



STEPS TO SUCCESSFUL
SALES + OPERATIONS
PLANNING



Sales and Operations Planning – commonly known as S&OP – is an integrated management process that seeks to optimally align and synchronize demand with supply (i.e., maximize revenue while sustainably managing costs). Developed in the 1980s, the business value from a successful S&OP implementation has been known to include improved profitability (2% or more), lower inventory (up to 15%), and more timely and effective new product launch cycles. In spite of its positive potential, we often hear that the road to full benefits is strewn with unforeseen obstacles. These include lack of strategic direction and/or little active participation from senior management, insufficient collaboration among the functional participants, and cries for shared accountability.

Historically, achieving S&OP benefits has been a continuous process journey, and for many supply chain professionals, there has been a tendency to focus on the data, the systems, and the processes in order to improve. Although these components are critical enablers of effective S&OP, they do little to describe the way people actually make decisions and successfully enable and sustain change. With this in mind, perhaps it's the “soft stuff” – credibility, WIIFM (What's In It For Me?), or organizational engagement, and ownership - that enables optimal results.

IT STARTS WITH CREDIBILITY

Credibility is comprised of two components: trustworthiness and expertise. In the context of S&OP, credibility begins with the S&OP leader. Credible leaders are shining examples of trustworthiness and applied expertise in action. When things go wrong, they see issues as opportunities to improve, instead of reasons for blame. When the team is met with seemingly insurmountable obstacles, they often have a ready-made suggestion on how to move forward. Through the power of their people skills and their understanding that the “soft stuff” is just as important as the process and technology, they lead by influencing outcomes, as opposed to wielding direct authority. Finally, their expertise is broadly recognized, routinely sought after, and openly shared.

We've all seen credible leaders in action, but how often do we screen the S&OP leadership role against these criteria? Best practices suggest that S&OP should report to the CEO, supply chain, or a profit center, yet complaints regarding process outcomes persist. Although there may be a correlation between successful S&OP and reporting structure, we seldom find the organizational chart reflects how people actually behave. In our experience, we have found that establishing an environment for successful S&OP outcomes has much more to do with credible leadership than the team members' reporting structure.

MAKE SURE YOU ADDRESS THE WIIFM

It is generally recognized that the quality of the demand plan improves with cross-functional, collaborative inputs. Although collaboration may be easy to describe, working together is not always a natural behavior. Add the inherently diverse knowledge, backgrounds, and personal goals of the S&OP participants to the mix, and the logical question is: How can we get these folks to agree on anything?

Faced with similar challenges, our change management professionals routinely employ a WIIFM approach. That is, they take the time to understand the organizational dynamics associated with change, and then they develop specific action plans to help each constituency understand and endorse the new way of conducting business. Simply put, they help stakeholders become fully engaged by answering the WIIFM question on a personal level.

This is more complicated than it sounds. It isn't just awareness campaigns or process flow diagrams. It is a process of developing awareness, acceptance and buy-in, and ultimately ownership of the new process, technology, and performance metrics. Time and again, history has shown that the likelihood of realizing the benefits associated with any change endeavor is significantly increased when people

To determine if you have a credible leader:

- The S&OP team stays focused on process outcomes, the data and the facts.
- The tone of the meetings is collaborative - crossfunctional participation occurs naturally.
- Personal opinions and "squeaky wheels" receive second priority in the decision-making process.

If you're doing all of the above, chances are a credible leader is part of the equation. If not, perhaps it's time to evaluate whether or not the lack of credible leadership is holding you back.

Attributes of credible leaders:

- Trustworthy and qualified
- Focus on opportunities, not blame
- Ready with suggestions to overcome obstacles
- Lead by influencing outcomes, not wielding



are aligned and committed to a given outcome. Why should S&OP be any different? In our experience, people do not simply adopt leading practices and then conduct themselves in a collaborative manner just because it is good for the business as a whole. Ultimately, full process adoption and the associated benefits are dependent on people, and for people to adopt and sustain a new behavior, they need to be fully engaged on a personal level.

If your organization feels like collaboration is lacking, (i.e., team members are just going through the motions) or senior management is not providing adequate support, ask the following questions:

- Has the S&OP value proposition been communicated in a way that is personal (as opposed to general)?
- Is the WIIFM message different for each stakeholder group (e.g., top management, sales, finance, marketing, and supply chain)?
- Are you confident that those directly impacted by S&OP and those who can influence the S&OP outcomes are truly bought in, and not simply aware?

- Do you have a change management process for corrective action when there is “grumbling” in the ranks?
- Are the “why it’s important” and “change impact” messages getting communicated across the organization? And are those messages getting delivered by the affected stakeholders (as opposed to the S&OP leader)?

If the answer is “no” to any of the above questions, this could be an indication that stakeholder engagement has not been effectively addressed.

