

Leading sustainable S&OP

Niels van Hove

February 2013

Agenda



1. My S&OP and cultural journey

2. Company and S&OP culture

3. Effective S&OP behaviours

- ***Trust***
- ***Communication***
- ***Collaboration***

4. The S&OP leadership quadrant

5. Tips to lead sustainable S&OP

About Niels van Hove

1. My S&OP and cultural journey

Career



Bachelor Logistics Engineering
MSc Operations Management

1991-1998



Logistics analyst in
500M\$ IBM spare parts
distribution network

1999- 2001



Supply Chain consulting
Planning processes &
enabling APS in 10 countries

2001- 2006



Supply Chain manager
Exporting to 50 countries

2006- 2009



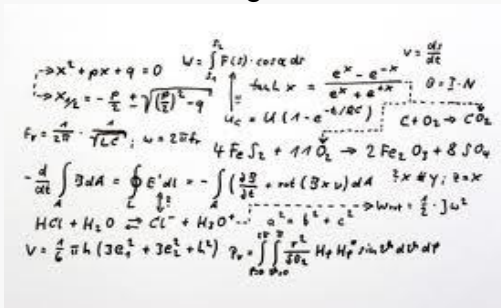
George Weston Foods Limited

S&OP manager

2009-

People & Culture

The world can be optimised
with algorithms!



Cultures and people
are different!



There are no problems,
only people!



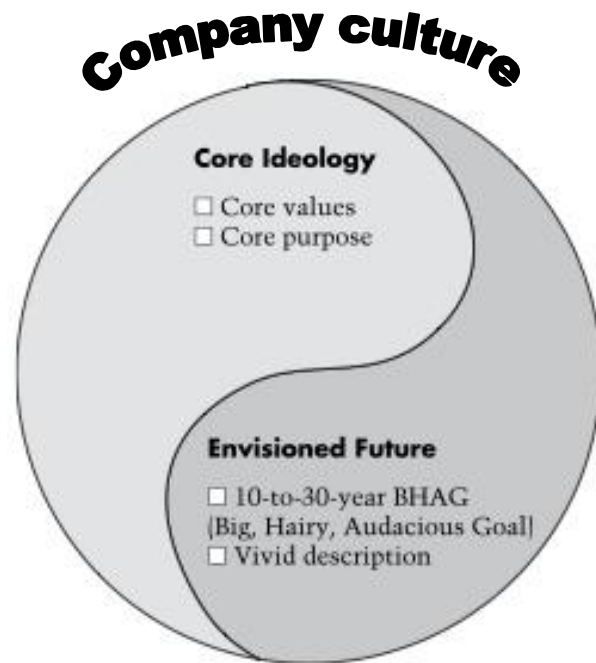
Company culture can be
a competitive advantage!



2. Company and S&OP culture



Behaviour drives a sustainable company culture



Collins and Porras, *'Build to Last'*

“A company culture is created from its core purpose and values. The core purpose is the reason for being; it captures the soul of the organization.”

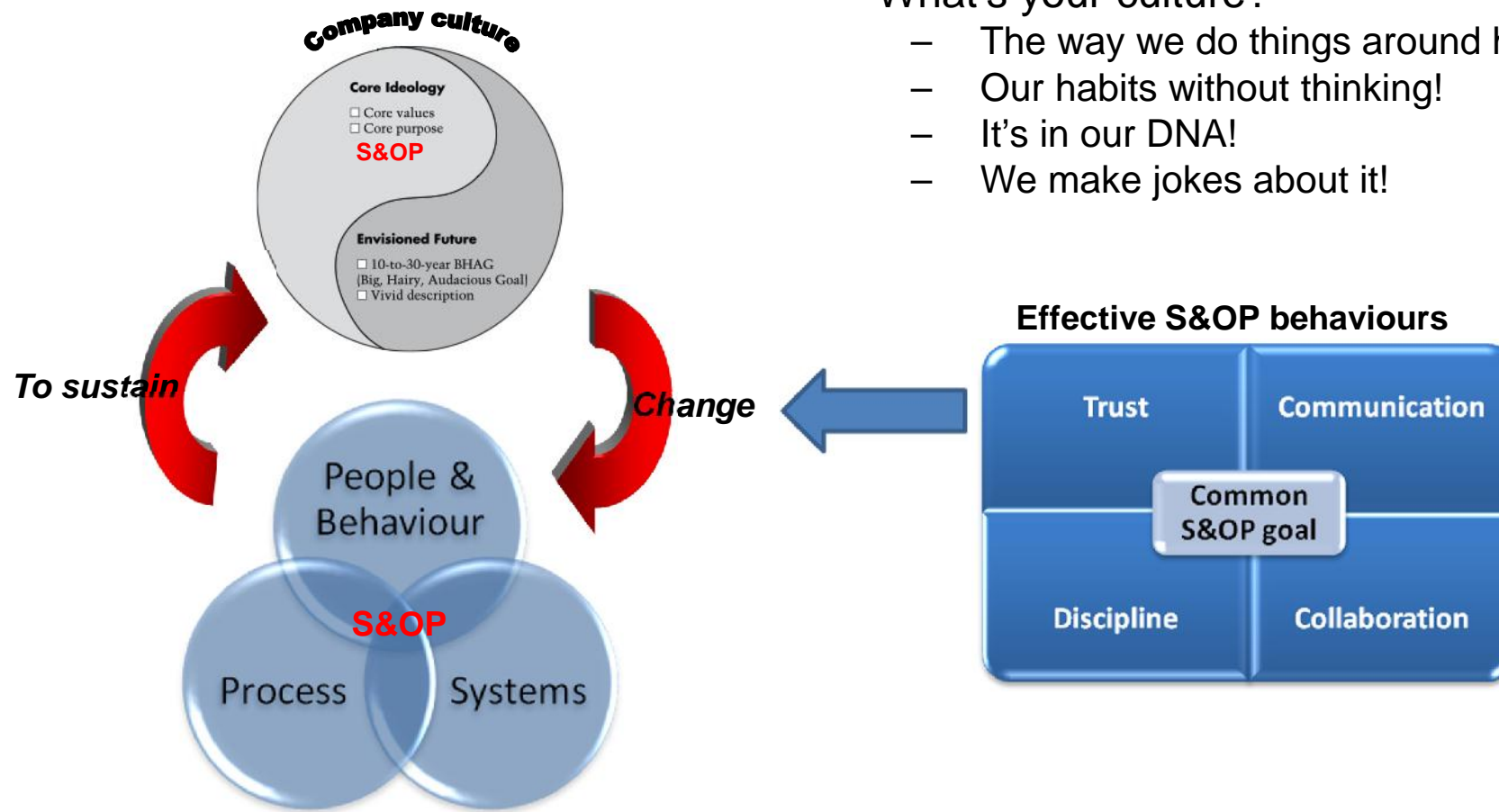
*“Well defined, integrated and truly lived, purpose and values will drive companywide **behaviour**.”*

