

DIRECTING SUCCESS

MAKE S&OP THE STAR WITH A 10-POINT PLAN



BY ERIC J. TINKER



Whether you are embarking on a sales and operations planning (S&OP) project or have an established process, it needs the support, guidance, and visibility that comes with a designated executive sponsor. This person is chartered with making S&OP successful—or is on the hot seat if things go awry.

First, understand the time commitment. For a large organization, it should be in the 5-to-10-percent range; perhaps 10-to-20 percent for mid-market companies or those with flatter organizational structures and more hands-on leaders. Once the process is up and

running, the time commitment naturally will decrease and should be viewed not as additive, but as a reallocation of time and the way business is done.

Without strong sponsorship at the executive level, S&OP won't be a true decision-making process. Unfortunately, this continues to be an issue for some businesses. Recent research from S&OP consultancy Nexview shows that these two elements are the primary S&OP challenges for 15.3 percent of survey respondents. (See Figure 1.)

When considering who is best for the job, keep in mind that the sponsor has the single



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greatest influence on the process. It's easy to jump right to the top and choose the CEO or—equally common—the head of supply chain. These are both excellent choices. However, the chief operations officer (COO) is another great option. Just be careful to avoid S&OP being viewed as “an operations thing.” Plus, the COO generally is already on board. How about sales or marketing? Perhaps; and this will certainly be a way to ensure engagement. But do those leaders have enough background on the supply side? The chief information officer (CIO) is a possibility. Information technology (IT) will of course be required; but S&OP also cannot be seen as merely an IT project. More and more chief finance officers (CFOs) are providing cross-functional and operating leadership. These professionals can be excellent S&OP sponsors and certainly will ensure support for the financial integration piece. In the end, the sponsor can be any executive, really—as long as this person possesses a solid cross-functional knowledge of the business and the necessary influence.

Following are 10 specific points to help any S&OP executive sponsor or anyone providing upward coaching to the S&OP heavy hitters.

1. Develop the vision. This aligns your team and the broader organization around what S&OP is, what it is not, and what it needs to accomplish in order to support the business goals. Lead a session with your team to define the vision; give them some license with the wording, but make sure it accomplishes your goals. The result can be a set of 6, 8, or 10 phrases that will help align the team, enhance communications around the organization, and manage expectations and scope. Include statements that highlight the targets of quantitative measures or key performance indicators that S&OP will affect.

Figure 2 shows a sample set of statements that articulate a vision for S&OP. The example comes from a global chemical company whose executives wanted to focus the team and company on initiatives taking place in several business units around the world. Note that there are limited opportunities to make the needed impressions on stakeholders, and it's important to strike with a direct, but comprehensive, message.

2. Allocate resources. With scope and a timeline defined, the sponsor now should coordinate resource allocation. This will be a cross-functional effort, which includes resources the sponsor controls and peer-controlled resources. In this way, others are invested in the project—something that will be critical for their participation later. As with any initiative, the executive sponsor must be ready to use precious resources immediately. Thus, the plan must be well thought out to enable the team to hit the ground running. If resources are scant, consider phasing your project in or conducting a pilot program and advertising it as such.

During a recent implementation at a large energy exploration and production company, a team was built around the S&OP

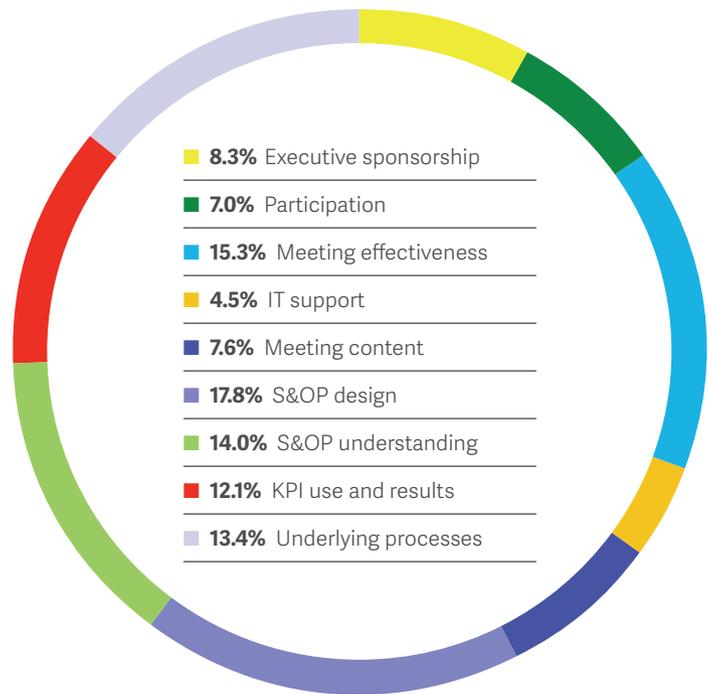


Figure 1: Top S&OP challenges

component meetings. The design and team structure mirrored that of the organization, which provided a natural migration from project structure to embedding the new process and roles within the organization.

