

Communication and Buy-In in Changing Logistics

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Can you remember a time when you came up with an idea to make a change and it was so great you could not contain your excitement? It was so incredible you could not wait to tell other people about your idea. Not only were you feeling fully engaged, you were brilliant!

You started telling others your fabulous idea with genuine enthusiasm, thinking how obviously the idea solves a particular problem that has been haunting you (as well as the rest of the organization). Then, before you even realize it, everyone is shooting holes in your idea. What? Why aren't they getting this? How can they not understand? Do they have ulterior motives?

Naturally, you start to defend your idea, but become more and more agitated. At this point no one is listening – including you. The experience leaves you deflated, angry and exhausted. Does this sound familiar? What can you do differently so that reactions from others are more collaborative?

When we converse with others, we are selling whether we realize it or not. We sell our ideas, convictions, company, products and most importantly ourselves in every conversation. Think about your last serious talk with your spouse, parent, offspring, CEO, subordinates; weren't you trying to convince the individual that your idea was valid?

Most people use intuition and relate their experiences to convince others. When we are selling our idea we are anxious to "close". However, to be truly successful we MUST resist this temptation. If not, we risk losing our audience's attention, buy-in and ultimately participation in implementation. How do we overcome resistance to change? How do we improve the initial idea? How do we develop a final solution collectively with others to insure effective implementation?

Dr. Eli Goldratt,¹ a thought leader and scientific researcher in how to accomplish paradigm shifts, developed a process that can be used to overcome the layers of resistance and increase the chance of successfully implementing an idea. To be successful, the process must be followed explicitly and sequentially.

¹ Dr. Goldratt is the author of the multimillion-copy bestselling book *The Goal* and several others, including *Critical Chain*, *Necessary but Not Sufficient*, *It's Not Luck*, *The Haystack Syndrome* and the *Theory of Constraints*.

What to change:

Establish consensus and focus on **what to change** (identify problem.)

As a group, list problems and issues that are associated with the subject. Dr. Goldratt believes in the principle of inherent simplicity; most of these problems are symptoms of something more basic. Addressing the symptoms will not make the core problem go away and the symptoms continually reoccur. So, to identify the root cause, review the list and identify the cause and effect relationship between the challenges until all problems are interconnected. By doing this cause and effect exercise the group will uncover the root cause, the one problem that is driving all of the others. The root problem exists because of a conflict between two necessary but conflicting conditions. The conflict results in the feeling of being caught “between a rock and a hard spot” – of being forced to compromise unwillingly. (See Figure 1)

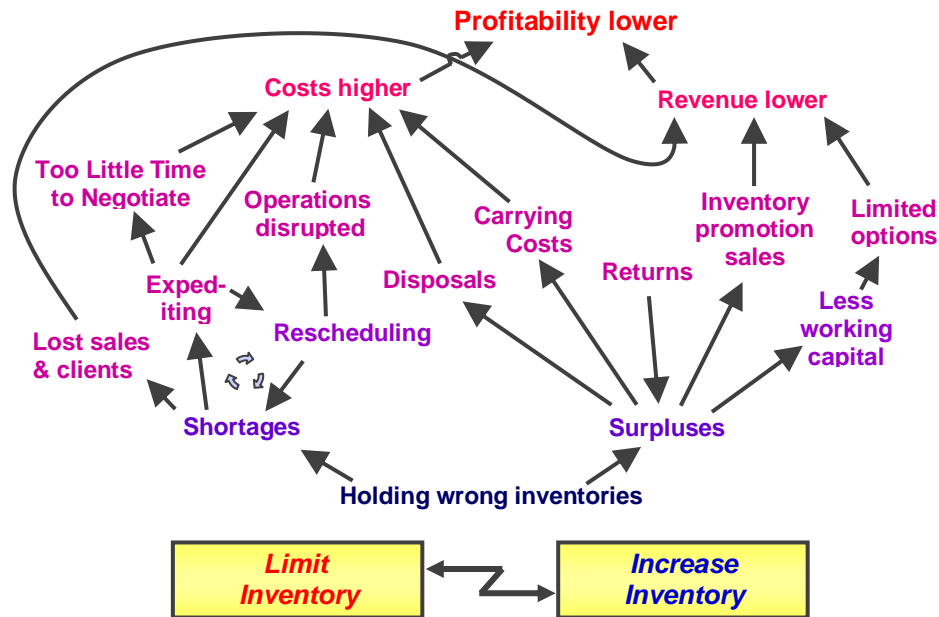


Figure 1

What to change to:

Develop criteria for a solution of **what to change to** (develop solution.)

