



## Richard Watkins

Richard Watkins is Managing Director of Delos Partnership Limited. He has 20 years' experience of working with the management teams of manufacturing companies helping them achieve a competitive edge.

## “...If the Truth be Told” – why is it “if” - surely, we should just tell the truth?

Many people believe that Integrated Business Planning is about setting up a series of meetings or process steps. When in reality it is a business planning process that extends throughout all functions within the business. It needs to have a clear vision and strategy, defined KPIs and the essential prerequisite, of having one set of numbers.

However, an often-ignored aspect of the development of Integrated Business Planning is for all of the numbers to be based on one version of the truth.

This paper explores why we should need to worry about the fact that the truth may not be told, and what needs to happen to make sure it is!



## Why is telling the truth so hard to do?

When I studied Philosophy a few years ago, there was always a lot of discussion about what is 'true' and what is 'false'. In studying logic, of course, the whole structure is based around true and false. And much of it was making sure that assumptions were clearly stated. For example, "All men are mortal, Socrates is a man, therefore Socrates is mortal" is the classic example. Of course, the statement "all men are mortal" is an assumption - perhaps true by definition? Truth should be supported by facts. But what is a fact? Similarly, moral philosophy was a lot about what is right and wrong behaviour, and how do we know what is right and wrong behaviour? Is it what we are taught? Are there universal rules on what is right and wrong? All very interesting questions, and one could spend a lot of time debating them, and some do.

However, little did I think that these issues would also be relevant to the way in which businesses are managed, and indeed is crucial to the operation of Integrated Business Planning or Sales and Operations Planning. A couple of illustrations - which I am sure are familiar – should suffice.

I know of a company where the Managing Director has set a target, through the Business Plan, of £200 million revenue for the current financial year. However, when the sales and marketing team look at what is realistic, they know half way through the year that they are only likely to achieve £170 million. And yet - when quizzed - they will tell the Managing Director that they will still achieve £200 million - it isn't worth the trouble of telling the truth! The Sales Director keeps on saying £ 200 million, so supply chain make it, and – surprise, surprise – they end up with too much inventory. Sadly,



it is the Supply Chain Director who gets the blame for the excess inventory. How can the Supply Chain Director be held to be responsible – morally?

In another company, the Annual Business Plan/Budget calls for £500 million. Operational decisions are based on the figures in the budget. Yet when we look at the numbers coming out of the IBP process they add up to £450 million; if the sales forecasts and central supply numbers were connected to the IBP numbers then different operational decisions would be taken on this basis. Similarly, they are also operating on the basis that we should be operating to our Annual Plan (that is what we are supposed to deliver) but are not prepared to admit that their Annual Budget was unrealistic in the first place.

But if you know something to be true, why would you not admit it to be true? I know that forecasts can never be known to be factual or true - but if the assumptions tell you that you are not going to achieve the business plan, then why not say so?

Clearly the issue that many face is that they fear the consequences of telling the truth. The leadership style is to do with "I do not want to hear reality; all you are telling me is that you are failing to achieve, and if you are failing to achieve, I will find someone else who does not." Given that we do not want to lose our job and our salary, we are then driven to conceal the truth.

## **Leadership philosophy drives behaviour**

The moral behaviour in a business is therefore driven by the leadership "philosophy". Clearly, it might make more sense to some people to own up, and then work out what



can be done to close the gap (which assumptions can be changed) but so many times this is seen as 'too hard' to do. Many prefer - when in doubt - to tell a 'lie' or at least not tell the whole truth.

I have also seen the same issue on the operational side of the business. I saw a factory where the demonstrated realistic output was 142 tonnes per week. Yet the Operations Director insisted on planning on 160 tonnes - because he 'knew' they could do better. But as the weeks went by, and output continued at around 142 tonnes per week - which was clearly a realistic limit, they just got more and more behind, and failed customers. The failure lay in not telling the truth.

So why is it that when people come to work they follow a set of rules about not telling the truth, which outside of work we would like to think they would not follow? Somehow 'business' and the operating practises forces and follows a code of conduct which means that people will not tell the truth, and therefore logically make the wrong decisions. It is almost as though people have been taught not to tell the truth. But if we are to make the right decisions, then we need to create a 'society' in which the members of that society all agree to be bound by the truth.

## **Getting the measures correct will win the prize**

This is the fundamental behaviour which needs to change to make Integrated Business Planning work. The behaviour is conditioned, in turn, by the way that people are measured and rewarded. Getting to the bonuses and changing these is a crucial key to unlock the prize that is IBP.



As I said, little did I realise that when I read Aristotle, Bertrand Russell, and listen to lectures on moral philosophy that I would be preparing myself for one of the major problems in business.

In business it is the code of conduct that needs to change, and the rules about telling the truth. If we tell lies, it is often so much more difficult to ensure that you keep up with the thread of lies. It is often much easier to tell the truth – but only if you will let the operation allow this as acceptable behaviour. So, when in doubt about the future, tell the truth!

For more information please do get in touch at [enquiry@delospartnership.com](mailto:enquiry@delospartnership.com)  
or visit our website at [www.delospartnership.com](http://www.delospartnership.com)