team up to discuss the Cycle of Resolution model for promoting the behaviors required to turn conflict into collaboration, achieving a shared vision of the future.*



Note: This article is a “mash up” of Bob’s knowledge and experience with S&OP and Stewart’s research and experience in human communication, collaboration, and conflict resolution. The article begins with Bob’s Introduction, is followed by Stewart’s presentation of the cycle of resolution model, and continues with their joint perspectives on the potential this model has for improving the S&OP process.

INTRODUCTION

Fifteen years ago, Lester Thurow wrote *The Future of Capitalism*, in which he traces the forces that will determine the future of capitalism in our societies. Thurow states, “Technology is making skills and knowledge [human resources] the only sources of sustainable strategic advantage.” (Thurow, 1996, p. 326)

All too often, I see companies in which disagreements are allowed to deteriorate into nonproductive conflict; the results are bad blood and poor decisions. In my experience, when human energy is aligned, the decisions that result are far more productive and beneficial.

Some examples: A steel company that

doubled the size of its business, building a new plant in Youngstown, OH, right in the middle of the rust belt; a consumer products company setting records on both the top and bottom lines, with manufacturing primarily in North America; an Internet company that has been recognized as one of the best companies in Kansas City; and many more examples like these. While the solutions differ, the common thread is a well-defined collaborative process geared to resolving conflict and aligning human energy, the primary goal of Executive S&OP.

A few columns ago, I wrote, “I believe that success in using Executive S&OP comes not only from the proper application of tools, techniques, and processes (the *hard* stuff), but in large measure from the behavior of people with the willingness to get tough issues out in the open (the *soft* stuff).” (Stahl, 2010) Clearly, the best solutions come from reconciliation of vastly differing ideas that flow from different skills and knowledge within a company, ideas that carry the perspectives that the varied disciplines embrace.

When alignment of disparate energies occurs, the innovative solutions people can

bring to problems are boundless, giving them a competitive edge. The challenge is achieving that alignment so the human capital or brain power becomes the strategic competitive asset Thurow speaks of.

Failing to Gain Reconciliation

Executive S&OP is a powerful tool for defining problems and eliciting differences of opinion, putting the “ugly moose” of diversified views and perspectives on the table, supported by hard data. This exposes an organization to the intrinsic conflict about a problem and the best solution to that problem. If not properly addressed, that conflict produces negative energy and becomes destructive. Collaborating to resolve conflict in a productive way rarely happens by accident – but it can be learned!

What happens to an organization that can’t resolve conflict? The “ugly moose” will stay under the table, ignored, but still there, unresolved. Stewart Levine says the “cost” of not gaining reconciliation includes:

1. Loss of productivity, time and opportunity among those affected
2. Loss of ongoing relationships, including those requiring collaboration
3. Failure to clear the emotional air, thus becoming an energy drain

The result of not aligning human energy toward common purpose, goals, and actions is that solutions become fragmented and conflicting. Often operations does not believe the forecasts from sales and marketing, but it is not acceptable to disagree in the formal meetings. So operations people second guess the forecasts and at their own peril. When customer service problems arise, the finger pointing is prolific, resulting in a terrible waste of energy, time, and emotion and straining both organizational relationships and client service.

Executive S&OP meets the “resolutionary”

After reading Stewart Levine’s book *Getting to Resolution* (Levine, 2009), I realized I

Key Points

- Executive S&OP is a process that is designed to expose differences and conflict in sharp, data-supported focus. Resolving conflicts and preventing negative energy is paramount.
- Collaboration and conflict resolution does not happen automatically but can be learned. This is the goal of Stewart Levine’s Cycle of Resolution model.
- The model offers a seven-step process that begins with creating an *attitude of resolution*, addressing the emotional components of disagreement and conflict, and seeking agreement on specific plans to move forward, called *agreement for results*.
- The model then identifies the key elements in gaining agreement for results. The bottom line is that the most powerful form of resolution is when all parties use their creativity to get others’ needs met without compromising their own needs.

had a clear path for teaching companies how to design an S&OP process, but no clear methodology for eliciting the behavior changes required to resolve conflict. While companies might use common sense in resolving internal differences, there could be a much more effective way of doing so. That is the process Stewart has created. It helps resolve the emotional fallout from conflict while building sustainable collaborations.

After early success resolving situations for all parties to a situation, Stewart spent twelve years becoming a “successful” lawyer – and becoming less effective at resolving matters. Feeling frustrated, anxious, and fearful, he stopped practicing law and in his words, “has been in recovery ever since.” Being driven and motivated, Stewart has defined and developed a learnable process for helping people resolve the emotional fallout from conflict and build sustainable collaborations.

In my work in S&OP, I have been calling this “generating positive energy from conflict.”

Now here's Stewart to present his framework.