AND DON'T FORGET OWNERSHIP

With credibility and organizational engagement (i.e., WIIFM), we’ve identified two important S&OP success criteria. However, we still need a way to reinforce and sustain the collaborative behavior that S&OP requires. This is where top management support and middle management commitment play a key role. Even if the S&OP leader sets the perfect example for credibility, and change management actions have answered the

WIIFM question for each stakeholder group, without true organizational ownership, where is the impetus to continue?

We have found that ownership begins with top management support. That support can come in many forms. For example, top management may:

- Routinely remind the organization why S&OP is important.
- Insist that S&OP risks and opportunities are formally included on the executive agenda.
- Ask questions regarding the S&OP process with a focus on assumptions made, the quality of the S&OP meetings, and lessons learned as the process matures.

Middle management plays a key role in the development of ownership by demonstrating a commitment to the S&OP process and outcomes.

This includes:

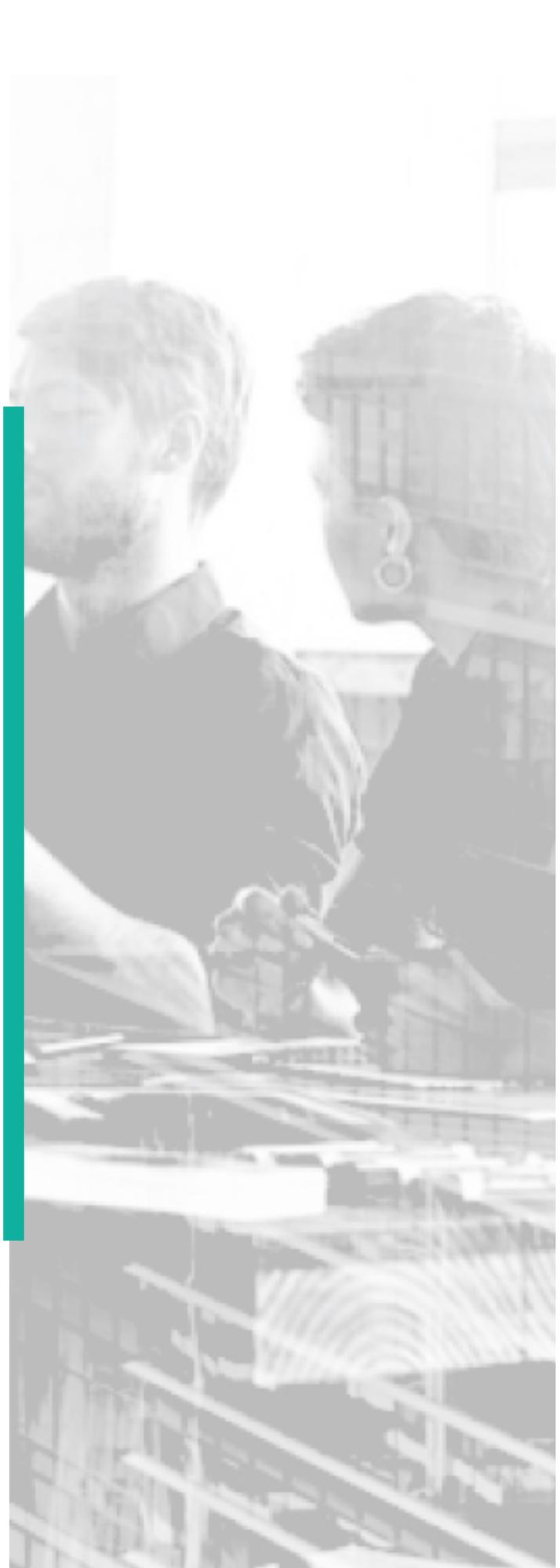
- Reinforcing the “why” messages.
- Managing the WIIFM and change impacts for their direct reports.

The style of top management support and middle management commitment will vary from one organization to the next. However, when these actions are routinely practiced, they reinforce the process and set expectations for process adoption and continuous improvement.

Organizations in the “crawl” or “walk” stages of S&OP maturity need to strike a delicate balance between setting stretch goals and supporting the process. A healthy dose of patience is also needed while the S&OP participants learn what works and what doesn't.

ENGAGE FOR SUCCESS

Our experience shows that when all three of these factors are evident, S&OP outcomes are materially impacted. Forecast error is reduced, service levels improve and inventory goes down. This is because the people who actually make it work are fully aligned with the process, the technology, the metrics, and



the desired outcomes. As Yogi Berra, the famous NY Yankees manager once said, “In theory, there is no difference between theory and practice. In practice there is.” In theory, successful S&OP should result from advanced technology, best practice processes, and a compelling business case. In practice, the important difference is the “soft stuff”: credibility, WIIFM, and ownership.

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