A S&OP journey by blog

A four year journey of exploring the impact of geography, company culture, leadership and behavior on S&OP effectiveness.

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Introduction

In January 2014 it was 5 years ago that I arrived in Australia from the Netherlands. As I did several times before, I quit my job, moved country and started a new job. An approach that is not always helpful if you want to climb the corporate ladder, but it is great for getting new ideas and new life experiences that feed curiousity and the soul.

In Australia I picked up writing or blogging with a focus on supply chain management and planning. I also did some research through a questionnair called '***The S&OP pulse check***'. This document looks back at 4 years of writing, with a focus on blogs about Sales & Operations Planning (S&OP) or Integrated Business Planning (IBP). You'll find that I use both terminologies randomly.

My first blog ever '***The behavioural supply chain'***, was triggered after my aha moment that country cultures can't be changed, but company cultures can be changed. Before that I focussed on how cultural differences between countries and geographies can be a barrier to implement great S&OP. This interest was fulled because I worked across many countries.

It was after the merger speech from a CEO, when I realized that great leadership can change a company culture and make it more suitable to implement and sustain a complex business process like S&OP. You'll find blogs grouped accordingly under ***leadership*** and ***company culture***.

Although leaders have the biggest change impact, S&OP practitioners can't walk away from their responsibility to facilite and sustain S&OP change in process and behaviours. They have to be aware of their soft skills maturity and work hard and show resilience to cross the functional silo's and drive collaboration. You'll find these blogs grouped under ***S&OP and the right brain*** as well as under my other ***S&OP muses***.

Several blogs have been edited and published in well known magazines like the Journal of Business Forecasting, the AFP Exchange and the quarterly Supply Chain Movement. In this document, the blogs are copied and pasted raw from my website, with a minor amount of editing. There might be some overlap, the timeorder might have changed too, so that's what you can expect!

Anyway, I hope you enjoy it and get something out of it.
Let me know if you do.

Cheers,
Niels

The behavioural supply chain

Supply chain professionals love telling one another how important the supply chain is. In magazines, at congresses and online, we convince each other of the importance of our professional field. And as supply chain professionals, we can honestly be rather proud of how far we've come. From MRP and DRP via JIT and multi echelon inventory on to CPFR. From supply chain via demand chain to value chain. Supported by increasingly intelligent, integrated IT solutions, accessible in real time via the Internet.

Although we can also ask ourselves whether the supply chain has become more important at the corporate level. How many companies actually have an excelling supply chain as a core strategy? Which companies have a supply chain position in the board room? And have we not been going over the same thing for the past twenty years? Are we really still discussing the matter of logistics versus supply chain?

Supply chain, in its current form, is nearing the end of its life cycle of integration and optimisation. Even supported by the latest IT technology, the intended total network integration and optimisation is grinding to a halt. We are getting snarled up in woolly terms like expectation management, incentives, people management, engagement, organisational behaviour and influencing. It is high time that we acknowledge that we are all but done integrating and optimising, that we are starting to repeat ourselves, that we have to think of something new. Not more IT, not more transactions at even lower levels to generate even more data that creates the illusion of control, the right behaviour and the right decisions.

Operations research has yielded many algorithms that supply chain professionals and IT developers have eagerly used to solve problems regarding forecasting, inventory management, allocation, networks, production optimisation and so on. There is, within operations research, such a thing as the hardest category of problems: the NP-complete problems, or in other words, problems that cannot be optimally solved within a linear time algorithm. Unfortunately, the human behaviour that creates and has to solve many problems in the supply chain is much more complex.

Behaviour and decisions, especially under pressure of time and politics, are often not rational. Perception of quality, prices and performance differ from person to person within a company, and even more so between the company and its suppliers and customers in different countries with different cultures, values and motivations. To get more out of the supply chain, we will have to radically change things. An understanding of organisational and cultural behaviour, the so-called 'behavioural supply chain', will be of vital importance in taking the next step in our global and multi-cultural supply chain world.