A MODEL FOR RESOLVING CONFLICT

Conflicts, differences, and internal “chatter” pervade organizational relationships in general and Executive S&OP in particular. The ability to prevent conflict that gets in the way of progress toward a goal, and instead always move toward resolution and agreement, is a critical competence for building a high performance culture. Resolution and an agreement that articulates a shared vision increase productivity and return everyone to optimal levels of output and satisfaction.

One of the goals of an Executive S&OP implementation is to raise and resolve conflict. While it provides processes and practices to expose and define conflicts, Executive S&OP does not provide a clear framework or structure for resolving them. It assumes an organization has that competency, independent of their work with Executive S&OP. That competence is often not sufficiently present, resulting in a lack of high performance. What follows is a conversational model that enables both the resolution of conflicts and the crafting of “agreements for results” and embodies a shared vision for moving forward.

Let's begin with some definitions:

- **Differences:** when there are varying perspectives, opinions, and viewpoints.
- **Conflict:** when the differences cannot be reconciled and progress is impeded; when decisions are made informally without full participation.
- **Resolution:** when an agreement is reached, resolving the conflict, and negative energy is dissipated.

There are two parts to every difference or conflict – substantive contrasting opinions, and the belief systems or emotions behind

those opinions. Emotion is usually the real cause of the conflict and the main barrier to its resolution. If emotions – originating from the conviction that “I'm right and you're wrong” – weren't present, those involved would be better able to come to a resolution.

Both the issues and the emotions must be dealt with explicitly if lasting resolution is to be achieved. An effective, efficient process is essential to creating alignment before people move forward into action. This is very important with Executive S&OP because an essential part of the planning process is designed to expose and resolve disagreements and conflict.

By way of introduction to the model, let's start with the three fundamental conversational action steps of the “Cycle of Resolution”:

1. **Telling Stories:** Getting stories and perspectives on the table; teaching each other what their differing perspectives are. (FACTS)
- 2 **Getting Current & Complete:** Dealing explicitly with the emotion present so emotional residue does not carry over, preventing forward movement and polluting relationships for the future. (EMOTIONS)
3. **Reaching Agreement:** Crafting a resolution that embodies shared vision about how people will move forward together. (FUTURE)

These three essential steps are the core of the Cycle of Resolution. They provide the power to resolve conflicts exposed within Executive S&OP, achieving resolutions such as:

- Within demand planning, reconciling multiple forecasts into a *consensus forecast*;
- Within supply planning agreeing upon strategies for *lead capacity* (greater market share with the risk of profit erosion) **or** *lag capacity* (greater profit at the potential expense of poor customer service); and
- Settling the debate concerning longer lead time and less responsiveness as a trade-off for less costly labor

The Cycle of Resolution model allows participants to move through conflict, arrive at agreement, and get on with productive activity. It gives people the opportunity to substantively influence the process. An Executive S&OP process is designed to make sure everyone has the opportunity to have their say even though they can't always have their way. By having their say, even if the final outcome is not their first preference, participants can support the definitive plan with enthusiasm.

THE SEVEN STEPS IN THE CYCLE OF RESOLUTION

In this process there are action steps (CAPS) and there are mental touchstones (lower case.) The following overview explains the full Cycle and its use. It is presented here simply; we will leave the complexity to another time. That said, "Getting to Resolution" can be as simple as letting go of the conflict without the need to process it at length, and crafting a new future-oriented agreement. In fact, the compelling characteristic of high-performing teams is the competence to quickly move through conflicts that come up, and quickly reach a new operational agreement. Be it through wisdom, maturity, or focus, high performance comes from aligning human energy and focusing on future goals rather than continuing to drag the conflict out and pushing its ongoing "cost" into the future.

This graphic depicts the complete Cycle of Resolution. It's a cycle because it keeps iterating, much like the monthly Executive S&OP process. The Fundamental Action Steps from the earlier mention are in CAPS and marked with an *.

OVERVIEW OF THE SEVEN STEPS

1. **Attitude of Resolution** – The mind set that enables a culture which thrives on agreement and resolution of conflict.
2. **TELLING YOUR STORY**– Giving everyone an uninterrupted turn to speak openly about the issues as they see them.
3. **Preliminary Vision** – Generated after

listening to all parties and discerning the real concerns behind the positions that people have taken. For situations without strong emotional attachments, this could be the end of the process.

