



## Demand Is Not Enough (OBA)



**By Bill Bronsky, Managing Director OBA**

During this recessionary period companies are continuing to struggle with managing uncertain demand. Whilst a select number of strong performing companies have managed to grow at a rate that significantly outstrips their peer group – for the most part companies are facing three fundamental but solvable challenges. When overcome, these challenges will prove to be the key in driving up business performance.

This research conducted by OBA and [London Business School](#), covered the responses and interview feedback from over 50 Business Directors/Managers from FTSE 100 & Fortune 500 companies.

### Three issues that still dog demand

- 1. Information access:** Despite the explosion in electronic data storage, lack of specific tailored information continues to be one of the top challenges. The issue here is not the data itself, most firms now track and store large volumes of data, but rather the access to such tailored data for forecasting purposes. The key hurdles were either IT systems that prevented / complicated access or lack of intelligent analytics to interpret the data to provide meaningful useful information that helps build the demand plan.
- 2. Consensus:** The importance of working with a single set of numbers across the business is well understood. Unfortunately, differing functional and hierarchical incentives ensure that competing agendas make it in some cases almost impossible to reach consensus. A lack of direct involvement from senior management means there is usually no one with sufficient credibility/authority to resolve deadlocks and manage accountabilities across functional silos.
- 3. Credibility:** Forecasting departments have a 'credibility gap'. Many senior managers appear to pay little attention to the numbers received. Senior managements view is primarily shaped by the differing functional interpretations of future demand and their respective agenda's. Consequently, top management often has a "separate" view of the future of the business. This view tends to be driven more by targets or promised achievements, rather than bottom up statistical data.

**Key takeaways for improving business performance through demand planning**

**1 Information Access**

Selecting the correct and high quality information for an accurate view of future demand was considered highly important across the board. Make it easy to access and prove that using this information will result in a better forecast (compare the statistical forecast with historical performance). Unblock process and authority level access issues.

**2 Forecasting Tools**

Best practice forecasting techniques are not for everyone. Centralise and build the statistical forecasting capabilities. Rotate personnel between the markets and the centre and build unbreakable links that reinforce collaboration between the statistical forecasting group and deep into the sales and marketing functions. Businesses should invest their efforts in building speed and flexibility in decision making while restricting technical competence in forecasting to a select group of highly capable individuals.

**3 Consensus**

Remove the deadlock process that exists between functions. Target key consensus meetings to be chaired by authoritative, credible and highly capable talent from your business – let them lead by example. Manage the competing functional agendas to reach a consensus, which in most cases, in the beginning, will require direct involvement from senior management.

**4 IT Compatibility**

Improving the usability of forecast output through compatible IT systems across the organization will significantly impact business results. The challenge of investing in systems to create such compatibility seems to be a function of business size. Smaller firms utilize legacy systems on ad hoc basis to drive such efficiencies, whereas larger businesses having heavily invested in ERP systems struggle to find justifications for further investments. Key is to keep it simple and scalable. Some of the best demand planning results are obtained through simple systems but with a strict adherence to a well-structured process.

**5 Credibility**

The overwhelming importance of building credibility to a single view of the future tops the list for demand planning challenges. The pressures of meeting “other” expectations however, often lead to top management overriding the bottom up process – sometimes for justifiable reasons. Providing transparency in the communications process of changes in forecasting assumptions and building a broader understanding of potential areas driving variability in forecasts will remove confusion, tension and build an appreciation of the top down / bottom up process.

**The strong performing companies have solved most of these big issues**

It is interesting to note that while many of the challenges above are common across a lot of the companies surveyed, it still remains that the most successful companies have a certain set of characteristics that are responsible for a much stronger performance (see [OBA - Companies Beat The Crisis](#)).

There is a common pattern amongst the top performing companies regardless of the industry in which they operate.

They have 3 things in common:

- 1) A strong, identifiable culture (or ethos) and fast decision making capabilities
- 2) Alignment across functions – both in behaviours and objectives and
- 3) Little dependence on the type of IT systems implemented.

**For further information on this research, please contact [info@obaconsulting.com](mailto:info@obaconsulting.com)**

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