



# Demand is from **Mars**, Supply is from **Venus** and S&OP is from **Pluto**

In the first of a two-part feature, **Vivek Sood** and **Tony Fedorowicz** of the Global Supply Chain Group look at why your sales and operations planning (S&OP) might be set up for failure

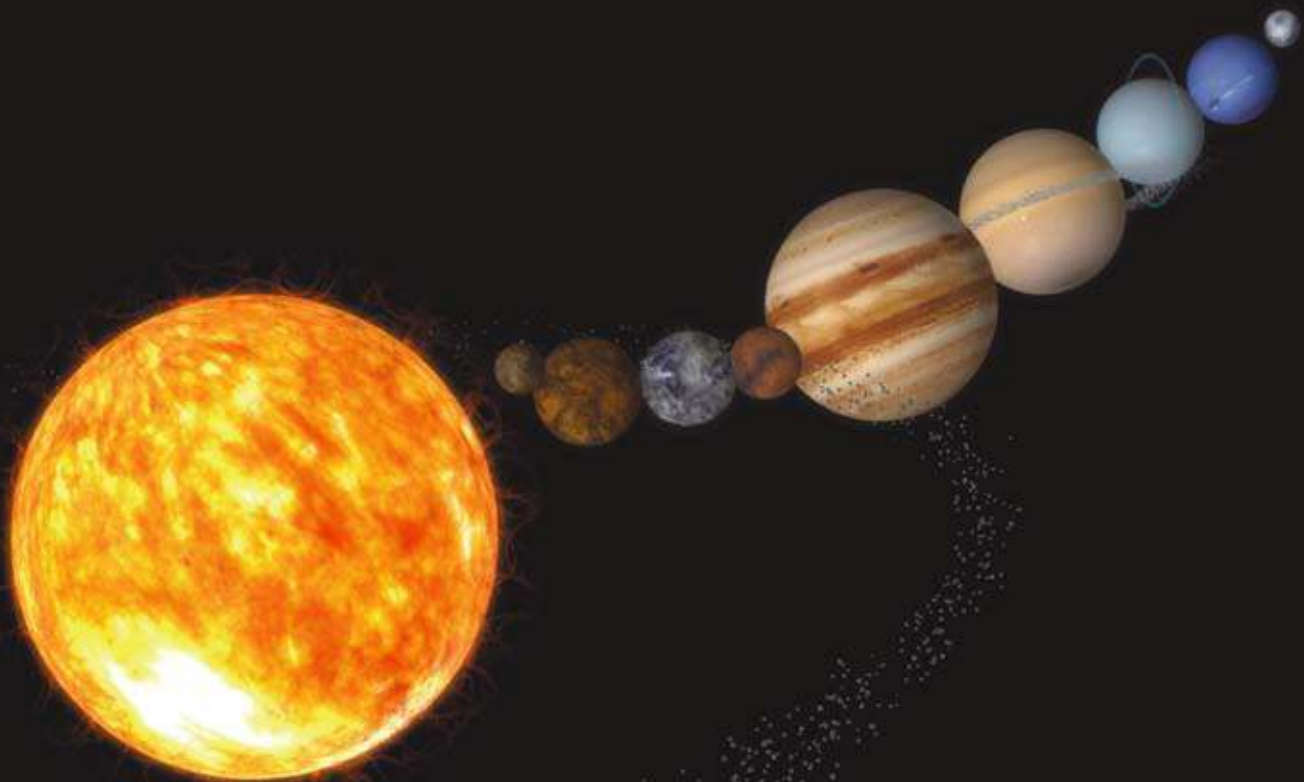
In the metaphor John Gray weaves around the battle of the sexes men and women frequently have problems communicating with each other because their brains are hardwired in very different ways. We were reminded of that metaphor recently when, as part of a larger supply chain transformation project at a major global consumer products company, we sat in on the monthly S&OP meeting. Similar to the Martians and Venusians of John Gray's creation, we felt that the two predominant groups in the room were essentially approaching the communication from mindsets that might have been hardwired on two different planets. And despite, or perhaps because of, more than 25 years of history, S&OP might have fallen into a communication rut.

The company took great pride in being "Class A" in its supply chain processes as certified by one of the reputed supply chain process certification firms. What struck us as counterproductive was that the whole S&OP process, including the agenda, key steps, preparatory work and documentation was set up for failure. How so? Let us first

describe a typical S&OP process that we have seen played out month after month at countless organisations around the world.

The sales department, the operations department, the logistics department, and statistical forecasting analysts get together in a room. The meeting starts with a review of what happened last month. The forecast accuracy is reviewed and found to be inadequate. The blame game starts. Operations and logistics blame the sales department for getting the forecasts wrong again. Sales people blame the customers, the weather, the economy, the government, the statistical analysts, and any other thing they can lay the blame on. And from here the meeting just keeps getting worse and worse. All the participants are generally good players with lots of experience, and come well prepared with the necessary ammunition.

Genuine collaboration is out of the window from the start. Ultimately there is a vague conclusion on what is going to be achieved over the next month or so, and hopefully some actions assigned. Rushed and reluctant agreement comes about due to shortage of





Attribute	Traditional S&OP	i-SOP
Attitude	Defensive/Offensive	Collaborative
Focus	Blame others	Team work
Orientation	Re-active	Pro-active
Communication	Stilted, stale, formulistic	Open, honest, guided but not controlled by a toolkit
Tools	Strict process charts and checklists	Dynamic balancing toolkit
Leadership	Battle hardened corporate warriors	Pragmatic, positive, results-oriented business people
Measure of success	Each departmental silo has its own measure of success for the outcomes from the S&OP process	The whole group has a single measure of success – Profit

time at the end of the meeting rather than from any sudden bursts of inspiration or teamwork. Everyone leaves the room dissatisfied and with rancour towards most of the other participants, and the whole cycle repeats itself the following month.