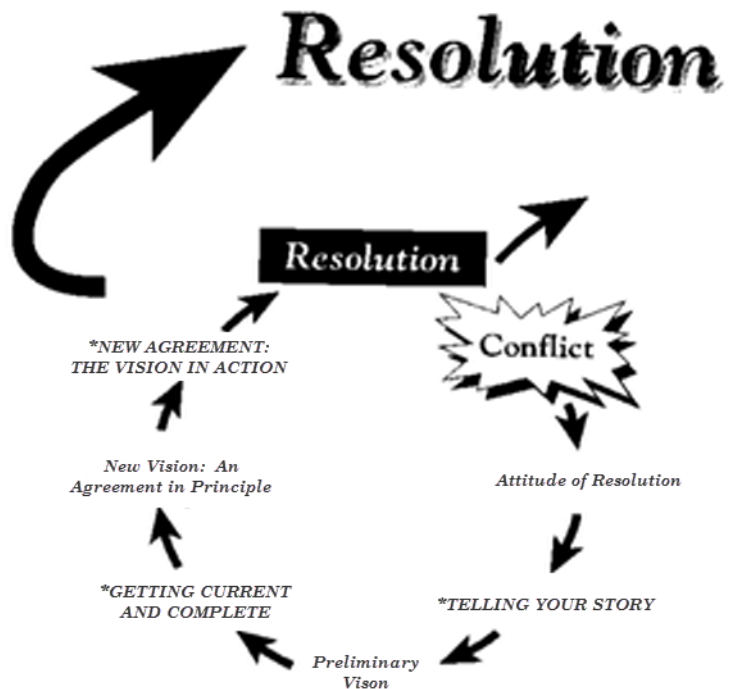
4. GETTING CURRENT & COMPLETE

– Dealing with the emotional component behind the issues so that participants "let go and leave the past behind."

5. **Agreement in Principle** – Naming the new future in general that people will step into.

6. **NEW AGREEMENT** – Getting agreement about the specific plan for moving forward. These are called "Agreements for Results."

7. **Resolution** – Everyone is back in action and productive, without the undercurrent of disagreement that typically impedes collaborative working relationships.



Step 1 — DEVELOPING THE ATTITUDE OF RESOLUTION

Ten principles comprise the values that create an attitude of resolution. This attitude is a way of thinking and acting toward collaboration and conflict that enables people to engage with each other creatively and productively. The attitude emerges from a conscious

choice to see conflict as something that holds opportunities for learning and building a stronger solution. This is a process; it doesn't happen immediately. It takes time for people to change the way they think.

These 10 principles are:

- Abundance – recognizing everyone can have their needs met
- Efficiency – not wasting resources during the process
- Creativity – focusing on the solution, not the problem
- Fostering Resolution – does the process achieve this?
- Disclosure – putting everything on the table, no hidden agendas
- Openness – no posturing
- Long-term Focus – valuing ongoing relationships
- Feelings & Logic – honoring people's emotions and striving to be rational (?)
- Teaching and Learning– discovering one another's perspectives and needs
- Responsibility – differences are within, so individuals need to take responsibility



Step 2 – TELLING YOUR STORY (FACTS)

You begin placing the facts on the table when you start telling your story and listening to the stories of others. This step is about understanding and being understood, one of the “seven habits of highly effective people” that Dr. Steven Covey (1989) inspires us to cultivate. Listening with a careful ear and valuing everyone's perspective about a situation is a step toward resolution.

STEP 3 – PRELIMINARY VISION

As you are listening, start thinking about

a resolution that honors the concerns of others. This is about shifting your focus from “winning,” or getting your way, to achieving a vision that everyone can buy into. It comes from a willingness to accommodate the interests of each perspective. This preliminary vision may resolve the conflict, if emotions haven't frozen participants into intractable positions.

Step 4 – GETTING CURRENT AND COMPLETE (EMOTIONS)

This step asks that you speak your truths and deal with the emotions that underlie positions. It is about saying what is usually unexpressed, and abandoning the emotional fortress from which you defend your position. It is a way to understand the good and bad in any situation, and to experience and let go of past disappointments and unrealized expectations. When these details are on the table, participants can usually see there were no bad intentions, simply people usually doing the best they can, from their perspective. For a detailed description of the conversational process, please see Chapter 18, *Getting to Resolution: Turning Conflict into Collaboration* (Berrett-Koehler 1998, 2009).

Step 5–AGREEMENT IN PRINCIPLE (SEEING A VISION FOR THE FUTURE)

After hearing the needs of others, and being able to creatively integrate their needs with yours, you are ready to express a general understanding of the resolution. This is the foundation of a new agreement, a broad-brush vision of the future that accommodates everyone.

Step 6 – NEW AGREEMENT

Adding specifics to the agreement in principle - designing and constructing a detailed vision of the future derived from Step #5. This map maximizes the potential for everyone to obtain his or her desired results. The more time you spend in detailing the what and how, the greater the chances of realizing them. Clear, detailed agreements are a critical step in the process. They embody a shared vision that guides action.