*“Imbedded company **behaviours** will drive a sustainable company culture, which will last over time.”*

2. Company and S&OP culture

Effective S&OP behaviours drive a sustainable S&OP culture

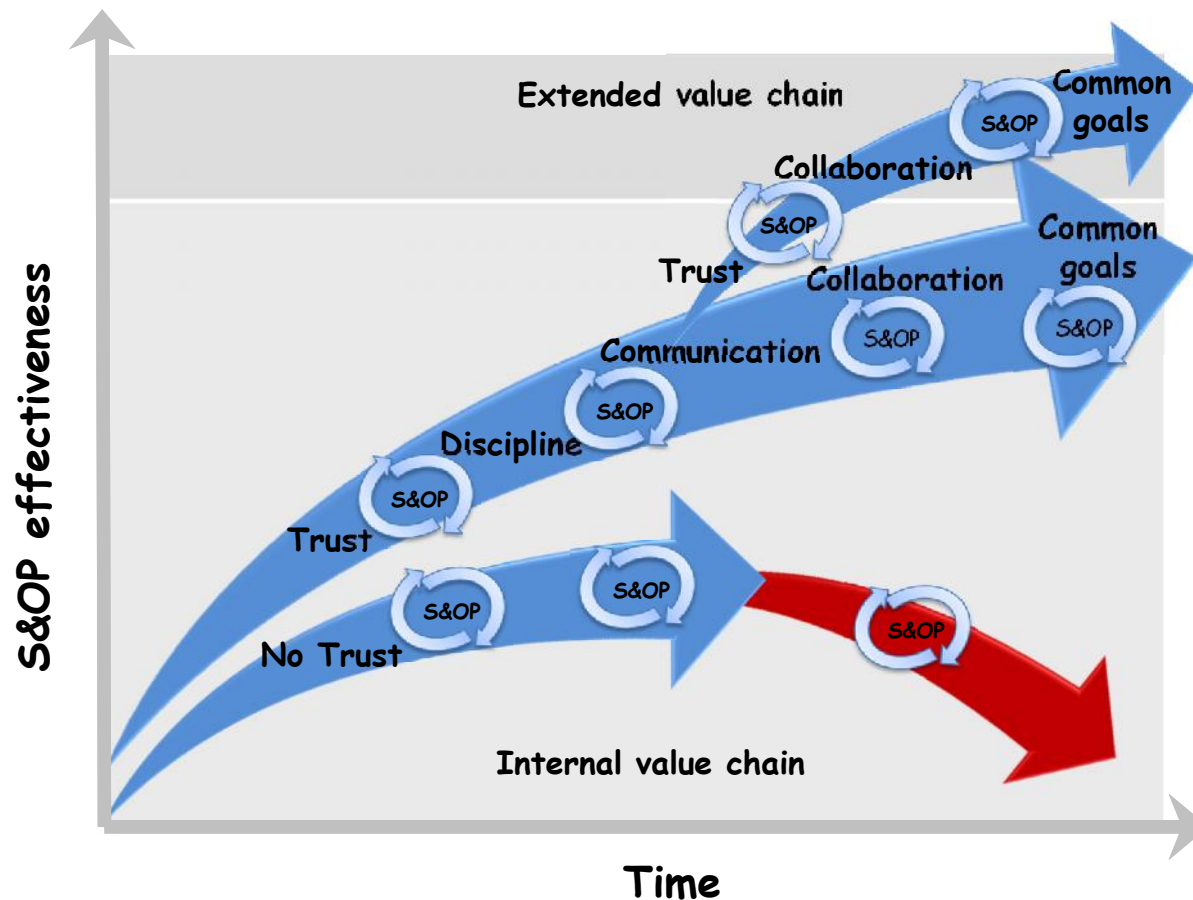
- What's your culture?
 - The way we do things around here!
 - Our habits without thinking!
 - It's in our DNA!
 - We make jokes about it!





2. Company and S&OP culture

Effective **behaviours** drive effective **S&OP**. S&OP in turn provides the opportunity to live effective values and behaviours



Effective behaviours **amplifies** S&OP effectiveness and create a sustainable S&OP culture

Aggressive & defensive behaviours limit S&OP effectiveness and do not create a sustainable S&OP culture

3. Effective S&OP behaviours: **Trust**



Trust is the foundation for effective and achieving teams!



Willingness to learn and adapt plans accordingly

Ownership to make plans work across functions

Prioritize and execute 'agreed' plans

Challenge assumptions to come to a consensus plan

Cross functional engagement to make plans

Patrick Lencioni: *'The Five Dysfunctions of a Team'*



3. Effective S&OP behaviours: **Trust**

*Where do you think **S&OP** works best?*



Steven M.R. Covey, *The speed of trust*

- The **Trust** Equation
 - Trust always effects two outcomes
 - Speed and Costs

$$\begin{array}{l} \downarrow \text{Trust} = \downarrow \text{Speed} \quad \text{And Costs} \uparrow \\ \uparrow \text{Trust} = \uparrow \text{Speed} \quad \text{And Costs} \downarrow \end{array}$$

Low **trust** cultures:

- People manipulate or distort facts
- People withhold and hoard information
- Mistakes are covered up or covered over
- There are numerous meetings after meetings
- There are many undiscussables
- There is no constructive feedback

High **trust** cultures:

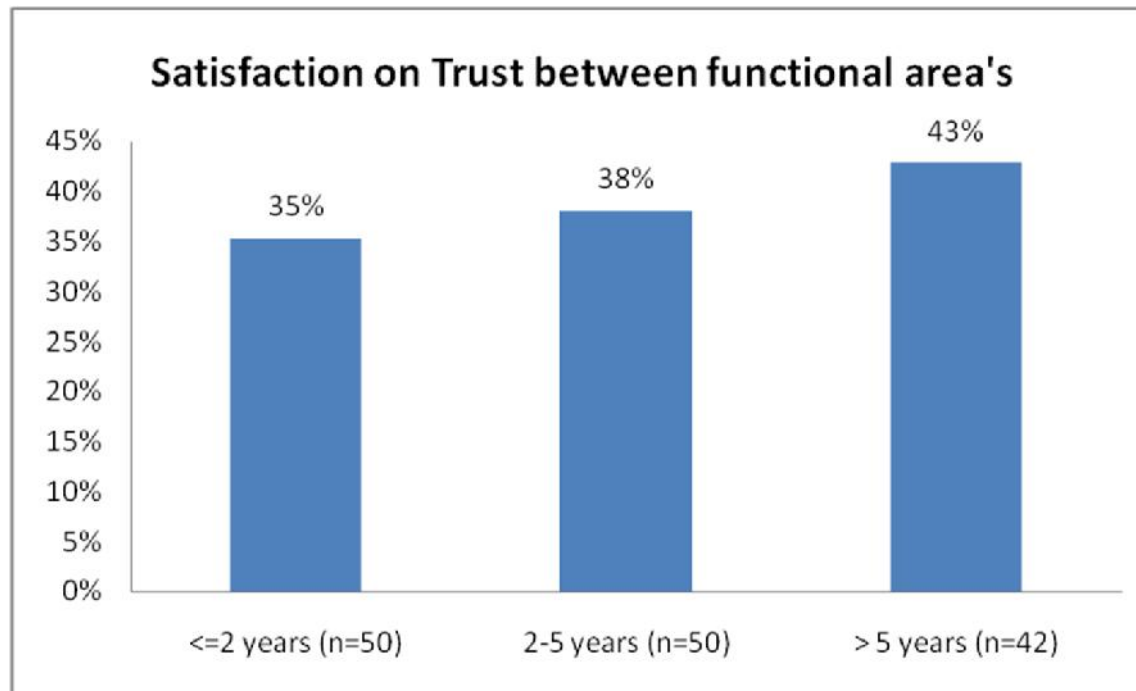
- Information is shared openly
- People are loyal to those who are absent
- There is real communication and collaboration
- There are few meetings after meetings
- Transparency is a practiced value
- People give and receive constructive feedback

3. Effective S&OP behaviours: **Trust**



***Satisfaction on **Trust** between functional areas
increases with S&OP experience***

*Percentage of survey participants that is either satisfied or very satisfied
with trust between functional area's**



*S&OP pulse check 2011: survey amongst 142 participants across 31 countries

3. Effective S&OP behaviours: **Trust**

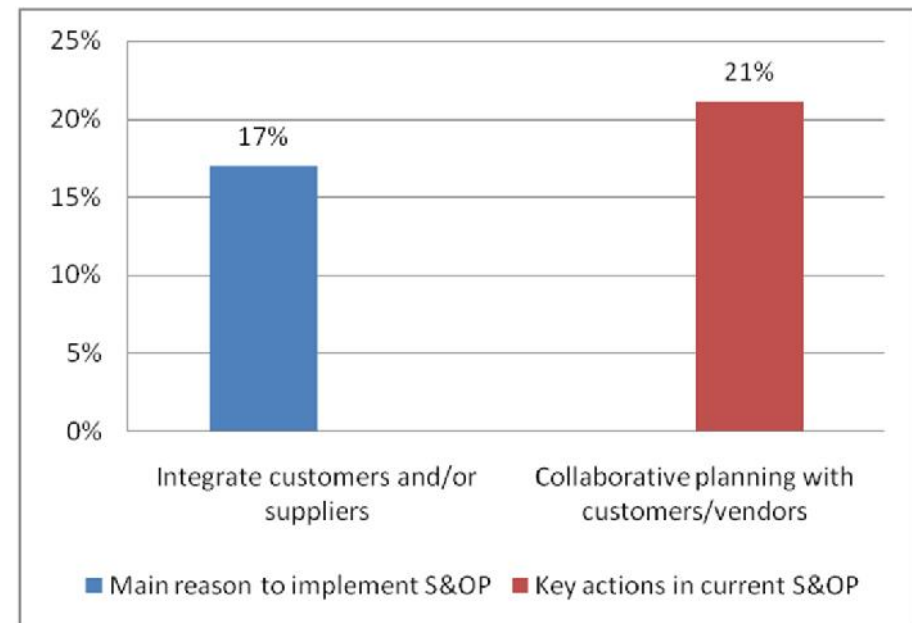


Trust is key for collaboration in the extended value chain,
where S&OP is not widely used yet

The 3 'super' partnership success factors:

- 1. Collaborative innovation:** The conditions that enable the partnership to be innovative and to respond to opportunities
- 2. Partnership quality:** The quality of the relationship exchange including commitment and **Trust**.
- 3. Value creation:** The efficiency to create and capture potential value that the partnership offers.

A. Humphries & R. Gibbs, 'Collaborative Change'



*S&OP pulse check 2012: survey amongst 55 participants across 19 countries

3. Effective S&OP behaviours: Leading **Trust**



A *trusted* culture creates a platform where S&OP can thrive in the extended value chain



*'The **trusted chain** emphasizes that the strong relationship between Sony and its partners depends on mutual trust and communication'*

Yuka Yu, Vice President of global supply chain operations Sony electronics

Sony electronics:

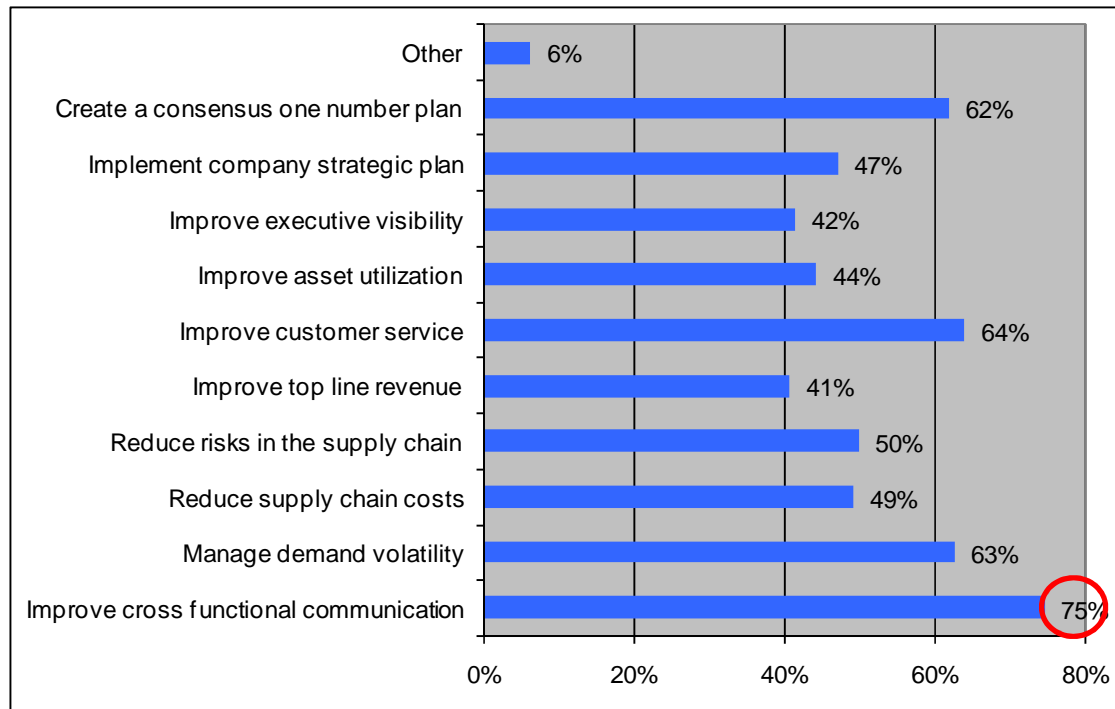
- **Started the S&OP journey early 2009**
- **Integrated S&OP and collaborative planning for major retailers**
- **Was voted supplier of the year 2009 by Wal-Mart stores**