#### Attitude

Junior staff in many corporations develop a silo mentality in the first few months they join. If they dare to think of the greater good or company as a whole, they are frequently rapped on their knuckles for not being corporate savvy. Their objectives and rewards only reinforce this attitude. Over time this silo mentality becomes ingrained and leads to each person defending the position of his own silo and/or attacking the other silos to score points in the game.

By its very nature, S&OP is a collaborative exercise, which cannot be carried out properly with a defensive or offensive attitude. An open, trusting attitude is a must for success. Every participant has to believe that they all share a common goal, and everyone else is doing their best for the common success of the team. And every participant has to do their best in this belief.

The way most S&OP meetings begin, however, sets the scene for exactly the opposite. There are few positive stories of shared victories, or of meeting some difficult to achieve outcomes during the past month. On the contrary, the meetings start with failures of the past month. Any rational discussion is soon high-jacked by emotional self-interest. Granted that learning from past failures can be useful; however, the timing and manner for that exercise could be vastly improved.

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#### Focus

In traditional S&OP, the focus of participants is on blaming others for the bad outcomes and taking credit for the fortuitous good ones (of which there are a few). With this distributive focus, no wonder few people can think outside the box to find creative, lateral solutions to the end-to-end supply chain and operational problems besetting their organisation.

S&OP is a collaborative exercise that requires a great deal of teamwork. Most companies pay respect to teamwork – but their definition of team work is generally restricted to teams within a silo. Cross-functional teams have a mixed track record. Hidden agendas, inadequate training, lack of understanding of shared goals, and a history of dysfunctional behaviour towards each other sabotages teamwork in most S&OP meetings.

#### Orientation

Most S&OP meetings are oriented in the past. This is a surprise, because by definition, 'planning' (Sales and Operations PLANNING) is for future. The only reason one needs to refer to the past is for some guidance on the future. However, the way most S&OP processes are structured, even those certified by the best process certification consultants, result in a majority of the time being spent rationalising what happened and making sure it does not happen again.



This time would be best spent on planning for the future (obviously while taking into consideration what happened in the past). The re-active orientation of most S&OP processes is perhaps its most visible weakness.

### Communication

In the absence of a collaborative attitude and a focus on teamwork, the communication during a S&OP meeting becomes formulaic, stale and stilted. People are saying things for the sake of saying them and to be seen to be saying them. There is no commitment to joint problem solving by any means. Instead, it is just a chore to be gotten over with. There may be an occasional breakthrough of open, honest communication when a large, threatening problem confronts the whole group. However, these occasional bouts of collaboration are soon forgotten as people settle back into the comforts of their own departments.

### Tools

Guiding the communication of traditional S&OP process, and setting the tone of the whole event, is a set of archaic check lists and formulistic process charts, designed by the process consultants that certify these processes. While in the 70's and 80's they were a huge step forward when none of these things existed, their newer versions of 90's and 00's are barely adequate to guide the supply chain process of a modern global corporation through some of the most important decisions that their executives routinely make every month.

The newer collaborative tools are still being forged, however none of the old guard, who are well set in their ways and are in a way victims of their own success, have the motivation or capacity to provide them. Dynamic, light, open, collaborative, balancing tools are the way forward. We expect to see a few more of these in the future, but probably not from the existing suppliers of standard supply chain processes. In a traditional S&OP meeting, each silo sends its most battle hardened corporate warrior to fight it out with the competing interests in the other silos to maximise its chances of getting the glory and resources that it needs to flourish. And they play this role with relish. However, in the process, the shared goals of the organisation are frequently forgotten.

Collaborative, forward looking teamwork requires positive, pragmatic business leaders to jointly sit down together and solve problems by building on each others' ideas. We find this is frequently missing in the traditional S&OP processes.

### Measure of success

Each silo measures the success of the S&OP process differently. Sales might believe it is successful if it manages to "hoodwink" the production to produce so much that there is no likelihood of stock-outs. On the other hand, production might believe that making sales acknowledge the past forecast inaccuracies was its biggest success in the S&OP. The logistics department frequently believes it is successful if its representative walks out of the meeting without too much blame for missed deliveries or stock-outs.

A single measure of success, linked to overall performance of the business – profit for example – is frequently given only superficial consideration by team members. It is no wonder that under the

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circumstances, profits are frequently sub-optimised, though each department manages to look good using its own measures. If this rings true in your organisation, there are ways to ensure a better outcome.

### i-SOP

There are better ways to structure, support and run the S&OP process that will encourage internal collaboration, genuinely enhance communication and create much more positive and effective outcomes. We call this i-SOP, short for Intelligent Sales and Operations Planning.

Intelligent Sales and Operations Planning relies just enough on tools, formulae and check lists to make it a success. The key to its success is, however, the collaborative approach built into the process from the beginning. The leadership and participants are selected and trained for a positive, results-oriented attitude to joint problem solving using lateral thinking. Open and honest communication is guided by the instruments and tools created especially for this purpose. Finally, a single measure of success is used for all participants in the process. We will explore the design and implementation of i-SOP in the second part of this feature which will be published in the July/August issue of Supply Chain Asia Magazine. ■

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