3. Manage scope. As S&OP likely will be an educational process for some, participants are sure to offer many new ideas and suggestions. Put good, but out-of-scope, ideas in a “parking lot” list to be reviewed periodically. Unmanaged expectations and scope are sure ways to lose your team and undermine the effort on any project. The established vision should help in this regard.

4. Provide guidance. The sponsor should provide some input on the design itself—for example, vision, meetings, reports, information technology support, participants, alignment of design to the organization structure, and definition of new or changed roles—and also advise on roll-out strategy, training needs, and change management. This goes back to the sponsor selection discussion. The selected executive doesn't have to know everything, but should have enough cross-functional expertise and influence to provide guidance across a wide range of topics. Sustainable S&OP depends on it.

5. Champion the peer group. One-on-one and public support are essential. When issues arise related to resource support, data or information technology issues, a rocky meeting, or something

THE OPENING S&OP REEL

S&OP is the aggregate and coordinated planning layer above the detailed planning processes.

All business units will participate in S&OP.

We will use a consistent process and set of tools across business units.

We have a viable and sustainable way to aggregate data at the product family level and can produce a rolling 18-month plan.

The S&OP process will be the key input into the budgeting process.

S&OP will help us stabilize organizational roles and define accountabilities.

We will reduce forecast error by 20 percent; reduce inventory by 15 percent; and improve on-time, in-full by 8 percent.

Figure 2: A sample vision

else that rattles a peer group member, the sponsor needs to jump in and offer support to the project lead or team members.

6. Ensure the S&OP team makes decisions and runs the business.

During the design phase, make a list of typical and possible business decisions that should be made through S&OP and communicate that through training material and coaching sessions. Once S&OP is implemented, some management team members likely will continue to make decisions outside of the process, which threatens its long-term success. This hopefully is because these team members are getting used to the new way, as opposed to them undermining the project.

For instance, an oil and gas producer once had a very supportive S&OP sponsor and peer team. The leaders of each component meeting helped tee up agenda items for the next cycle of meetings. This made it possible for the teams to sharpen their skills in preparing business cases and improve how decisions were made about wells to be drilled; production; capital investment; reserves; contract commitments; and infrastructure required to get crude oil, natural gas, and natural gas liquids to market outlets.

7. Demand results. The project should have been justified based on moving some tangible metrics. It's important to take the time to measure and demonstrate the results. With clear outcomes, it will be difficult to dispute the time and resources invested.

At a global consumer products company, the business case for S&OP was loosely associated with reducing obsolete inventory. But the metrics were not visible or compelling enough. When this organization ran into IT challenges, the affected components of its S&OP process morphed into another project outside of the team. This caused delays and inefficiencies. No one could point to the success or required sense of urgency related to the metrics to keep the project whole.

8. Be visible and accountable. Executives succeed or fail based on business results. Sponsoring S&OP is no different. It's necessary

to make it as visible as possible—and attract positive or negative attention based on the outcomes. The sponsor has a great chance to lead by example.

9. Celebrate success. Part of every change or improvement initiative is recognizing success. Everyone knows when something goes wrong, so make sure that accomplishments are equally communicated. The team needs and deserves public credit for a job well done. Even in challenging situations, improvements can be found. Identify quick wins and plan ahead for their immediate celebration when achieved. Remember that the best celebrations are those based on movement of key performance indicators.

10. Visualize the next stage of maturity. Like any business process, S&OP has several levels of maturity. Depending on the starting point, it may not be advisable to go after “market leader” status all in one bite. The vision, project expectations, and communications need to be tailored to the immediate phase. But do have a growth path in mind.

After the implementation of these 10 steps, a periodic evaluation of the items is needed for targeted follow-up and continuous improvement. Keeping in mind and actively managing these points, the sponsor will be in a great position to ensure that S&OP can coordinate effective decision making and execution of the business strategy.

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