Last week here in Melbourne, Rob Murray, CEO of Lion Nathan (producer of beer and wine products) dared to relate the ten-year success of his company, in terms of increased sales and shareholder value, directly to the ten-year cultural growth of his company. The previously dominant culture of aggressive-assertive and passive-defensive behaviour has been changed to positive collaborative behaviour thanks to a cultural awareness programme. The employees are now better at sharing information and collaborating, and are much more enthusiastic about the company and its brands. Perhaps even more importantly, this makes the customer more enthusiastic as well and more inclined to spend more on a supplier that truly believes in its company and brands. Changes like these take vision, courage and leadership at the highest level. We know by now, in theory, what the supply chain is supposed to look like. Yet we are progressing with difficulty, and get stuck on the human factor. Once upon a time, as a graduated operations researcher, I set out into the world with a single objective: to optimise! I still want to do that, but I have since learned: 'There are no problems, only people'

IBP and Company culture

The impact of company culture on IBP part I: strategy

Most experts agree that advanced Sales and Operations Planning (S&OP) or Integrated Business Planning (IBP) has a monthly check and balance with the strategic plan and objectives of a business. In this way, a well executed IBP, can monthly measure progress against business objectives and strategy with an 18-36 months horizon. The strategic plan itself is a reference in this process. It is usually updated yearly with a 3-5 year horizon.

To get to a well balanced cross functional strategic plan, a company needs guidance from its core purpose and values. The core purpose is the reason for being; it captures the soul of the organization. Where you can fulfil a strategy, you can't fulfil a purpose. Core values define what the company stands for. A company will stick to them, even if it became a competitive disadvantage in certain situations.1

Well defined, integrated and truly lived, purpose and values will drive company wide behaviour. Imbedded company behaviours will drive a sustainable company culture, which will last over time. If a well balanced strategic plan is what we need as a reference in IBP, then let's make sure we also use our company culture in the IBP cycle to guide our decision making.

Some companies decide not to pursue strategic opportunities because doing so would compromise their core purpose or values. A large multi-billion dollar beverage company for example, decided not to enter the very lucrative market of premium RTD's (Ready to Drink) alcoholic beverages, because the alcohol content was to high. Although the opportunity was achievable and margins were very interesting, the alcohol content would not be in line with their core purpose of '*bringing more sociability and wellbeing to our world*'.

Unfortunately the decision in this example wasn't made in the monthly IBP cycle. But it shows that IBP can incorporate more then the current 3-5 year strategy and make a link to the company's culture in decision making. In the IBP meeting, a strategic goal can be met by compromising our core purpose and values to chase profits. We have to ask ourselves if we really want to exchange our core purpose and values to meet our strategic objectives. If so, at least let's make sure we articulate our core purpose and values as part of the IBP meeting before making a trade off decision to which we all sign up.

1. Collins and Porras, Harvard Business Review on Change, 1998, p.21-54

The impact of company culture on IBP part II: change

Implementing Integrated Business Planning (IBP) processes may challenge many existing values and behaviours in a company. For IBP to be effective a set of behaviours are required. Some important behaviours are:

1. Group thinking: take a holistic business view rather then functional or silo view.

2. Feedback: the ability to provide and receive open and honest feedback on IBP effectiveness.

3. Collaboration: open and honest in sharing information and knowledge between functions.

4. Empowerment: believe and trust in each others capabilities, decisions and numbers.

The common denominator in all these values is trust. Furthermore it's fair to say that these are values that need constructive behaviours, which will not be embedded in every company's culture. This means that many companies that go through an IBP implementation require change in their business values and behaviours. And change isn't easy!

In the 2010 second edition of the McKinsey quarterly, an article about change management revealed that according to a 2008 McKinsey study of 3,199 executives around the world, only 30% of change transformations are successful. The article mentioned that the groundbreaking 1996 change study – Leading Change – from John Kotter, found the same success rate for change programs. This means the success rate of change programs has not improved in the last 15 years.

