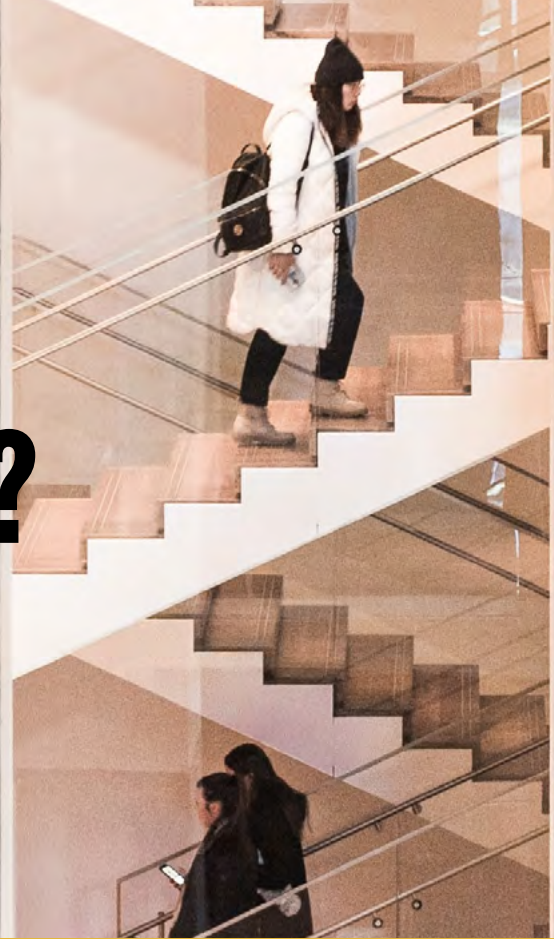


Article

# TIRED OF THE BLAME GAME?

How to build a psychologically safe work environment in S&OP/IBP



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Is it safe to make decisions in your company? And how safe is it to fail? To avoid the “blame game”, many of us do not want to make the wrong decision. But in today’s S&OP environment, we cannot simply rely on the process alone when making decisions. We need to change our behaviour in terms of the way we make decisions so it becomes psychologically safe to fail, as mistakes often carry important learnings. We need to stop the “blame game” and understand what drives behaviours in our vital decision-making processes to support an antifragile psychologically safe work environment.

These days call for fast reactions and therefore fast decisions and alignment – probably more than ever. On a daily basis, most leaders of supply chain organisations are exposed to tough decision-making at a fast pace and with highly complex data sets to keep management, customers and internal stakeholders happy. Everything from delivery situations, stock situation

and forecast ends on their table, including future outlooks and past explanations. Right now, most supply chain organisations are struggling with multiple data sets, hundreds of assumptions and insecurities to calculate and advise on several scenarios provided by managements. More than ever, these environments call for increased focus on being able to create

a 100% safe and honest environment for the people in it and being 100% open about what we do NOT know and when we do NOT have all the answers.

So, how can supply chain organisations support and influence decision-making processes to not only improve decisions but also ensure internal collaboration? How do we make sure that we “fail fast” instead of failing too late and miss out on new opportunities? And what does leadership and learning behaviour look like in a time when the organisational structures and the related human behaviour are no longer fit for the challenges that lie ahead? We strive to answer some of these questions through the lens of psychological safety and leadership in a supply chain context.

## Intro

In supply chain organisations, we often hear stories of people spending more time on blaming and/or defending data, calculations, decisions, results etc. than on solving, leading and understanding the situation. Here, questions such as “Who did what?”, “Who didn’t do anything” and “Who is the guilty party in this situation?” become dominant.

To us, the future success of supply chain organisations is dependent on agility, flexibility and – most of all – being able to make fast and powerful decisions. At Implement, we believe that the key to doing so is to build and support a trustful and safe environment where failing is as natural an element of the decision-making process as risks are. An environment where failure is an opportunity to learn and not an opportunity to judge and/or shame colleagues. Therefore, we are fans of the principles behind psychological safety.

In this article, we explain the concept of psychological safety in a context of S&OP/IBP, where decisions are key to learning and growth. It is therefore vital that the leadership behaviour in terms of these important decisions is characterised by a safe learning environment and not one

that incites hiding your mistakes and suboptimising your own results.

## The “blame game” will never drive your decisions in the right direction

Especially in a VUCA world (Volatile, Uncertain, Complex and Ambiguous), you must have the courage and the confidence to make quick decisions and take necessary business risks if you want to achieve high performance in supply chain organisations. But no decisions come without risks. And taking risks also means risk of failure. Risk of showing your courage and the risk of being the one who could end up being the patsy everyone wants to blame.