3. Effective S&OP behaviours: **Communication**

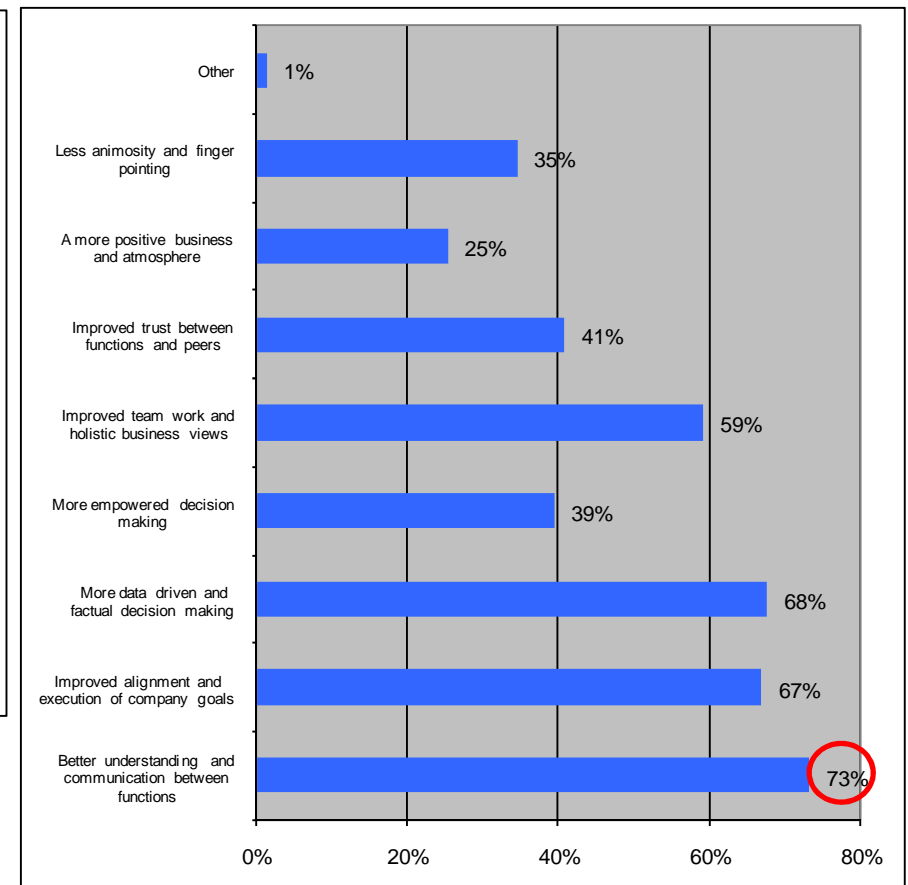


*Practitioners suggest that the key reason to implement S&OP is to improve **Communication***

*Key reasons to implement S&OP**



*Main cultural changes when implementing S&OP**



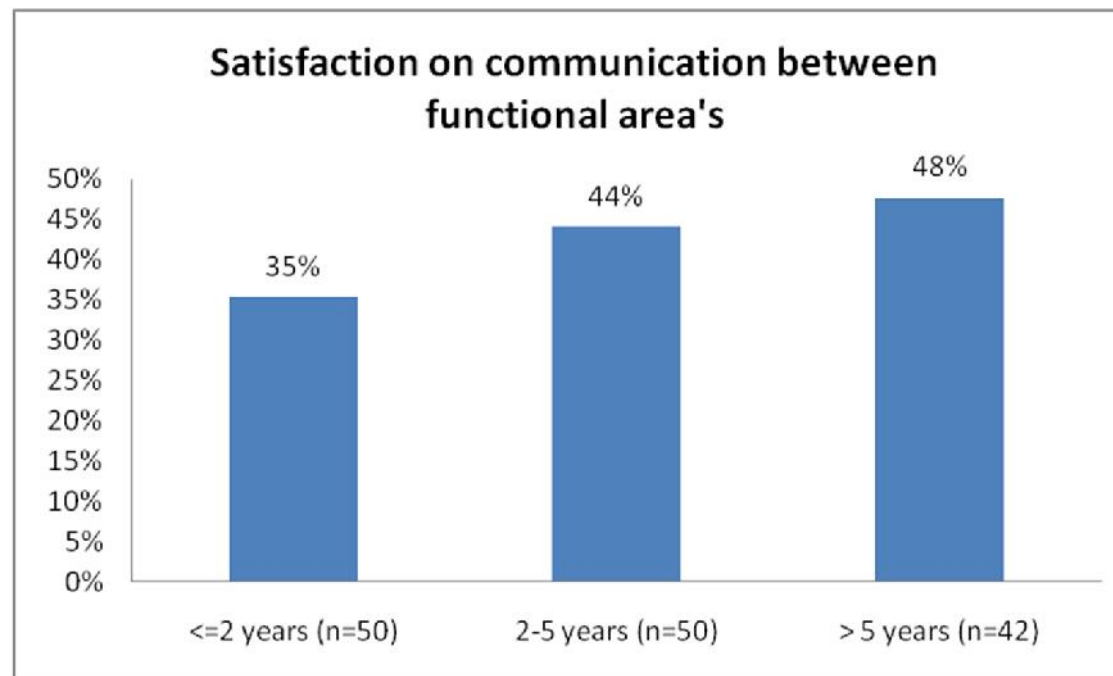
* S&OP pulse check 2011: survey amongst 142 participants across 31 countries

3. Effective S&OP behaviours: **Communication**



*Satisfaction on **Communication** increases with S&OP experience*

*Percentage of survey participants that is either satisfied or very satisfied
with communication between functional area's**



