

Sales & Operations Planning Helps Tiger Roar

By

Mikael Hatzis

The Challenge

Integratos commenced and completed an 18-month business-integration programme (sales and operations planning - S&OP) working with one of the worlds' largest and most successful beverage manufacturers and marketers.

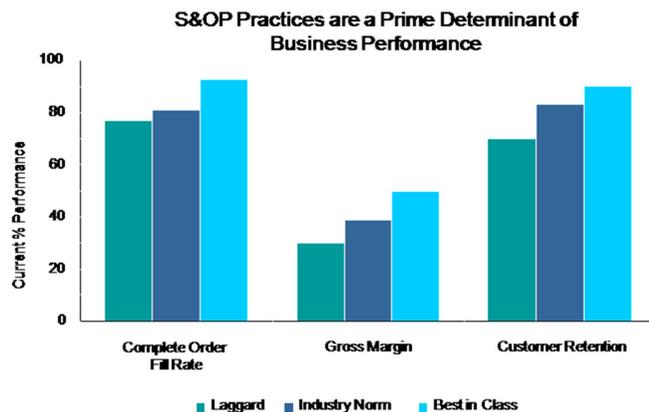
While this organisation's brands are international icons with powerful marketing and branding footprints, their demand-generation efforts were only loosely connected to their regional supply support, and integration capability. The organisation was feeling the growth pains of a stellar rise in the region, and to a young and vibrant regional executive team, the business integration and organisational readiness challenges were formidable.

In this article we explore the implementation of an Asia-wide Sales & Operations Planning (S&OP) programme and the very tangible benefits this provided to the organisation and its people.

Sales and Operations Planning or Business Integration Platforms?

It's worthwhile stating at the onset that we dislike the term S&OP. Where possible we don't use the term "S&OP" to describe the process, because we believe, by its very description it limits the possibilities of this vital business process. We argue it is more apt to refer to it as a "Business Integration Platform", which reflects the fact that this is a powerful framework which allows an organisation to operationalise strategy.

Business Integration is a high-performance platform, that when implemented (even to a low degree of sophistication), delivers significant in-market performance improvements, high levels of organisational efficiency, and core-plan integration. The result is the ability to better deliver strategic and business plans objectives. The graph at right shows the significant benefits offered by S&OP and business integration.



"When applied correctly, S&OP has the power to enable an enterprise to achieve an immediate and significant increase in return on investment."

Aberdeen Group's Benchmark Study 2004

While we prefer the broader description of Business Integration, we recognise that the term S&OP has a high brand awareness, and for the sake of minimising confusion, we will refer to the process as S&OP from here on in.

Rule # 1
Understand the
burning platform

When we first began working with this organisation we encountered the typical symptoms of an organisation that had grown rapidly. The issues being faced by the company and its executive team included:

1. *Multiple sets of operating numbers – confusing the plans going forward – sales, marketing, operations and manufacturing, had all different versions of the “truth” - numbers, forecasts, spend and priorities – and none of them matched. This caused a lot of tension between departments and ultimately led to the formation of functional silos;*
2. *Increasing working capital costs – there was an imbalance of inventories and inventory was ballooning – too much inventory, in the wrong place, at the wrong time;*
3. *Frustration at product development delays – people seemed to work to their own priorities, creating havoc with resource planning and application;*
4. *A lack of tactical alignment, both locally and regionally, which was exacerbating the inventory problem;*
5. *A pervading sense of frustration – especially from the executives’ point of view.*

To use an analogy, the executive were on bridge of a Super Jumbo flying to a known destination (annual operating plan), but their instrumentation and navigation instruments weren't working, the radar screens were blank, and there was a lot of internal frustration and second guessing about which direction they should take.

An S&OP framework was needed to address some of the regions problems. It would help the organisation navigate the business effectively towards the business plan, and allow it to tap into more opportunities, in a fast growing region, and not just solve discontinuity problems in demand, supply and logistics.