However, it is important to understand that humans find it extremely difficult to risk and admit failing. For many years, failing has been linked to incompetence and stupidity, and the people who do not want to risk failing – let’s call them the “non-failures” – have been happy to pass judgement on the colleagues trying out something different. The non-failures have been hiding in the cheap seats while passing judgement on the people who have been trying to drive the organisation as good as possible – but with the risk of failing. The “non-failures” saying to themselves and believing that a culture of “better safe than sorry” will help them retain their status and high self-esteem. And, sadly to admit, the strategy has in some organisations/parts of organisations been fruitful. The “non-failures” have been promoted, given incentives and asked to pass on the notion of being free of failure to their peers and employees, **fostering the “blame game” as an important survival strategy.**

The “blame game” has resulted in many people being afraid of losing status and power, thus not being honest and open about the risks and the failures of a situation or curious about alternative solutions. Many people have come to believe that performance and ability to reach targets are clear signs of intelligence, competence and actual personal worthiness. Such people will most likely never feel comfort-

able with showing vulnerability when making decisions, and they will certainly never admit it if they fail. Instead, many of them will either deny and blame someone or something else. They will have an explanation for everything, and that explanation will often be something “outside” of their power to do something about.

Such a culture is not supporting psychological safety, and it is damaging not only to the work environment but also to the productivity and, in the end, the overall company results.

But, let’s take a closer look at what psychological safety is and how you as a leader can display more of it to help your organisation.

### What is psychological safety, and why is it so important?

One of the thought leaders in the field, Amy C. Edmondson, defines psychological safety in this way: *“In a workplace, psychological safety is the belief that the environment is safe for interpersonal risk taking. People feel able and safe to speak up when needed, with ideas, questions, and concerns.”*<sup>1</sup>. This is also the case in relation to their own responsibilities.

In a psychologically safe workplace, colleagues trust and respect each other and even feel obligated to seek advice while calmly showing that there are actually things they don’t know. They can be honest without fear of being shut down and losing status. In such a work environment, it is a natural part of the everyday working life to share information across the organisation, report mistakes and learn from them.

Such a culture will foster the idea of “failing fast”, meaning that instead of hiding mistakes and not admitting that a

wrong decision was made, people will tell the true story and be honest about the situation the minute they find out – even if they were the accountable one.

**In fact, this specific characteristic of a psychologically safe workplace is the key element if we, as organisations, want to be able to react and respond fast.**

Therefore, leaders in a VUCA world need to understand how to adapt to a learning behaviour and develop and support a psychologically safe work environment built on relations, trust and teamwork – also across a company’s functional areas.

So, let’s take a deep dive into the engine room of the company, namely the supply chain organisation.

### How psychologically safe is your S&OP/IBP organisation?

In the supply chain organisation, we typically see cases of the “blame game” in S&OP/IBP meetings, budget meetings or typical business review meetings, where KPIs drive performance discussions across the organisation. Maybe you will recognise some of these statements from your own organisation:

**“INVENTORY IS TOO HIGH DUE TO BAD FORECASTING.”**

**“SALES TARGETS ARE NOT REACHED DUE TO POOR DELIVERY PERFORMANCE.”**

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<sup>1</sup> Amy C. Edmondson is a professor of leadership and management at the Harvard Business School and author of the book “The Fearless Organization: Creating Psychological Safety in the Workplace for Learning, Innovation, and Growth”.



**“DELIVERY PERFORMANCE IS LOW DUE TO SALES NOT SHARING THEIR INPUT IN TIME OR BEING COMPLETELY HONEST.”**

**“LAUNCHING OF NEW PRODUCTS IS DELAYED DUE TO NO OWNERSHIP IN SALES.”**

**“CAMPAIGNS FAIL DUE TO LACK OF INPUT FROM SALES IN TIME.”**

**“FINANCIAL TARGETS ARE NOT MET DUE TO INVALID INPUT FROM SALES.”**

When we talk to customers and ask them to describe situations like these, they often use words such as “frustrating”, “hostile”, “counterproductive” and “dishonest”. In addition, we would add the word “unsafe”.

Instead, you should ask yourself and your colleagues: “What is my responsibility, what could I improve, and what can I do to help this? How do I do my best to share my knowledge (also the known unknown knowledge), and how do we create a setup and an environment that can handle these circumstances?”

### **Imagine if ...**

- Finance, sales and the supply chain organisation would share each other’s plans and assumptions and in advance agree on how to manage deviations and insecurities?
- They could help each other in building the future and admit that they do not necessarily know everything in detail themselves? Sometimes we see that supply chain people have interesting insights into the market conditions and customer behaviour that sales don’t, and most targets, budgets and assumptions are still being made by finance and sales alone.
- All functions were curious about each other’s plans and assumptions?
- They would dare to show their own concerns and risks to the other parties?
- They could support each other with the expertise knowledge they possess to build a common plan and a common strategy for how to act if the plan fails but also to explore opportunities seen from different angles together?
- They would share and take on each other’s mistakes, learnings and reflections that could improve the future?

We believe such an environment would make decision-making faster and, in addition, improve the quality of decisions as well make it possible to avoid or at least minimise the normal noise and blame game that usually take place in a hectic supply chain environment. Especially the ability to show weakness and vulnerability will be much needed and will be extremely powerful skills to have because most of us know and assume that the future will not be identical to the past, and the data we have from the past will therefore only be able to provide us with a “piece of the puzzle” when we make decisions. There will always be an amount of insecurity and “blindness” when making these vital S&OP decisions.