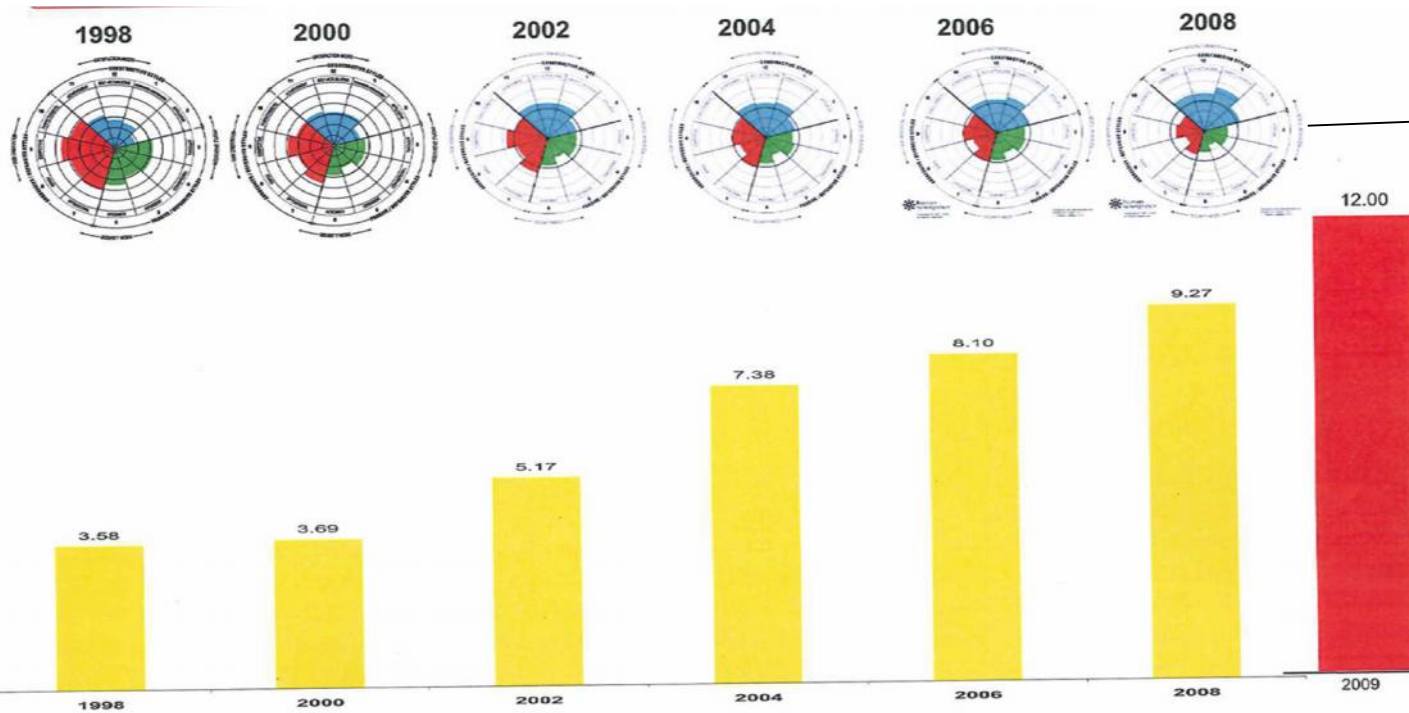
*S&OP pulse check 2011: survey amongst 142 participants across 31 countries

3. Example: Leading constructive communication



*'If you **don't perform**, but fit into our new culture, we have to ask you to leave. If you do perform well, but you **don't fit into our new culture**, we have to ask you to leave too'*

Rob Murray, CEO of Lion, a 7 billion AU\$ Australian FMCG



Ten years of improving a trusted, constructive and achieving culture!

LN Share Price

3. Effective S&OP behaviours: **collaboration**



Leaders who provide a common vision, purpose or goal

can spark *collaboration...*



‘People will innovate for financial gain or for competitive advantage, but that can be self-limiting. There needs to be an emotional component as well – a source of inspiration that motivates people’

Robert McDonald, CEO P&G



‘You have to believe a 100% in your core reason for being... you have to be authentic, you have to be true and you have to believe in your heart that this is going to work’

Howard Schultz, CEO Starbucks



‘We don’t build services to make money, we make money to build better services’

Mark Zuckerberg, CEO Facebook



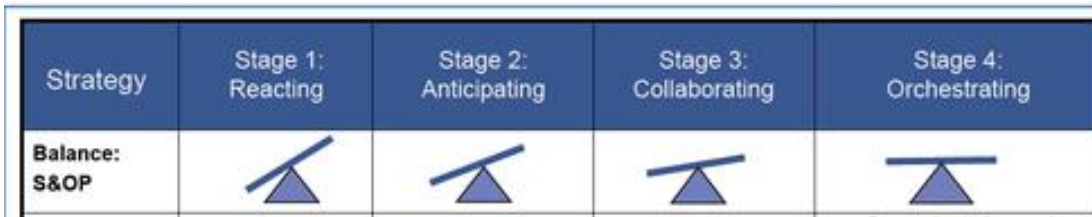
‘I believe this nation should commit itself to achieving the goal, before this decade is out, of landing a man on the moon and returning him safely to the earth.’