Why Implement an S&OP Framework

Without this key business mechanism, the business could not effectively have one compelling, agreed-to, and forward-looking plan that was active and synchronised to the market place and business objectives. The business would continue to be subject to the functional tensions where chaos could enter the business and degrade energy and focus on achieving future targets. The various functional silos would continue to create their own independent projections (multiple numbers and plans) because they used different starting assumptions.

So what to do? Fortunately, the regional executives of the organisation understood the problem, and the need to change. Led by the enthusiasm and drive of the regional supply director (another S&OP disciple), the executive agreed to consider an S&OP program to address the business integration issues. Importantly they made sure that the right message was being sent out about the project. This was about the market place, about the quality of the demand generation and integration processes, and accordingly they asked that the project be led by the commercial sales team. As it turned out, the global team was also going down a similar track, and momentum was building on a global S&OP implementation, which was great timing for the regional program.

By mid August of that year the regional team came together for an intensive workshop to:

Develop an S&OP model that was customised to their needs and their global fingerprint, which would be deployable locally

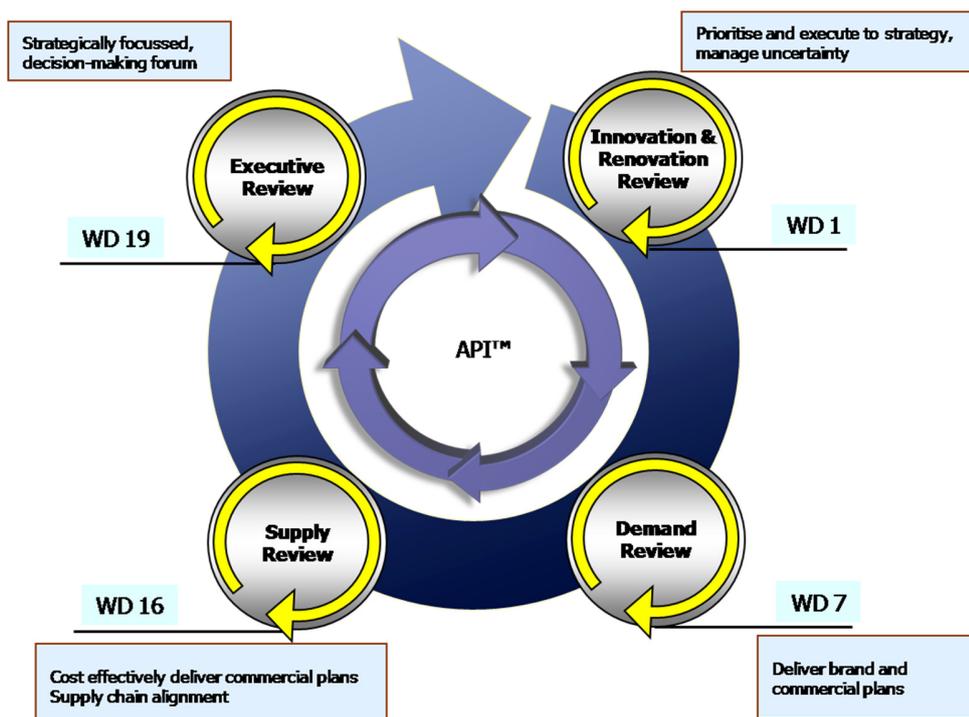
Develop a model that has the flexibility to take into account regional and local dynamics and marketplace variations and nuisances

Create a common implementation framework

*Rule # 2
A model developed
for the business, by
the business*

Develop a systems framework to ensure that the core elements required for the various S&OP information needs, could be enabled effortlessly

It took four intensive and exhaustive days to design a globally consistent S&OP process that we felt confident could be deployed. The model to be deployed at the country level looked as follows:



Rule # 3

*Don't steer the car by
looking backwards.
Focus on the road
ahead.*

Let's have a look at the model in a little more detail. Each of the Review bubbles play a specific role in developing and deploying an organisational plan, consistent with achieving business plan objectives, whilst taking into account:

- Current market conditions;
- Resources available; and,
- Business objectives.