In my 2010 survey on Supply & Operations Planning (S&OP); **S&OP pulse check 2010**, survey participants nominated senior leadership support and organizational silos as the biggest roadblocks to implementing S&OP:

- A lack of internal collaboration between the organizational silos is seen as a major roadblock by 48% of participants.

- 68% of survey participants' believe that senior leaders don't show the behavioural support required for the IBP change.

Now we know how hard change is in general and what the biggest roadblocks for IBP change are, it brings us to the next questions. How to detect in what change environment you operate and if how to know if you have any chance of implementing IBP successfully?

The first thing to know to understand your change environment is that there are three levels on which people resist change.1

Level 1: I don't get it: this involves facts, figures and ideas. It's the world of thinking and rational action. It is the world of presentations, diagrams, processes and logical arguments.

Level 2: I don't like it: this is an emotional reaction to the change. It is based on fear. People are afraid that this change will cause them to lose face, status, control, maybe even their jobs.

Level 3: I don't like you: maybe they do like you, but they don't trust or have confidence in your leadership.

These levels of resistance can be present in every echelon in the organization. Yes indeed, don't expect every senior leader or stakeholder to get IBP, to like IBP, or to like you!

Secondly, before you start an IBP project, use the next four steps to discover in what change environment you are about to operate in:

1. Have informal chats with other IBP stakeholders on the track record of change programs in the company and how they view this IBP change. Does the company handle change well?

2. Check how many strategic projects are on the list in the board room. There should be a maximum of 5. If IBP is not part of that, or if there are 30 strategic projects, expect priority issues.

3. Have an informal chat with senior leaders if they 'get' and 'like' IBP. This will tell you if they are committed to support it. You might pick up level 3 resistance too.

4. Assess the company culture. Is it a demand and control environment, where people are micromanaged, feedback is seen as a personal attack and trust is low? Or is it an empowered, trustful environment, where feedback is seen as a 'gift' to improve people and process?

It can help to write a short web based questionnaire to IBP stakeholders. You can use free software like Kwiksurvey.com. Five questions can be enough to give you great insight in your change environment and it will take only 5 minutes for participants to complete.

Thirdly, based on the four steps, assess the change environment. If you're in an organization that has a good record in change, that's great for your project. If the company doesn't have a great track record in change, that's ok. Not all organizations can be great in change if 70% of change programs still fail!
Too many strategic projects will give priority problems and will slow you down, but can be dealt with. Level 1 resistance is hard work, but can be overcome by education.

Change gets harder when you discover level 2 or level 3 resistance. And it gets even harder if the company culture is one of demand and control. In these situations, it's valid to say; get help. Help in communication, project planning, stakeholder analysis, stakeholder management, education, the whole lot. Human Performance or People and Culture departments should be involved here. It can't be only up to IBP to make the change in culture.

If all the moons align in a negative way and the company has a terrible change record, your project is one of thirty in the board room, you noticed level 3 resistance and the environment you observe is a low trust demand and control environment, there is only one advice: forget IBP and run for your life!

1. Rick Maurer, Beyond the wall of resistance, Bard Press, 2010

The impact of company culture on IBP part III: sustain IBP

In my recent survey on Sales and Operations Planning (S&OP); the **S&OP pulse check 2010**, survey participants that had implemented S&OP for longer then 5 years showed higher satisfaction in the S&OP process. More important, they showed higher satisfaction in the value that S&OP creates for their functional area and the business. Higher satisfaction often means higher engagement, more effective decision making, which will drive better S&OP. As Integrated Business Planning (IBP) is an advanced form of S&OP this will be valid for IBP too. This creates the thought that a minimum of a 5 year journey is required to imbed IBP and create real satisfaction in the process. It further suggests that IBP goes beyond the average 3-5 year strategic company focus.

