St. Louis
APICS Chapter

S&OP Success
Why & How to Engage Top Management

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Agenda

• Introduction
• Why Engage Top Management
• The Elements of Authentic S&OP
• What’s the Challenge/Issue (Catch 22)
• How to Engage Top Management
• Closing Thoughts
• 40+ years in manufacturing companies
• Started as Schedules Coordinator (1970)
• With help of Oliver Wight, achieved Class A success (1979)
• Became an associate of Oliver Wight – 1981 (passed in 1983)
• Have worked with some of the best companies in the world
• Today = S&OP Coach, Educator, Author
• Has written six books with Tom Wallace –
  – Three have been used for APICS Certification
• S&OP Editor and Columnist –
  – Inaugural for the IIF’s Journal of Forecasting - Foresight
• Heads up support services for TFWallace & Company
• “Retired” = choices
Why Engage Top Management?
Mission Possible - *Becoming World Class While There’s Still Time*

**Present Improvements**

**Future Innovation**

A - Best time to work on Second curve
B - Slide has begun
C - Too late, scramble is on

**World Class**: “An organization that is working effectively, not just on one curve or the other, but on both at the same time, and learning from both.”
One View of the CEOs Job:

“Keeping the Herd Moving Roughly West”
Energy Alignment

Before S&OP

Accomplishment

After successful S&OP

Accomplishment
An Important Point . . .

“Keeping the Herd Moving Roughly West” is more Cultural than Technical
Success with Executive S&OP is:

• 60% = Culture/Behavior change

• 30% = Process definition and discipline

• 10% = Technology

Altimiter/AMR
Boston, Sept 2010
Getting Benefits . . .

- If you want only a few benefits, don’t bother involving the leader of the business.
- If you want most or all of the potential benefits, you must involve the leader of the business.
Implementation Alternatives

“Build it and they will come”
Design it first, get the mechanics working, and then attempt to sell it to top management.
= Low probability for success
(because you can’t address the cultural issues without Top Management)

“Hold the high ground”
Involve top management at the very outset of the implementation, and throughout.
= High probability for success
The Elements of Authentic Executive S&OP
Four Fundamentals . . .

Sales & Operations Planning (eS&OP)

Volume
• How Much?
• Rates
• Mkt Facing Families
• The Big Picture
• Strategy/Policy/Risk
• Monthly / 18 - 36 Mos
• Executive Resp.

Mix
• Which Ones?
• Timing/Sequence
• The Details
• Products/SKU’s/Orders
• Tactics/Execution
• Weekly/Daily 1-3 Mos
• Middle Mgmt. Resp.

Demand
• ProActive Behavior

Supply
• Routinely Different & separate practices, but integrated!

Balance
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Executive S&OP is . . .

- The executive portion of the overall sales and operations planning set of processes.
- It is a decision-making activity involving the leader of the business (president, general manager, COO, managing director), his or her staff, and a number of middle managers and specialists.
- Its mission is to:
  1. balance demand and supply at the aggregate level,
  2. align operational planning with financial planning,
  3. link strategic planning with day-to-day sales and operational activities.
  4. Is a forum for disciplined discussion about setting policy, strategy, risk, budget changes.

- It is a multi-step process involving demand planning, supply planning, and middle and top management meetings for decision-making and authorization.

Executive S&OP – does the proper prior planning to allow the routine things to be done routinely!!
The eS&OP Process

It is a multi-step process involving demand planning, supply planning, and middle and top management meetings for decision-making and authorization.
Executive S&OP = Keystone

- If supply chain practices can be compared to a stone arch, Executive S&OP is the Keystone:
  - The Keystone alone does not make an arch, but
  - Without the Keystone, nothing else can stand
What’s the Challenge?
An Important Point . . .

“Keeping the Herd Moving Roughly West” is more Cultural than Technical
Culture... a “fuzzy” word

Here’s a more focused understanding:

• Interpersonal relationships reflect the culture of an organization.
• The sum of those relationships is the culture!
• These relationships reflect a web of *implicit* and *explicit* agreements that are the organization (process).
Cultural Changes *

Pre-S&OP Culture

• Lack of involvement by Top Mgt.
• Acceptance of poor data
• Silo mentalities that inhibit interdepartmental collaboration
• Reactive instead of proactive decision making

Post-S&OP Culture

• Inter-functional collaboration, with open trust between departments (+TM)
• Data-driven decisions
• Higher levels of accountability
• Proactive approaches to demand & supply issues

* How S&OP Changes Corporate Culture: Results from Interviews with Seven Companies Stahl/Mello; Column: Winter 2010
Raising Disagreement . . .

In an authentic eS&OP process, it is not OK to disagree, it is necessary to disagree.

Disagree without being disagreeable

Putting the Moose on the table.
Top Management’s Role (in part)

- Create an environment (culture) that allows the **Ugly Moose** to be put on the table -- so that . . .
- They can completely and effectively resolve disagreements and conflict, setting proper:
  - Policy
  - Strategy
  - Risk assessment
  - Performance measurements

Before it’s in the MIX Space!
Conflict Resolution * . . .

• Disagreement has two parts:
  – Substantive issue
  – Emotion behind that issue

• Disagreement becomes conflict when the emotional is not completely addressed

• Lasting conflict resolution must deal with BOTH elements of disagreement

• Doing that effectively can be learned:
  – With a motive to do so and
  – A framework on which to work

* “Getting to Resolution” Stewart Levine
The Top Management Catch 22 of eS&OP Implementation *

Getting Top Management involved from the start:

• **If you DON’T** – you won’t address the cultural or behavioral changes

• **If you DO** – they realize that success does not come from doing what they do better, but from **doing things differently to be better**

• That translates to personal and/or organizational **discomfort and risk** for those in charge

* Overcoming the "Catch 22" of Implementation by Robert A. Stahl and Joseph F. Shedlawski
  *Foresight Journal* Spring 2012
The difficult issue . . .