The process is run once a month, every month, and converges with the Executive Review, with the entire executive team in attendance. It is critical that the entire team be present, because it's about delivering the business plans – not just sales and operations.

To ensure that the information was concise, we developed an information dashboard, which allows the executive to understand the thinking behind:

- The latest trajectories to the business plans;
- The performance of key metrics;
- Options to close any gaps;
- Simulations to address opportunities.

Using this approach the executive can focus on achieving the plans effectively, and leading the teams to winning in the market place. Key decisions about people, resources, strategy and plans need to be made here to assess the health of the business and options available to either take evasive action or close in on an opportunity. Importantly the Reviews have a demand-driven rolling horizon of 24 months, which gives people time to affect their approach and trajectory to strategy and business plans.

This is the forum where the executive get to see the latest assumptions and market conditions. In this way they are making decisions based on facts and the latest knowledge, which in turn makes decisions about meeting the business objectives, more effective and interactive.

Having said that, many S&OP implementations fail because there is no mechanism to prevent the executive from plunging into the detail. A unique aspect of this model is a special process called API (described below), which, by the use of formally agreed time fences, lets the Executive focus on month 2 out to month 24, with the confidence of knowing that the tactical horizon is being effectively managed by others

Active Planning and Integration (API)

After several workshops with the Singapore team, we built a plan to deploy the project. This included activating a set of local country S&OP platforms and then, as the country level S&OP process matured, key elements would be aggregated to a regional S&OP framework.

However, one of the realisations we had was the need to establish a strong and active process to manage the tactical horizon of the business. This is where there was a lot of noise and discontinuity, especially between demand and supply.

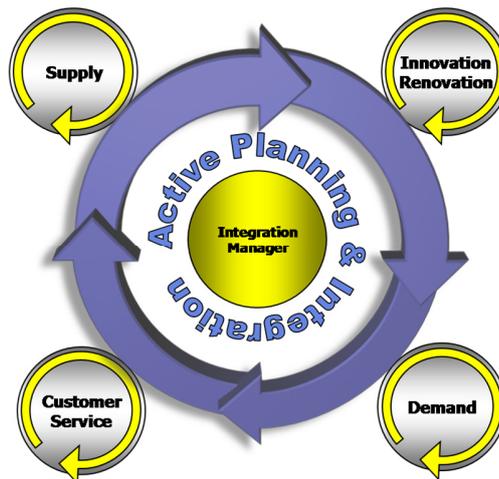
Before we could gain any real traction with a regional S&OP framework, we decided to implement a proprietary process to manage the local, regional and global tactical alignment process. We refined a process that Integratos now uses as a staple process to manage the tactical horizon called **Active Planning and Integration (API)**.

*Rule # 4
Controlling the tactical horizon, controls chaos*

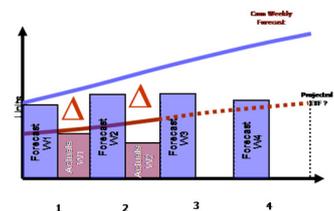
We mentioned previously that it was important to keep the executive team focussed on achieving the business plans, and not get trapped in the day-to-day running of the business. The API process is critical to achieving this goal. It lays out a set of clear processes, accountabilities and responsibilities for managing changes inside agreed time fences.

The process has a set of tools (system reports/triggers and algorithms) that critiques the drift from expected plans and forecast outcomes, against actual outcomes. When the variances clip predetermined upper and lower limits, a trigger is set off and a series of cross-functional investigations occur.