There are examples of large FMCG companies that lost their best practice IBP status, because of a change in strategic focus. Through mergers these companies changed focus and a year's long IBP journey disintegrated in months. How can we embed IBP in corporate culture and keep focus beyond our strategic horizon, if every management position is replaced every two or three years and mergers and acquisitions happen all over the place?

If a business is merging and you want to sustain the IBP culture, make sure you keep the right people in the right positions. As Jim Collins' in his book Good to Great mentions: 'it's not about people, it's about having the right people.'1 According to Kotter, "Change sticks when it becomes 'the way we do things around here'. Until new behaviours are rooted in social norms and shared values, they are subject to degradation as soon as the pressure for change is removed". Two factors are particularly important in institutionalizing change in corporate culture: 2

1. A conscious attempt to show people how the new approaches, behaviours and attitudes have helped improve performance.

2. Make sure that the next generation of top management really does personify the new approach."

The first factor is about communicating the wins of IBP to all stakeholders and to the total business. This needs to be done relentlessly and in a structured way. Senior leaders and managers can monthly update their wider functional teams of IBP outcomes and wins. Face to face and with the support of the company news letter. This communication can be part of measurable performance plans.

The second factor is about hiring, promoting and developing employees who support IBP behaviours. IBP can be added to cross functional curriculum, induction, training, and 360 degrees feedback and performance programs. In this way we can make sure new leaders will personify IBP and sustain the IBP culture.

In his two factors, Kotter assumes that the existing senior leadership leads by example in changing and sustaining cultural and IBP behaviours. If you find yourself in an IBP environment where this assumption is not valid, it seems both Kotter and Collins suggest to get rid of the leaders and indeed let the next generation of top management in. If you don't, IBP culture or any culture for that matter, won't sustain. The two next examples show that this is not only true in books but also in real life business.

Richard Branson said in a recent blog3: 'the lesson I have learned from difficult restructurings is: avoid taking on someone else's legacy. If the people you're responsible for no longer have the enthusiasm and determination needed to relaunch the company you're better off finding a new team to launch your business.' A clear statement on having the right people on board to launch a company! This must be valid for IBP as well.

In another example, I vividly remember the introduction speech from a CEO who had the task off merging two multi billion dollar food companies. In his first speech in front of the total head office of the soon to be acquired company this CEO said: 'If you don't perform, but fit our new culture, we have to ask you to leave. If you do perform well, but you don't fit our new culture, we have to ask you to leave too'. No need to guess if this CEO wanted to sustain his company culture!

We better learn from these examples if we want to sustain IBP in the fast changing company environment of these days.

1. James C. Collins, Good to Great, HarperCollins, 2001
2. John P. Kotter, Harvard Business Review on Change, 1998, p.1-20
3. Richard Branson on **http://www.entrepreneur.com/article/217944**, January 2011

The impact of company culture on IBP part IV: Geography 1

Globalization is pushing companies to plan and operate more and more across the borders of their country of origin. This will also have an impact on IBP processes. IBP stakeholders have to overcome an increasing set of social and cultural differences in their IBP meetings to handle different perspectives, disagreements and come to consensus. To handle this, IBP leaders have to be aware of cultural environments to drive effective IBP meetings with desired outcomes.

It is important to understand that most management theories, including IBP, have strong origins in American or English literature. This means the logic and principles used in these theories have a strong reference to how these cultures prefer to communicate and solve issues. In the end; 'Cultures are facing the same issues; they just have a preferred way of dealing with issues relative to other cultures'.1 I'll discuss three examples of geographical cultural preferences and show what impact it can have on IBP.