“AGREEMENTS FOR RESULTS” AND RESOLUTION

Satisfying professional and personal relationships result from collaborative action – and collaboration, productivity, and job satisfaction are a function of effective agreements--explicit (spoken or written) or implied (assumed). Conflict often arises when we do not take the time to craft such agreements on the front end of any collaborative relationship, or as the final step of any resolution process. Surprisingly, this is a skill we were never taught, even though agreements are the foundation of successful businesses.

It is also true that behind any organization's wasteful, expensive conflicts are implicit agreements, unmediated and unshared among participants, which neither express a joint vision nor solidify trust and true relationship. This happens because holders of conflicting viewpoints are often seen as competitors, and the process of negotiating an agreement is seen as an adversarial exercise that results in winners and losers. Imagine the difference if you see the context differently: this dreaded collision of competing needs becomes a joint “visioning process” that takes into account everyone's desired outcomes, and creates a road map to results all parties can support. Now that's an aspiration!

This shared vision, either the final resolution of a conflict or the beginning of a new collaboration, is greatly enhanced if you frame your dialogue around the following 10 elements of an agreement to reach desired results. Remember, the most powerful form of negotiation is when all participants use their creativity to get others' needs met without compromising their own. This is

where the debate and negotiation take place, but with a new perspective – it's not about winning and being right, but about honoring the concerns of others.

- 1. Intent & Specific Vision** — The “big picture” of what you intend to accomplish together.
- 2. Roles** — The duties, responsibilities, and commitment of everyone, clearly defined.
- 3. Promises / Commitments to Action** — Clear promises and commitments from everyone of what they will do to make the vision a reality so everyone knows who's doing what to achieve the vision.
- 4. Time & Value** — All promises/commitments must have specific time deadlines for task completion. Everyone must perceive the value to them of keeping their promises.
- 5. Measurements of Satisfaction** — The metric for measuring whether the vision is achieved must be clear and objective so there can be no disagreement.
- 6. Concerns & Fears** — Bringing usually unspoken difficulties to the surface provides the opportunity to anticipate and minimize inevitable disagreements that arise during the collaboration.
- 7. Renegotiation** — No matter how optimistic and clear a means to renegotiate is, promises and conditions of satisfaction must be in place because conditions change.
- 8. Consequences** — Consequences for anyone who breaks a promise, and the cost to the participating individuals, departments, and the company itself if the vision is not achieved.
- 9. Conflict Resolution** — Acknowledge that conflicts and disagreements arise as a matter of course when people work together, and agree on a resolution process.
- 10. Agreement** — Trust is developed through speaking about 1-9...or it isn't. Everyone must be satisfied and ready to take action...or they won't.

And finally

Step 7 – RESOLUTION (WHEN YOUR AGREEMENT BECOMES REALITY)

The final step is moving into action. With an “Agreement for Results” and a clear mind about the past (and the path you’ve taken to arrive at the present), you can freely move forward, devoting your energy and intentions to shared outcomes that everyone supports. You will have a new and profound sense of freedom because you have spoken everything that needs to be said. Participants will have achieved resolution, and been empowered along the way.

In Summary: three critical action steps – Telling each story, getting current and complete, and creating an agreement for the future.



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Stewart Levine's innovative work with “Agreements for Results” and his “Cycle of Resolution” (selected for inclusion in the “Change Handbook”) are unique. “Getting to Resolution: Turning Conflict into Collaboration” (1998, 2009) was an Executive Book Club Selection, featured by Executive Book Summaries, named one of the 30 Best Business Books of 1998,

and called “a marvelous book” by Dr. Stephen Covey. “The Book of Agreement” has been endorsed by many thought leaders, called “more practical” than the classic “Getting to Yes,” and named one of the best books of 2003 by CEO Refresher.

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CONCLUSION

Brad McCollum, an Executive S&OP process owner with whom I’ve worked, says, “When I see heavy and robust debate about an issue, I know that the outcome is going to be something very worthwhile. When there’s less debate, the solutions that follow are typically not nearly as powerful.”

Executive S&OP is inherently a process that reveals where business and organizational differences and conflicts need to be resolved. If you think you can tackle those conflicts without confronting the emotions that lie beneath them, think again. The big mistake we make is that we forget, overlook, or refuse to face the fact that people are driven by emotion – and these emotions are exactly what get in the way of moving through the Executive S&OP process efficiently, this month and the next.

We have shown that it is essential to put “the moose” – issues, disagreements, and emotions--on the table. This illuminates conflicts. If an organization isn’t willing or prepared to resolve that conflict in a way similar to the Cycle of Resolution, they will not be able to align combating energies to reap the full benefits of participants’ talents and willfulness. The Cycle of Resolution provides the means to gain resolution through aligning human energy, but it doesn’t happen by accident. It can be learned, and we hope this column has whetted your appetite to do so.

Thanks for listening.

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