The process is managed by key players from customer service, demand, supply and innovation. Together the team have the collective responsibility and accountability to solve various problems. Where their mandate is exceeded (e.g. changing strategic priorities, exceeding agreed-to spend, etc) there is a formal process to escalate to appropriate levels, with the highest being the Managing Director for a country level (for more information see the article on the Integratos website <http://www.integratos.com.au/articles.html>)



- Active issues/imbalance identification
- Integrated solutions
- Tactical balancing
- Manage escalation
- Options/simulations
- Financial assessment



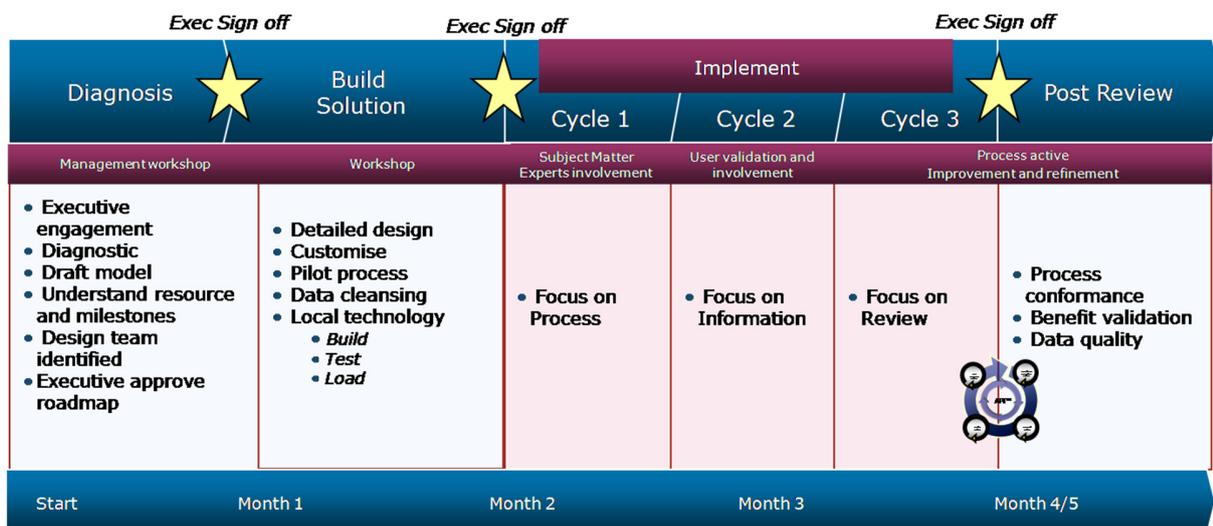
In fact, the way the regional process has been set up, regional API can manage conflicts between countries. For example, in a constrained-supply environment, where allocation of stock is required, the regional team review and engage with the local country API teams to understand the variances and find solutions to address the problems. In fact, depending on the magnitude of the issue, it can make its way all the way back to the global sourcing group for resolution. This is done by formally linking API plans and issue escalation, from country, to region, to global. Interestingly, in-country staff have seen this as a way to resolve tricky regional and global supply issues formally, where previously it was on a “who-you-know” basis.

Time to Implement

The S&OP Director and his regional implementation team recognised early on the importance of resourcing the project, prioritising it, and gaining maximum input and support from the regional executive. And it wasn't just support; it was important to immerse the executive of each participating country into the process. The plan was as follows:

1. *Ensure that the regional executive understood the implantation approach and scope, and resources and time required;*
2. *Allocate sufficient resources for a period of over 12 month at a regional level, so that the regional team could facilitate and guide the country implementations;*
3. *Pick a high-probability-of-success country to stack the deck for success for the first implementation, and go for quick wins. This would allow the site to be used as a demonstration site to highlight the benefits of implementing the program;*
4. *Ensure funds were available for external guidance and feedback – especially for education and systems development;*
5. *Add a "heavy" regional executive sponsor on the team to break through barriers as required;*
6. *Ensure that the implementation at the local level was not perceived as "forced from above". Key decisions on resource and timing would be the province of the local Managing Director and his/her team.*

The implementation pathway at the local country level looked as follows:



The First Phase of the local implementation was one of discovery. Instead of going in with preconceived ideas about the issues each of the countries had, an online Integration Diagnostic was conducted prior to implementation to gauge state of organisational readiness from a people, process and systems perspective. This, as well as engaging the executive team and other managers in a team dialogue, led to a better understanding of the issues and opportunities facing the country, and therefore to a more focussed and relevant implementation.

