

Secrets to Overcoming Hidden S&OP Implementation Challenges ©

The Sales & Operations Planning (S&OP) concept has been around for many years. However, only some businesses are using S&OP and even fewer businesses are using it well. There are some good “how-to” books on S&OP. How can a well-documented process be so difficult to launch and sustain with all of the smart people in your organization? The answer is in the operative word, “people”. The process is documented. The technology implementation can have its challenges, but in the end, it will work. However, people are constantly balancing their logical, emotional, and political perspectives. No two people are heading in exactly the same direction at the same time.

Without consideration for the ‘people’ aspects of S&OP, the effort to implement an S&OP Management System will be out of balance with the ‘process’ and ‘technology’ aspects and will face serious challenges wasting time and money.

So, there must be a handful of ‘people’ aspects, not in the books, that can make or break your S&OP Management System implementation.

Insight #1

Proper S&OP leadership can significantly influence the success of S&OP.

Is the proper leadership in place?

Leaders support the four ‘fundamental building blocks for change’; Urgency for Change, Capacity for Change, Shared Vision for Change, Actionable First Steps for Change. Without any one of these blocks, the probability for S&OP success is dramatically reduced. Without Urgency, S&OP will become low priority. Without Capacity, anxiety and frustration will ensue. Without Shared Vision, a lot of S&OP work will be accomplished with little result. Without Actionable Steps, S&OP will never really launch.

It is critically important that the S&OP leadership have these fundamental building blocks for change. As a matter of fact, I would go so far as to say that this is the single biggest success factor for S&OP. Leaders need to believe that there is a need to change, that they have the capacity to change, that they understand and can communicate the shared vision, and know what to do to get started. In addition, it is critically important that the S&OP leadership ensure that their people, that will launch and sustain S&OP, have these fundamental building blocks for change, too. If this caliber of resource is not available, then these resources need to be developed or hired in. Regular communication about the vision and the immediate actions will fuel the fire of change.

Businesses that are struggling with S&OP will likely have one or more of these ‘fundamental building blocks for change’ missing in their leadership.

Suggestion

Identify the S&OP Roles up front and ensure the executive leadership clearly understands what is needed from them to ensure success. As the S&OP team is assembled, conduct a quick assessment of each person to understand which of the four fundamental building blocks they may need the most coaching with. Apply this same approach to personnel changes mid-stream.

Insight #2

Complex or confounded organizational structures complicate S&OP design, launch, implementation, and sustainability.

Is the organization properly aligned?

S&OP Reporting will give the business exactly what it was designed to report. However, complex organizational structures can confuse S&OP Reporting design, not to mention everyone involved including customers.

Here is a Litmus Test? Your organization might be too complex if ...

- If it has more than one sales person calling on a particular customer
- If it has multiple Business Units or Operating Companies that conduct similar business with the same customers (i.e. selling the same type of product)
- If it has one part of the company that is functionally oriented and another that is customer oriented
- If it has multiple departments across the organization that have the same title
- If it is not clear about who is supposed to make a certain decision or take action

It is important to have clear lines of responsibility and accountability. The person accountable is the one who makes the decision to turn the knob. The person responsible is the one who actually goes and turns it. How does the person accountable know what to decide or when to decide if they do not have the right information, or worse conflicting information, at their fingertips?

It is also helpful to have people from different parts of the business looking at the same issues. Cross-functional teams are designed to provide this type of holistic perspective. Typically, the outputs from a cross functional team are the best solution for the business.

As an example, I had a client that had over 100 brands from 3 different processes. Each process had its own business unit (BU) and sales team. Each BU's sales team and marketing team were separate functions and did not have robust communications between the BU's or with corporate headquarters. Any particular customer could have up to 3 salespeople and 3 marketing people calling on them. The 'demand side' of the business was organized by BU while the 'supply side' was organized by production facility having multiple processes. BU managers were making financial and operating decisions to optimize their own BU. If there was an issue that affected all processes, it was not clear who would resolve those issues.

Thankfully, the client simplified this complex organization by consolidating the BU's into one large BU that is much more customer focused instead of internally (BU) focused. They also "right-sized" their organization and brought in new talent.

Suggestion

Simplify the business and organization from the customer's perspective back through the organization. Use the corporate or divisional value statement as your guide. Start with customer facing organizations first. Find ways to use a 'matrixed' organization to maximize benefits of the organizational structure.

Insight #3

Continuously improving S&OP maintains momentum toward the highest level of S&OP maturity.

If it's not growing, it's dying

All processes, including S&OP, should have levels of maturity. Maturity Levels provide a quick way to determine how robust your process is today and what efforts are needed to develop it further. People drive continuous improvement, not process and tools.

The use of metrics is an excellent way to objectively assess S&OP maturity. Since the maturity of the whole S&OP Process is dependent on maturity of the parts, metrics that are specific to the parts (i.e. Forecast Accuracy) and the whole (i.e. Inventory Target Adherence) should be used. Ensure that the business has selected the key performance metrics (KPI) from all of the possible performance metrics. Agree on KPI Baseline, Targets, and Plans. Finally, calculate the KPI's regularly and make operational adjustments to keep them on track.

To grow the S&OP Process, an S&OP Sustainability Plan needs to be developed and implemented. The right people are in place. The structured process and metrics have been defined. Now, execute to the plan. The Ferrari won't go anywhere unless you step on the gas!

Only about 10% of businesses that use S&OP are considered to be at the highest level of maturity. We have to crawl before we can walk. The Sustainability Plan will act as a guide along the maturity path. S&OP Process education and review can help. Encouraging and experimenting with new process ideas is also helpful. New ideas that work will further embed the process in your organization.

Along the path of S&OP Maturity, shifting the paradigm to 'Operational Performance should drive Financial Performance versus the other way around' will be very helpful. It is easier to manage financial statements by making intentional modifications to operations than try to figure out how to make financial statements come true in operations.

Suggestion

Develop a KPI Lineage Diagram (or "KPI Tree") to show how the levels of KPI's link down to the sales team and the production line. This effort will align the efforts of the entire organization.

"Hidden Implementation Challenges" Summary

Without consideration for the 'people' Insights above, the effort to implement an S&OP Management System would be out of balance with the 'process' and 'technology' aspects and would face serious challenges wasting time and money.

The glue that makes all of the pieces of S&OP stick together is 'people'. Leadership and management should provide an environment that is conducive to developing S&OP Process maturity. S&OP Process needs people that truly understand and believe in the change, can simplify the organization, and can expand the process beyond the basics.

“Hidden Implementation Challenges” Key Takeaways

How can the insights be leveraged to help your supply chains?

1. Get the right help with S&OP and educate your organization from the top down
2. Select performers that have a voice in your organization to lead change
3. Simplifying the organizational structure to help clarify accountability, responsibility, and reporting
4. Employ cross functional teams with sales, marketing, finance, development, and operations
5. Establish a schedule for S&OP Management System maturity and measure your progress regularly
6. Establish an escalation procedure to follow when the process gets off track
7. Involve suppliers and customers in the process as higher levels of maturity are reached