John F. Kennedy

3. Effective S&OP behaviours: **collaboration**

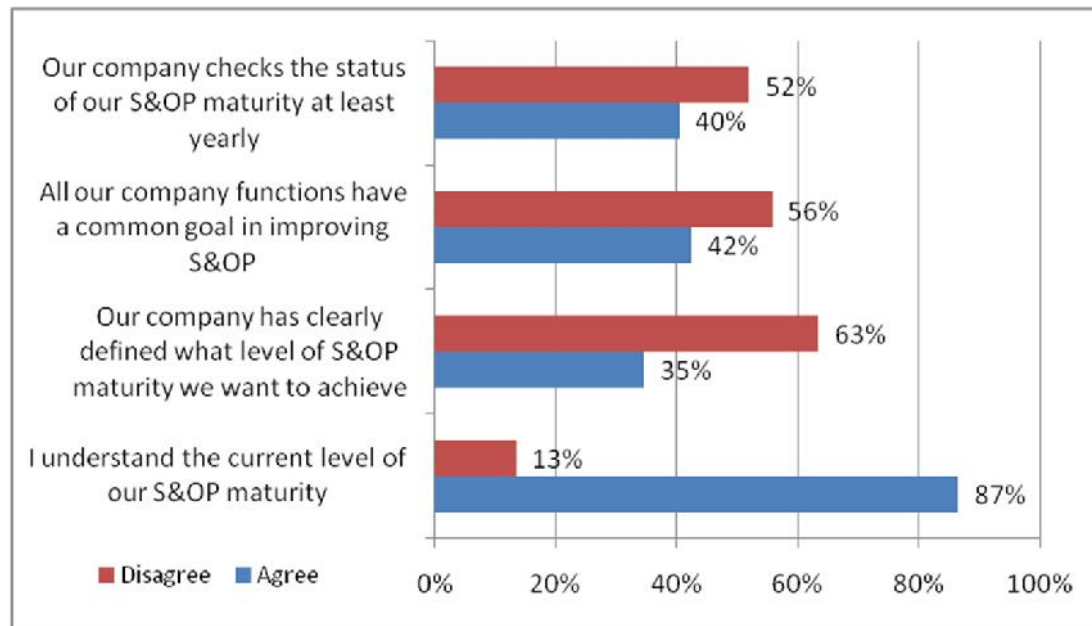


*...but we don't yet **collaborate** and don't set ourselves S&OP goals*



Gartner S&OP maturity model

*'In 2009, 33% of companies could Not get to the **collaborating** stage of Gartner's S&OP maturity model'*



*50% of people naturally **cooperate**,
30% naturally behave selfishly*

Harvard Business Review, June 2011

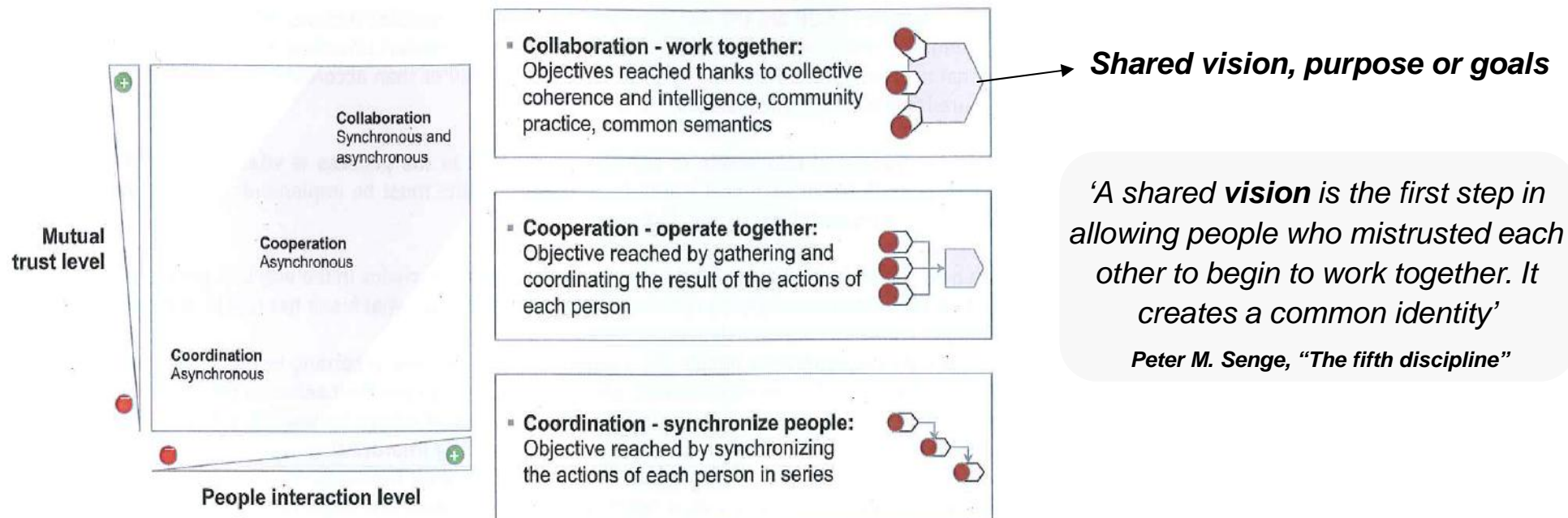
We know our S&OP maturity, but we don't set common S&OP maturity goals and we don't check the status of our S&OP maturity regularly!

*S&OP pulse check 2012: survey amongst 55 participants across 19 countries



3. Effective S&OP behaviours: **collaboration**

Trust, Communication and a common goal drives collaboration!



*'For collaboration to occur, mutual **respect** is necessary. Once respect exists, the condition for learning from each other is established'*
Ichak K. Adizes, author of "Mastering Change"

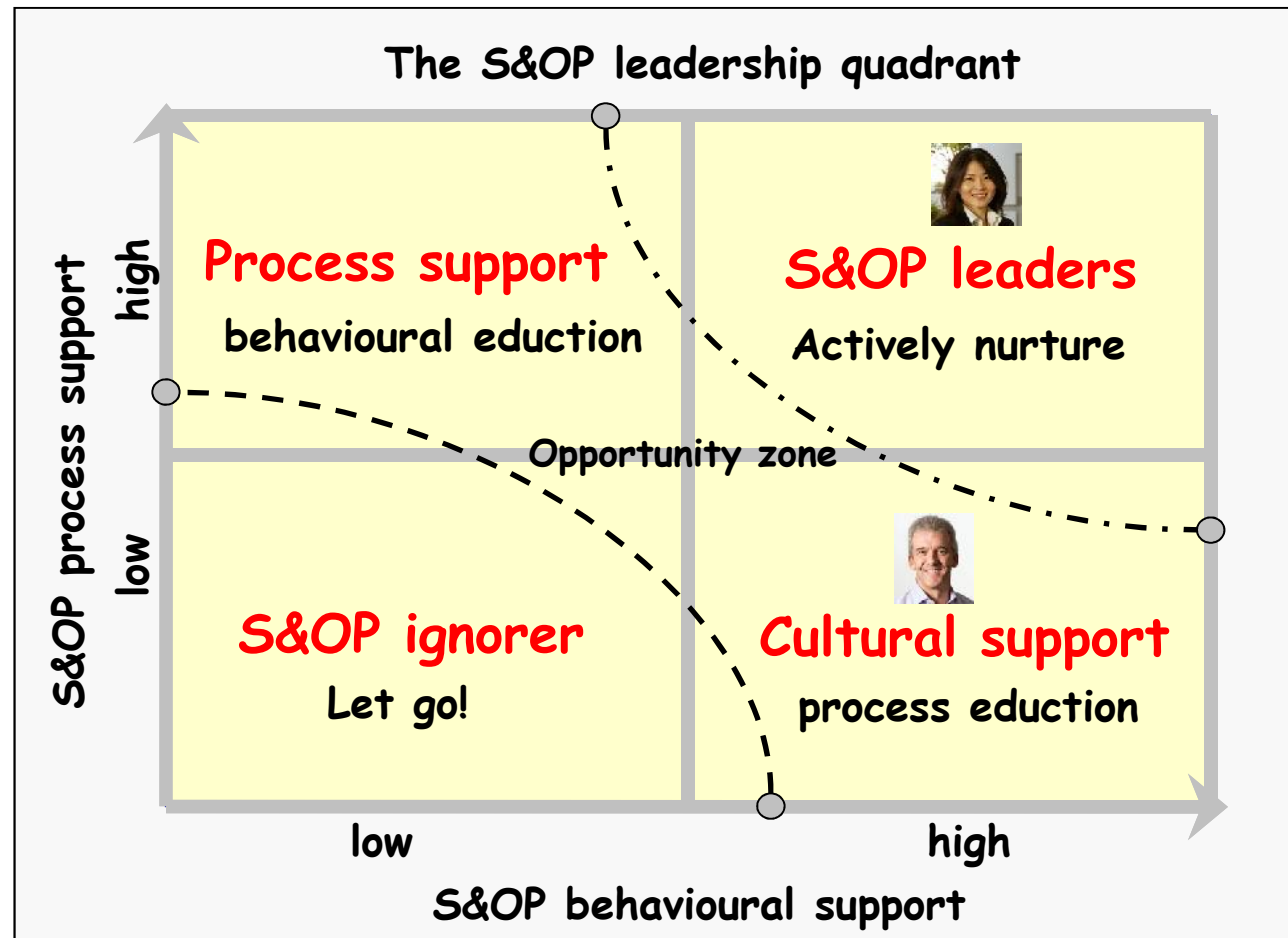
Performance drivers	Coordination	Cooperation	Collaboration
Individual motivation	○	◐	●
Cross functional learning	○	○	●
Best expertise utilization	◐	●	●
Team effectiveness	○	◐	●

