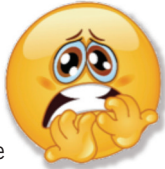


EMOTIONS AFFECTING YOUR INVENTORY

Learning to embrace change rather than fight it

There are a lot of things to be afraid of when you manage inventory. The sales manager storming into your office and lining you up against the wall – "Why are we out of stock?" The CFO who rips into you for being \$10 million over stock – "I need \$5 million out by June 30!"



Of course, you know that the only (and dumb) way of doing that right now is to cut back on the 'Category A' items. You know that this is not the best way to address it, but you are afraid for your job. Of course you can rebuild the A items again in the new year, without damaging service levels too much.

Fear can certainly get you moving but it is important to harness the fear and act to best effect. Of course you do not just have to be afraid. Get mad! Get even! "How on earth can I have stock if you don't forecast?" you may ask. "Why did we think ordering all that stock was such a good deal?"



It is important to have accountability and that requires proper measurement and consequences, so maybe making your disappointment clear is necessary. Some might say, however, that you should not get emotional. The problem is that without emotions you and others are not likely to act. So how can we use emotions to produce better outcomes?

Getting emotional at work (in a good way)

In order to use emotions to drive change, we can start with asking what makes us mad and what makes us afraid. If we can articulate what we don't want, it is a very good first step to avoiding problems in the future.



Of course we then need to ask more questions to get at the root causes of problems. For instance, "how was it so easy to order so much excess?" and "what were the expectations in regard to the forecast?" or even "didn't they understand that the new product also involved a totally new supplier?"

Sales and Inventory people can unite around what needs to improve with DIFOT and other metrics. Importantly, you need to be able to dig down beyond the obvious symptoms. Just like the psychologist who can relate your upset tummy to your stress and the way you choose to react to situations, it is important to look deeper and find the root cause.

It is often less powerful as a motivator, but ideally everyone feels strongly about creating better service levels, having more satisfied customers, being more productive and having a leaner, more competitive supply chain. Ideally, people can agree about the key strategic priorities too – range, profit and/or ROA.



Look at things from all perspectives. Does everyone understand what needs to be forecasted and why? Are the objectives clear? Do you have the right tools? If you press home the questions and understand the fundamentals you will often discover a totally new way of approaching things.

If you are lucky, you will have tools that help you easily quantify product Pareto patterns, common quantities, forecasting errors and the like which can help people adopt a path of least resistance to a better future.

Often however, people do not take the time to really pull things apart and gain the fundamental insights that enable them to build a totally new paradigm. The good thing is that they can maintain the rage by reminding themselves about what really concerns them, what they have to fear and what they really want to see achieved.

Be prepared to be puzzled and surprised

When you really dig into the fundamentals, not everyone will be able to appreciate how the puzzle fits together or should fit together. You may need to simplify and slow down a bit to carry the vision forward. You will need to decide if they can be brought along in time or else you may have to decide that they will be forever bound by their past and they will always just be puzzled. You may have to take some tough decisions but hopefully, if people clearly understand why they need to fix the problems you can bring them along with you.



Changing inventory management practices and supply chain configurations often involves letting go of models that have served you well for many years. It is important that you are prepared to really test the boundaries and discover new ways of doing things. You might even discover that some of the insights you and your team uncover really surprise you. In fact, if you are not surprised by some new initiatives you probably have not really tested the options enough.



Sustain the Mood for Change

With most complex changes, it is all too easy to be frustrated. Revisiting what made you mad in the first place, your fears and your vision for the future will help sustain momentum. This is particularly the case if there is a consensus on the problems and the opportunities.



You also have to help people abandon often tried and true processes that may have now passed their use by date. That is especially true, for example, when you move to a strategy and policy driven inventory management approach that employs a lot of automation. You simply do not need many of the old, often textbook approaches. Be prepared to say goodbye. It might be hard for some, but role reversals and some humour can often help people see that old habits need to change.



It also often helps if you have the right tools to easily model changes and to quantify the impacts on service and inventory levels, profitability and return on investment. Ideally, you can lay out a clear path and make the steps easier to take.

Celebrate the (Courage to) Change

When you complete the change, and of course along the way, it is extremely important to revisit why you wanted to change in the first place and who helped appreciate the pieces of the puzzle. Acknowledge the key insights that helped make breakthroughs and recognise those who led the change.



So are you mad enough about what ails your inventory management and supply chain? Can you see a better way? Do others share this? Can you help focus their feelings? Can you maintain the need to change through time and with the investment needed? Can you see how it can all be a lot easier? What are the potential barriers and how will get through them? Is it time to act? To lead?

For further information consult www.horizoninventory.com.au or email info@horizoninventory.com.au