Example 1: George Palmatier, an Oliver Wight principle and board member, shares some great business management principles which can be viewed on his website**http://georgepalmatier.com**. The first principle is; "It has been my experience that when asked relatively straight forward questions, the individual that uses many words usually is unprepared, simply does not know the answer, or wishes to hid or shade the truth"

As I'm Dutch I agree with this principle. But if we view this from a cultural perspective, there are two ways cultures respond to questions or ask questions. The American culture as well as the author's Dutch culture will go directly to the point, both in asking and in answering questions. This is what Trompenaars in his book 'Riding the Waves of cultures' calls specific or low context cultures. On the other part of the spectrum, cultures in southern Europe, Asia and Japan, will circle around the point, talk more about context, before actually ask or answer the question. These are diffuse or high context cultures. The specific culture wants to go straight to the point or business deal and might perceive the diffuse culture as not coming to the point and wasting time. The diffuse culture might perceive the specific approach as too direct, impersonal and pushy.

In a cross cultural IBP meeting where we ask and answer many questions to try to solve issues and make decisions, we have to keep in mind what the preferred cultural way of answering or asking questions is.

Example 2: As supply chain manager in a beverage company, I once received a letter from an American customer. Signed by the vice president of supply chain and a lawyer, this customer threatened legal action because of one late delivery. My first reaction was; 'why didn't this guy just call me?' As I never had any issue before with this customer, my Dutch expectation was that I would get a call to discuss the issue, understand the issue and offer my help to resolve it.

This is what Hofstede calls masculinity versus femininity in his book on cultural drivers in work related behaviours; Culture's Consequences. My Dutch feminine or nurturing expectation was to get a call to solve the dispute. The American approach was masculine and in my perception very aggressive. In masculine or assertive countries like America, it is acceptable to resolve conflicts through aggressive means and with a good fight: Let the best man win! In feminine countries like the Netherlands, Denmark or Sweden, the preference is to resolve conflicts through negotiation and compromise. Threatening with legal action is not part of the preferred business dialogue to solve issues.

In a monthly IBP cycle, we don't always agree and we have to solve conflicts to come to consensus. If we do this in a cross cultural environment we have to keep in mind how different cultures prefer to solve conflict and adapt our behaviour to that.

Example 3: The author of this blog has a personal believe that providing feedback is an important part of IBP behaviour to continuously improve effectiveness of IBP meetings. In individualistic cultures like Australian, American and Dutch cultures this is no issue. In more collective cultures like Japanese, Asian and southern European cultures, there is no preference to give feedback in group form. These cultures don't want to insult the group or loose face by making a critical comment in front of superiors. Feedback is preferred in person. There is no right or wrong in both approaches, we just have to keep in mind what the preferences in different cultures are.

Therefore, in cross cultural IBP we have to be cultural intelligent and apply the most effective approach on gathering feedback depending on the cultural environment we're in.

On feedback, maybe Trompenaars gives the best example himself[1]: 'I try to avoid asking a Dutch audience for criticism after one of my workshops; the experience is much the same as being machine-gunned. Afterwards, however, they tend to ask the corpse for the next date it will be available. In contrast English and French managers will make a few mild suggestions in a context of positive congratulation, never to be heard of again.'

These three examples show that we have to be cultural sensitive in a cross cultural environment. This is also valid for a cross cultural IBP environment, where we need to come to consensus every month again.

The aim of this blog was to show examples of different cultural preferences and relate that to preferred IBP behaviour. In a next blog on this topic, I will explore Hofstede's cultural dimensions in more detail and identify if there are countries that have a natural cultural advantage in work related values to implement and sustain IBP.

1. Fons Trompenaars 'Riding the Waves of cultures', McGraw-Hill, 1997
2. G. Hofstede, 'Culture's Consequences', Sage Publications, 2001

The impact of company culture on IBP part IV: Geography 2

Globalization is pushing companies to plan and operate more and more across the borders of their country of origin. This will have an impact on IBP processes as well. In my previous blog; '*The impact of company culture on IBP part IV: Geography 1'*, I explored three examples on the impact of cultural preferences on cross cultural Integrated Business Planning (IBP). I used as reference the pioneering work on geographical cultural environments 'Cultures Consequences', in which Geert Hofstede identifies four main geographical cultural drivers for work related values in over 40 countries. They are:

1. **Power distance**: Social inequality. The extent to which the less powerful members of organizations and institutions accept and expect that power is distributed unequally.

