

## ENHANCE THE BALANCING BETWEEN SUPPLY AND DEMAND

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*The purpose of this popular science article is to give a summary of the report “The Sales & Supply process: factors leading to deviations”. The report aimed to provide suggestions on how IKEA of Sweden’s Home Furnisher Business Home Organization should better plan, monitoring and act on deviations in their Sales & Supply process to enhance the balancing between supply and demand.*

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The Home Furnisher Business Home Organization’s (HFB18) supply chain is becoming, more and more complex. HFB18 is controlled by IKEA of Sweden and therefore also accountable for its corresponding range and to balance supply and demand on a global level. HFB18 is using Sales & Supply planning to enhance the balancing of supply and demand in the increasing complexity of the supply chain.

Although there are a lot of process descriptions regarding how to work with different activities within HFB18, it is still arising a large number of deviations in the balancing between supply and demand. HFB18 have poor information sharing, interfaces between functions, poor knowledge regarding other roles ways of working and lack of follow-ups. These are issues that give an imbalance between supply and demand.

The results of the report are based on a single designed case study containing numbers of interviews and observations with HFB18’s Sales & Supply team.

The aim of the interview and observations was to reveal the external and internal factors impacting the balancing of demand and supply, what deviations that they give and

thus also how HFB18’s Sales & Supply process can be improved.

### **Seven factors identified**

Seven external and internal factors leading to deviations in the balancing of supply and demand in HFB18’s Sales & Supply process were identified; Measurements, IT systems, External supply chain actors, Cross-functional integration, Information sharing, Meetings and top management, and Knowledge and roles responsibilities.

These factors lead to deviations in balancing supply and demand such as overstocks, material shortages, or distorted view of the balancing between supply and demand. With the current ways of working the work is more reactive instead of proactive. Improvement opportunities for HFB18 were both discovered in the external and in the internal factors. The factors that were most in need of improvement, according to the informants, were; Information sharing and External supply chain actors. However, HFB18 cannot improve the external factors on their own, and the project’s time limit did not permit a deeper analysis of the external factors too.

The main player, currently impacting the balancing the most, turned out to be the

internal factor Information sharing. The information sharing has an impact on the balance between supply and demand in every way. Thus are the deviations many. One example, from a planning point of view, is if the sales start is changed or there is a sales stop for a product. This makes the former sales forecast not usable and hence is the capacity plan no longer accurate.

The three internal factors are strongly connected to each other. So by mapping the information flow contributed to an analysis involving all the three factors. The information flow where mapped involving situations that contain the Sales & Supply scenarios *Planning*, *Monitoring* and *Acting on deviations* and to cover the main steps in HFB18's S&S process. It was thereafter revealed that HFB18 especially needs to enhance their way of *Planning* and *Acting on deviations* to obtain a better balance between supply and demand. There is mainly three internal implementations that should be conducted to enhance the ways of *Planning* and *Acting on deviations*.

### **Proposals to avoid imbalances between supply and demand**

First, there is a need of implement a structured meeting module. The module should serve as a basis for all meeting agendas to just plug in, adapt and use. It should follow the time cycle, include which pre-work that needs to be performed, what the outcome should be, and supportive questions to help to keep focus during the meeting. Developing a common meeting module will help HFB18 to adapt to IKEA's culture of having a relative fast turnover of employees. It will also facilitate for new employees to contribute in the S&S process in a satisfying way.

Secondly, the gap between the Product Offering Development team and the Supply team needs to be minimized. This should be conducted by implementing an additional updated meeting after each Develop the Product Offer Process session, for the two teams to meet up.

At last, job rotation workshops can contribute to increase the employees' knowledge regarding the importance of information sharing and to clarify the roles responsibilities. A "should-be" map of the information flows should be created before having the workshop to ensure that the right ways of sharing information is taught.

All these improvement proposals mentioned will hopefully reduce the deviations in the balancing of supply and demand due to a more proactive work.

### **The importance of information sharing**

During the study it was discovered that information sharing is the main player to enhance HFB18's S&S process and to minimize imbalances between supply and demand. Moreover is the level of knowledge among the employees a significant factor in order to possess a well working information flow. With other words it is in the human capabilities. A conclusion is that information flows that are unstructured and comes from many sources is of greater risk of losing information, than structured information flows.