And therefore, more than ever, people need to feel safe enough to say no to taking the full responsibility themselves and admit what they do not know and when they need other input, and they need to feel safe enough to invite other people into the decision-making process. And then they need to feel safe enough to speak up as soon as they see that things are not going as planned – also regarding bad news. And here, in our opinion, the supply chain and S&OP organisations have a very important role since they are very often exposed to new situations and signs of potential issues first.

**So, what does it take to make a safe environment?**

Building a new organisational climate where it is safe to fail is neither easy nor simple. In many contexts, years of practising looking for root causes, asking why, finding the guilty sinner of a bad decision has created a bad habit of collaboration. When it comes to social systems and human interactions, such as IBP/S&OP, we need to understand that we can't apply the idea of a simple linear process of finding the sinner to a complex system of multiple actors.

Emotional discomfort/psychological discomfort and pain, shame and fear of being humiliated can be very forceful drivers. So forceful that they will keep us in the need of being "failure free" if we do not become hyperaware about what behaviour we need to change.

It is everybody's responsibility to create a culture where it is safe to fail; however, the actions of the leaders and the organisational influencers matter more in shaping the right behaviour. This essentially means that we need to start with one specific leadership team identifying what psychologically safe behaviour looks like. And then apply that. Then we must invite our most critical collaboration partners onboard in the same dialogue. What does a psychologically safe collaboration process look like? And then apply that.

After agreeing on what needs to happen, then the tough test starts when we (and again especially leaders) will have to act accordingly to the defined aspirations and behaviours to make it matter and not just be "a-day-of-going-nowhere discussions" where we can blame the one who took this (stupid) initiative.

There are several concrete actions for a supply chain leader that can easily be applied from today:

**1. Lead your meetings in a safe way**

In meetings, when someone asks: "How come we ended here?", which invites for a discussion of "Who did what ...", the leader must be able to guide the dialogue in another direction, i.e. by asking: "What can I/we do to make it right?" When you govern the conversation in that direction (and insist on doing that – one sentence after another, one meeting after another), it will change the meeting process and climate from transactional deal-making to real collaboration.

**2. Appreciate effort and intention**

Make sure that you appreciate the effort and the good intention (if not the result) and be vocal about it. In this way, you make it safe for your employees to also share difficult issues and mistakes. Address mistakes in a positive way by inquiring how you can learn from this and shape behaviour by sharing your own doubts and mistakes on a regular basis. In this way, you are role modelling and underlining that there is no such thing as "perfect".

**3. Be picky about what you give attention to**

In general, you get more of what you focus on. It is as simple as that! If you focus and train your employees in what doesn't work, they get skilled at that. If you focus and train them in what works, they get skilled at that. Where do you focus your attention, and how do you develop your employees? Are you focusing on KPIs rather than real behaviour? Try to challenge yourself and be willing to have new and different discussions about performance.

**4. Ask for advice and feedback**

Make your environment a safe one to learn in. Ask for feedback and advise yourself before you willingly start evaluating others around you. And make sure that you understand and master that feedback is a dialogue about changing the way you work together and not a competition in judging good vs bad.

We experience that when we integrate supreme focus on leadership behaviour and psychological safety as an integrated part of our S&OP and IBP projects, we have an opportunity to not only heighten the quality of our decisions but also to foster an innovative and positive workflow. Simply because we see the high impact it creates when we not only find the right structure/process of the decisions but also the behaviour to back it up. We believe that gaining the benefits from an implemented well-worked process will only happen when a safe and collaborative environment is established.

We believe that the future winners are the companies that are agile with the ability to make fast and aligned decisions. This calls for extremely structured decision-making processes and structures, but it will limit the damage of an unforeseen event, such as COVID-19, but it will also make it possible to explore new opportunities first. Building safety into these systems together with the right leadership behaviours will ensure that you will get the maximum benefit of these systems so that you always have the latest and most valid information to steer your company towards.

**Conclusion**

Driving decisions in today's S&OP/IBP environment, it is no longer enough to simply rely on the process alone. We need to change our behaviours and habits in the way that we decide to get the true benefits of this way of working. We need new behaviours not only for leaders but for everyone. These **new behaviours require radically different competences/capabilities**, which in return calls for a radical change in project work, training initiatives and how we govern daily conversations. You need to identify and understand what drives behaviour in your vital decision-making processes and then decide how you want to deal with that and how you wish to recruit the right people that not only display functional expertise but also understand the fundamentals in human interactions and are able to support your antifragile psychologically safe work environment.

In case you are curious to know more about how to support your own decision-making processes, please reach out to set up a meeting on how we can best help you and maybe inspire you with some of our well-proven concepts and experiences.

1. Defining and implementing **psychologically safe leadership behaviour** for your leadership team and your close collaborators.
2. **Leadership simulations:** building a simulator for your leaders where we identify not only the challenges they face but also the behaviour that will solve them. And then trying it out in a learning environment – knowing that we need to act like a leader before we start thinking like a leader.
3. **Action learning intervention** where leaders and teams learn to display the desired behaviour through observation, shadowing, guidance and feedback.



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