2. **Uncertainty avoidance**: deals with a society's tolerance for uncertainty and ambiguity. It indicates to what extent a culture programs its members to feel either uncomfortable or comfortable in unstructured situations.

3. **Individualism versus collectivism**: is the degree to which individuals are integrated into groups. On the individualist side we find societies in which the ties between individuals are loose: everyone is expected to look after him/herself. On the collectivist side, we find societies in which people from birth onwards are integrated into strong, cohesive in-groups, in which people look out for one another and organizations protect their members' interest.

4. **Masculinity versus femininity**: Masculinity reflects a preference for achievement, heroism, assertiveness, work centrally and material success. Femininity reflects the values for relationships, cooperation, group decision making and quality of life. Both men and woman subscribe to the dominant value in masculine or feminine cultures.

As consultant, working across a dozen of countries and cultures in Europe, I was given Hofstede's book by the project partner at Accenture. This is an example of typical Dutch low power distance and knowledge sharing. The book thought me a lot on cultures I worked with and more important; how my culture is perceived. It helped me many times so see the relativity of perceived issues in an intercultural situation. Unfortunately this sometimes only happened in retrospect.

We can map the four cultural drivers and the 'programmed' behaviours they represent with preferred IBP behaviours. For every geographical cultural driver there are many related behaviours in the work organisation. I will table some of these behaviours, which were also pointed out by Humphries and Gibbs book Collaborative Change[2] and which have an influence on effective IBP in western countries. In this way we can explore which cultural drivers favour effective IBP and assess which geographies support these cultural drivers and therefore have a natural environment in work related values that favours IBP.

1. Cultural driver power distance and some of its related characteristics:

Low power distance suggests	High power distance suggests
Decentralised decision making	Centralized decision making. Concentration on authority
Small proportion of supervisory personnel	Large proportion of supervisory personnel
The ideal boss is a resourceful democrat; sees self as practical, orderly and relying in support	The ideal boss is a well-meaning autocrat or good father; sees self as benevolent decision maker

Empowered decision making in the IBP process is vital. In the IBP cycle, executives should only see high level issues or decisions which go above a certain dollar value, or where the IBP team needs strategic guidance or a decision to continue their job. Decentralized responsibilities are often more effective in general. As Richard Branson recently said in one of his blogs[3]; 'A person's own conscience is the hardest taskmaster of all, so the more responsibility you give people, the better they will perform.'

Therefore for IBP, I would choose the preferred dominant cultural driver to be **low power distance**.

2. Cultural driver uncertainty avoidance and some of its related characteristics:

Low uncertainty avoidance suggests	High uncertainty avoidance suggests
Innovators feel dependent on rules	Innovators feel constraint by rules
Scepticism towards technological solutions	Strong appeal of technological solutions
Top managers are involved in strategy	Top managers are involved in operations

IBP is about measuring ourselves against a strategy and take actions and assign resources to achieve an integrated business strategy. It needs strategic guidance for decision making and therefore top managers that are involved in strategy.

Technology is definitely an essential part to enable effective IBP. I don't see it as a main driver to overcome roadblocks in implementing IBP. What supports me in my believe is that in my 2010 S&OP survey, participants scored Technical Capability as lowest roadblock to implement S&OP out a set of seven roadblocks. Senior leadership support was seen as the biggest roadblock.