Describe the criteria and the requirements of an excellent solution. Get agreement that any good solution must fulfill these criteria, thus establishing the direction for a solution. Once the direction of the solution is agreed upon, the solution can be developed. This is prime time to invite others to challenge the solution to uncover any negative consequences caused by the idea. Ask the individuals who stated the negative consequences to offer a solution to overcome it.

How to cause the change:

*Develop communication and collaboration on **how to cause the change** (implement.)*

Again, invite others to uncover the obstacles that block implementation of the idea. Identify what will prevent the solution from being executed. Ask the individuals who listed the obstacles to offer a solution that will surmount them. The person stating the problem usually has a solution in mind. Acknowledge that and use it.

This process brings co-ownership to the people involved; they agree with the problems and the solutions. Provide documentation of the problems, criteria for a solution and the solution, so that it will make logical sense to those not directly involved. Now that all the major issues have been addressed, the idea is ready to implement.

This process has everything to do with how to overcome resistance to any change, large or small. By now, you are probably wondering how this has anything to do with changing logistics. Every link in the supply chain has similar problems but it essentially boils down to not having the right inventory at the right place at the right time. (See Figure 1.)

How can we properly manage our inventory when replenishment time is too long, forecasts are inaccurate and re-supply is not always reliable? If the supply chain could solve these problems the entire system would miss fewer sales, more sales more profit. Consequently, customers experience a higher level of service.

The elements that comprise the replenishment time are: order lead time (the period you wait after you sell before you order,) production lead time (the wait after ordering until shipment) and transportation lead time. Batching orders at each of these points occurs for a number of locally valid reasons, usually revolving around improved efficiencies. A negative ramification of longer replenishment time is holding higher inventory levels in the system. Another ramification is the slower response to actual demand, creating an even greater dependency on forecasts.

Forecasts are inaccurate. If the forecast is too low, unexpected demand can cause inventory shortages, meaning lost sales. Consistent shortages result in lost customers. If the forecast is too high, demand is less than anticipated. Cash is consumed by the unsold inventory. The risk of product obsolescence is increased by high inventory levels. These problems are further impacted if orders don't show up when expected.

Unreliable vendors and transportation cause us to hold higher inventory. Replacing unreliable vendors can be very expensive and time consuming. Hadn't we already picked the best vendor? Is the second or third best vendor likely to be better?

So, how can the supply chain operate with reduced replenishment time, less variation from the forecast and increased reliability of re-supply without reducing margins or increasing inventory or trying to have a more accurate forecast or replacing or educating vendors? If we could do all of the above, we could protect sales without holding more inventory!



IDEA recommends holding inventory at each supply point according to ordering targets, meaning that on hand inventory plus what is on the way add up to the target. Targets are based on heavy consumption during a replenishment time, factored by variability in replenishment time. IDEA's replenishment mechanism suggests moving the supply chain from "Push" to "Pull" by replenishing according to actual consumption while having sufficient inventory at all supply points throughout the system.

These strategies can change the way logistics works for you, throughout your supply chain. The criteria for any solution to improve logistics has to include reduction in inventory, shortages, obsolescence, operating expense and improvements in sales, turns, net profit and customer service. If the approach is properly implemented, your risk is low. Although these solutions are simple in concept, they almost always involve one of the most difficult obstacles known to mankind. You must lead a paradigm shift. Yes, people actually have to change their mind set.

IDEA'S WAY OF THINKING

- *Neither an accurate forecast nor changing vendors is required for success*
- *There is a way to both increase sales and reduce inventory*
- *Supply chains sell less when clogged with inventory*
- *In the long term, unless the supply chain sells more no link can sell more*
- *We must help clients gain buy-in internally and with supply chain partners*
- *The majority of our fees are based on improved return on inventory*

IDEA'S METHOD

- *Verify the existence of inventory imbalances and the benefits of moving from a "Push" to a "Pull" system*
- *Gain top management buy-in to the assessment and support of the approach*
- *Build knowledge and understanding across the supply chain, at all levels*
- *Utilize systems that deliver actionable information, integrated with existing software*
- *Work with you until expected results are achieved*
- *Share the tools and know-how to continually improve results*

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