The implementation of eS&OP is, in and of itself, a strategic imperative because:

- It is not doing what you are doing better,
- It’s doing things differently to be better.

That, by definition, causes uncertainty resulting in discomfort and risk.
"The Big Lie of Strategic Planning"
HBR – Jan/Feb 2014 by Roger Martin

“A detailed plan may be comforting, but it’s not a strategy.”

The Problem: “Executives know that strategy is important. But almost all find it scary, because it forces them to confront a future they can only guess at.” . . . “Strategy making is uncomfortable.”

The Solution: “Reconcile yourself to feeling uncomfortable, and follow three rules:

1. Keep it simple
2. Don’t look for perfection
3. Make the logic explicit”
How to . . .

Mitigate RISK

• Uninformed (before Go/No-go #1)
  Boss: “Okay, let’s do an Executive Briefing.”

• Semi-informed (after Briefing: Go/No-go #1)
  Staff: “Okay, let’s do a Live Pilot Demonstration”

• Fully informed (after Pilot: Go/No-go #2)
  Staff: “Okay, let’s go to full cutover.”

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Big Caution . . .

Simpler

(NOT Easier)

Better
How to Engage Top Management?
How to Engage Top Management?

- Identify and enlist an Executive Champion; someone with executive influence, willing to put skin in the game, and “gets” what eS&OP is all about.
- Connect the hard benefits of executive S&OP to successful implementation.
What are the Benefits?

Hard Benefits:

• Higher Customer Service
  Reliable, Responsive, Wide Variety
• Lower Finished Goods Inventories
• More Stable Supply Rates
• Less Unplanned Overtime
• Higher Productivity
• More controlled intro of new products
## Representative Hard Benefits *

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<thead>
<tr>
<th>Benefit</th>
<th>Range</th>
<th>Average</th>
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<tbody>
<tr>
<td>On-Time Del’ y</td>
<td>Up 10 to 40%</td>
<td>Up 25%</td>
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<tr>
<td>Inventory Levels</td>
<td>Down 12 to 70%</td>
<td>Down 41%</td>
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<tr>
<td>Mfg. Downtime</td>
<td>Less 20 to 50%</td>
<td>Less 35%</td>
</tr>
<tr>
<td>Plant Efficiency</td>
<td>Up 2 to 33%</td>
<td>Up 17%</td>
</tr>
<tr>
<td>Transport. Cost</td>
<td>Down 5 to 30%</td>
<td>Down 17%</td>
</tr>
</tbody>
</table>

*Sustainable 5% improvement; not possible
Sustainable 50% improvement; very possible

Hard Benefits . . .

Hard benefits are direct result & consequence of soft benefits

- Enhanced teamwork improved
- Communications – institutionalized
- Better decisions with less effort and time
- Better $$$ plans with less effort and time
- Greater accountability and control
- Enhanced execution of strategic plans
- Window into the future
- Master of own destiny
- Energy alignment: Keep the herd moving roughly west
How to Engage Top Management?

- Identify and enlist an Executive Champion; someone with executive influence, willing to put skin in the game, and “gets” what eS&OP is all about
- Connect the hard benefits of executive S&OP to successful implementation
- **Mitigate risk** – path of low risk/low cost
- **Quick results** to build confidence – 90 Days
- **Feedback** on progress/success
- **Generate local ownership** and enthusiasm
Low Risk Implementation Path

- Phase I:
  - Pilot Demo
  - Live Pilot Demonstration Go/No-Go #2
  - Kickoff Session
  - Phase I Pilot Demo

- Phase II:
  - Expansion
  - Phase II Expansion

- Phase III:
  - Financial Integration

- Executive Briefing Go/No-Go #1

- Months:
  - 1
  - 2
  - 3
  - 4
  - 5
  - 6
  - 7
  - 8
  - 9

- Low Cost
- Low Risk
- High Impact
- Quick Results
Corporate Role . . .

- Mandate the fundamental concepts and principles of executive S&OP *
- Demonstrate a willingness to “put the moose” the table
- Assure resources to develop necessary and appropriate tools; that may vary SBU by SBU
- Measure progress – development and process discipline
- Help address cultural and performance measurement issues
- Reward success

*S&OP Principles: The Foundation for Success
Robert A. Stahl and Thomas F. Wallace
Foresight Journal  Fall 2012
Closing Thoughts
Leadership’s Role

During Change

- Lead educational process
- Manage cultural changes
- Assure proper resources
- Immerse themselves in the detail
- Approve procedures
- Insist on clear targets (goals)
- Participate
- Measure progress
Leadership’s Role (Continued)

Ongoing

• Insist on meaningful participation
• Insist proper homework be done
• **Remove themselves from the detail**
• Clearly raise and resolve disagreement and conflict
• Make clear decisions
• Hold people accountable (process and results)
• Encourage and expect realistic improvement
• Lead management development
• Measure performance
Characteristics that make eS&OP Operate at it’s Best

• Cross-functional, collegial, collaborative, consensus building mindset, and a disciplined process that **aligns human energy**
• Singular **Holistic Ownership** (leadership) of demand, supply, and fiduciary responsibilities, with authoritative decision making power to establish **ONE set of numbers**
• View the implementation and use of Executive S&OP as a **Strategic Imperative**
• Integrated **performance measurements that align with desired performance**
Thanks for Listening & Best Wishes

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