● Fully reached ◐ Partially reached ○ Poorly reached



4. The S&OP leadership quadrant

Do you lead in creating **trust, constructive communication** and the **creating of common S&OP goals**?





5. Tips to lead sustainable S&OP

1. Align company culture and S&OP
2. Hire, develop, promote or let go
3. Develop: constructive behaviours
4. Develop: play a game
5. Lead by example
6. Set S&OP goals and track achievement
7. Communicate



1. Align company culture and S&OP

Bring *S&OP* to life through aligned company values, behaviours, capabilities and business fundamentals

Core purpose	To delight people everyday with the simple pleasure of good food!				
Vision	By 2015 our highly engaged people will have transformed our business to generate superior and sustainable returns while creating an even brighter future!				
Values	Accountability	Authenticity	Ambition	Collaboration	Passion
Behaviours	<ul style="list-style-type: none">• Disciplined thought and disciplined action• I do what I say• Trusts people• Provides open and honest feedback• Leads, coaches and develops		<ul style="list-style-type: none">• Listens carefully, evaluates options• Champions consumers and customers• Keeps it simple and relevant• Does the right thing for the long term• Demonstrates learning agility		
Capabilities	<ul style="list-style-type: none">• Insight led innovation• Franchise building• Customer and category management		<ul style="list-style-type: none">• Outstanding at food technology• Sales and operations planning• Commodity sourcing		
Business fundamentals	<ul style="list-style-type: none">• Enterprise risk management and governance• Market trends and customer engagement• One business solutions• Strategy development and business planning		<ul style="list-style-type: none">• Business performance management• Investment choices and priorities• Safety, quality and sustainability• Talent, leadership and people process		

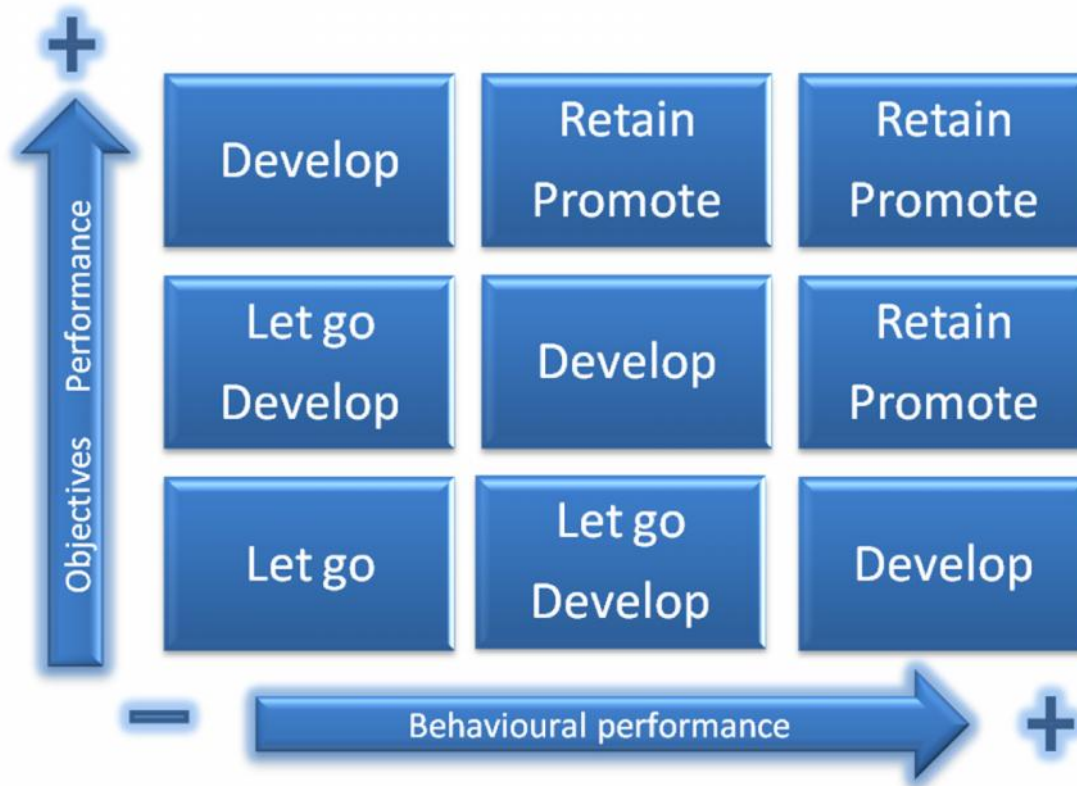
***“The GWF alignment model is our roadmap to success.
Being aligned ensures collective leadership”***

**Andrew Reeves, CEO of GWF, a 2 billion AU\$
Australian FMCG**



2. Hire, develop, promote or let go

1. Add preferred S&OP behaviours to job descriptions
2. Interview new candidates on preferred S&OP behaviours
3. Review performance based on results **and** behaviours