The Second Phase was a set of education sessions and workshops at the local country level, facilitated by Integratos and the regional team to adapt the model and implementation to the country. This included setting up a local implementation team, which included an executive member – typically the Marketing Director, to ensure that the focus of the program was supporting the commercial side of the business. The workshop walked through a value-stream process, identifying people, process and systems as well as key measures required to support each set.

*Rule # 5
Stack the deck
for success*

The Third Phase was a series of testing cycles, where elements of the model were tested by subject matter experts, by end-users, and finally, by all participants to prepare them in engaging in the process. This final step required acting out each of the Reviews, and deliberately walking people (including the executive), through the process so that there was a sense of comfort and understanding before launching them into the real thing.

“Our S&OP process allowed us to deliver our business plans effectively and also to zero in and capture market opportunities that were consistent with our strategic stand”.

Our first, and now demonstration site, was Thailand. They had some significant market challenges and a burning platform. They also had a young and vibrant management team, as well as a Managing Director who was a strong, respected and intelligent leader. Upon implementing the program we were able to, with the support of the Thai Managing Director and implementation team, implement the process from zero to hero in 5 months, which is an outstanding achievement for a project of this magnitude.

Today, the Thai team considers the S&OP process an indispensable mechanism for running their business, and they consider it one of the reasons they continue to deliver their business plans in the face of the global financial crisis in 2009.

Over the course of the next 6 months the program was launched into 6 other Asian countries, including India and China, using the same approach. The challenges at each county were quite different, but the substance and the knowledge underlying the program was the same.

Education and Access for All

One of the key elements of success of this type of program, is to ensure that we can share with people the knowledge that is required for them to understand, engage and be enthusiastic about S&OP.

Our initial approach was to deliver the knowledge personally to the executive and the management teams. That was very effective, as we could engage at a personal level and empathise with their unique business and issues. However, it would have become increasingly cost prohibitive to do this for all



employees of every country in the region, so an Online Education program was developed that:

- Covered all the basic elements of S&OP;
- Was specific to the organisation's model;
- Included a section on implementation and sustainability.

This, supported by feedback from an online quiz, allowed employees to study S&OP at their leisure, from wherever they chose, and ensured that the information was understood and internalised.

Where are They Today

Today, the Asia-wide API process and local S&OP platforms have created a strong framework for the organisation to be able to navigate the business through turbulent times, as well as allowing it to take advantages of new opportunities at a local and regional level.

It is true that the first two countries that had implemented the process before the GFC were able to better weather the storm, and amazingly managed to deliver their annual operating plans. Those countries that were behind in their implementation schedule felt the full force of the GFC and had fewer choices.

However, the world is changing yet again, and the organisation is continuing on its journey to implement the S&OP process in all key countries and markets in Asia Pacific – some 10 countries in total. These affiliates are now looking to more normal business horizons, and have a stronger business integration process to allow them to navigate to their strategic stand and objectives.

It has been our firm belief, backed up by over 20 years of experience working with multinational organisations throughout Asia Pacific, that S&OP is a vital and indispensable process to improve the health and capability of every organisation. This organisation's progress, yet again, confirms this belief.

Finally, we recognise the extraordinary contribution of the Regional S&OP Director and his regional team for the success of this project. Their intelligence, creativity, enthusiasm and commitment to making this project happen were instrumental to its success.

Like most things in life, it is the people that make things happen; the systems and processes just support their efforts to make great things come to life.