Promote trusting, collaborative, disciplined and achieving employees

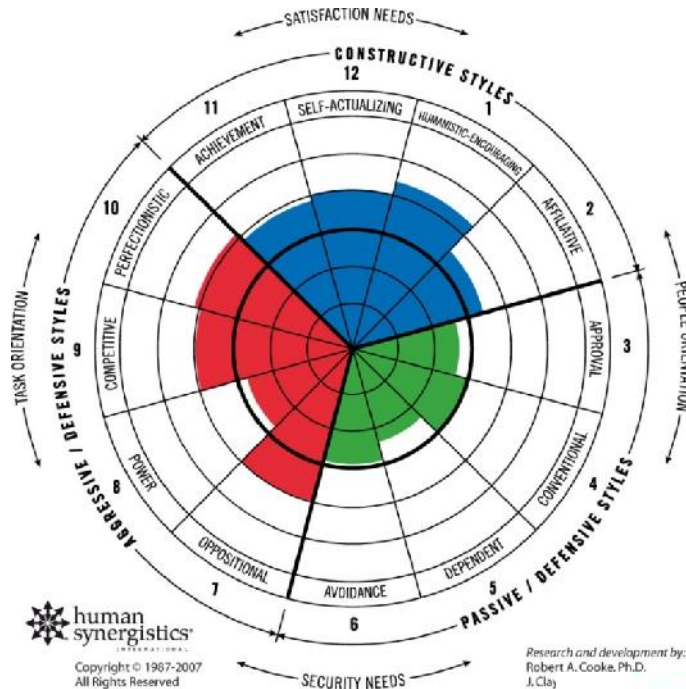
'The talent crisis is no longer a problem of the future. It is here and now and is threatening business growth and economic prosperity'
2012, PWC Global CEO survey



3. Develop: constructive behaviours

“Leadership helps shape culture. Culture in turn shapes leadership.

They both drive performance”



*“The **Constructive** styles are highly effective and promote individual, group, and organizational performance. In contrast, the **Aggressive/Defensive** styles have an inconsistent and potentially negative impact on performance and the **Passive/Defensive** styles consistently detract from overall effectiveness”.*



4. Develop: Play a game

Create cross functional understanding in an informal environment



<http://thefreshconnection.eu/en/home.aspx>



<http://www.beergame.org/>



5. Lead by example

'Most of the executives I have known in successful cases of major change learn to "walk the talk." They consciously attempt to become a living symbol of the new corporate culture'

John P. Kotter; 'Leading change, why transformation efforts fail'. Harvard Business review, 1995

- Openly publish & discuss your 360 degrees feedback
- Stay constructive, even when in conflict
- Be vulnerable, ask for help

- Actively listen...put down that @&^(\$%* phone
- Seek and provide feedback
- Use facts, understand emotions



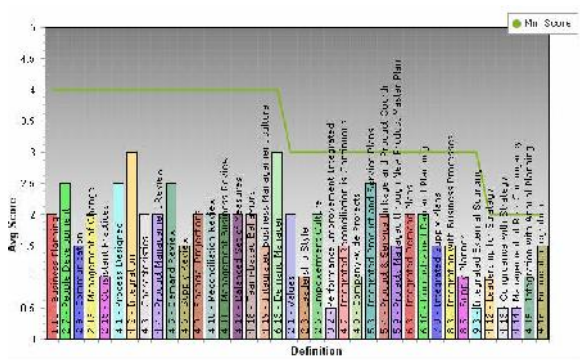
- Stick to meeting times and agenda's
- Follow through on actions
- Reward and sanction

- Reward and celebrate collaborative efforts
- Share your S&OP knowledge
- Provide clear and common S&OP goals

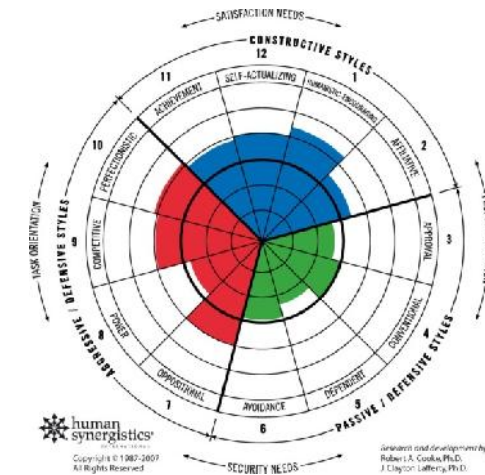


6. Set S&OP goals and track achievements

1. Use an existing S&OP process scoring methodology or define your own.



2. Define a roadmap of preferred S&OP behaviours.



3. Define a **system** maturity scorecard and decide where you want to make progress

S&OP system scorecard				Current maturity	Maturity Goal
Maturity	Basic	Proactive	World class		
Product lifecycle mngt	○	◐	◑	○	◐
Financial Planning	○	◐	◑	○	◐
Demand Planning	○	◐	◑	◑	◐
Order Promising	○	◐	◑	◐	◐
Supply Planning	○	◐	◑	◑	◐
Production Planning	○	◐	◑	○	◐
Detailed Scheduling	○	◐	◑	○	◐

7. Communicate



Communicate... Communicate... **Communicate...**

Make a conscious attempt to show people how the S&OP process and behaviours have helped improve visibility and performance

Examples:

1. Monthly key S&OP messages
2. Monthly company news letter
3. S&OP roundtables
4. Share your S&OP wins!

What's new in Finance

Forecasting

We continue to work on our Integrated Business Planning (IBP) and are now able to forecast the next 24 months Earnings Before Interest and Tax (EBIT).

This allows us to see the effect of our long term

volume plans and will also assist better decision making in the future.

The IBP cycle now feeds directly into the forecasting we present to GWF. This shows a high level of integration and a great result for the planning team.

Company news letter



- Behaviours drive a sustainable company culture
- Effective S&OP behaviours drive a sustainable S&OP culture
- Senior leaders have to lead in both S&OP processes and behaviours
- To drive collaboration, senior leaders have to lead in:
 - Creating a trusted environment
 - Constructive communication
 - Provide common goals
- Creating a sustainable S&OP culture takes years, but it can be done

Thank you



About Niels van Hove



For 15 years, Niels has been working as consultant, supply chain manager and S&OP manager in several multi billion dollar companies in over 10 countries. Niels holds an MSc. in Operations Management from Amsterdam University, The Netherlands.

About Supply Chain Trend



Supply Chain Trend is a blog in which Niels challenges the status quo of supply chain topics with a focus on S&OP, leadership and culture. He furthermore creates S&OP insight with a yearly S&OP pulse check.

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