Therefore for IBP, I would choose the preferred dominant cultural driver to be **low uncertainty avoidance.**

3. Cultural driver individualism versus collectivism and some of its related characteristics:

Low individualistic suggests	High individualistic suggests
Hiring and promotion decisions tae the employee's group into account	Hiring and promotion decisions should be based on skills and rules only
Poor performance is rational for other tasks	Poor performance is reasons for dismissal
Employer – employee relationships is basically moral, like a family link	Employer – employee relationships is a business deal in a labour market

Therefore for IBP, I would choose the preferred dominant cultural driver to be **high individualistic**

4. Cultural driver masculinity and some of its related characteristics:

Low masculinity suggests	High masculinity suggests
Meaning of work for workers is relations and working conditions	Meaning of work for workers is security, pay and interesting work
Managers are employees like others	Managers are culture heroes
Managers are expected to use intuition, deal with dealings and seek consensus	Managers are expected to be decisive, assertive, aggressive, competitive and just

Research from Cooke and Lafferty shows that there are four main constructive behaviours, which seem to support effective management across geographical boundaries. In what they call Life Styles Inventory (LSI) they define these constructive behaviours as; achievement, self-actualising, humanistic encouraging and affiliation.[5] This is supported by their database with information from over 1 million managers and 12000 organisation worldwide.

Over the past 20 years IBP has progressed well in relative masculine countries like America and the UK. These happen to be countries where most IBP literature is developed and these countries also have a very achieving culture. Cooke and Lafferty seem to have evidence that achievement needs to be supported by other styles, which are more focused on the person behind the achievement. These styles seem to be mostly supported by countries which are dominant in relative low masculine cultures.

Furthermore IBP is about achieving an integrated product, demand, supply and financial strategy. One of the core principles of IBP is to achieve this by consensus. Consensus that is not created through aggression or intimidation, but taking in mind the facts and person behind the discussions and decisions that lead to the consensus.

Therefore for IBP, I would choose the preferred dominant cultural driver to be **low masculinity**.

Going through these cultural drivers, the author of this blog realizes that the decisions on preferred dominant cultural behaviour for IBP are very arbitrary and influenced by his own cultural preference. Furthermore, as Trompenaars points out, it is important to understand that cultures can 'dance' between the two sides of the spectrum and don't always have to show one type of behaviour. It is even more effective to have one dominant side, but understand the other side of the spectrum. Something Trompenaars calls reconciliation.

Although something complex as geographical and cultural impact on IBP can't be captured in four dimensions, I hope that making the link with Hofstede's framework and IBP can help the thought process on future cross cultural IBP implementations and create a sense of cultural IBP intelligence.

In a next blog, I will use the preferred cultural drivers and create a scorecard to define which geographical areas have preferred dominant cultural drivers in work related behaviours to implement and sustain IBP.

1. G. Hofstede, *Culture's Consequences,* Sage Publications, 2001
2. A. Humphries and R. Gibbs, *Collaborative change,* Gibbs and Humphries*,* 2010
3. Richard Branson on http://www.entrepreneur.com/article/217944, January 2011
4. Fons Trompenaars '*Riding the Waves of cultures*'*,* McGraw-Hill, 1997
5. Robert A. Cooke and J. Clayton Lafferty, Life Styles Inventory, Human Synergistics Inc.

In another example the author, as young Accenture consultant implementing supply chain planning processes and systems, once needed a file with sales history from a senior Italian IT manager. Having asked this IT manager several times and now coming closer to the dead line, I escalated this to the Italian supply chain manager. My Dutch low power distance expectation was that he would walk in to the office of the IT manager with me and solve the problem. To my surprise, he answered me; 'I will have a coffee with him'.

In a higher power distance culture, a senior manager has a different status then a less senior employee. Giving in to the pressure of this youngster, would mean a loss of status which is earned by seniority. Furthermore the supply chain manager would never confront the senior IT manager directly in front of a younger employee. That would mean losing face to the IT manager. Well, they had a coffee, and I got my file.

The impact of company culture on IBP part IV: Geography 3

Globalization is pushing companies to plan and operate more and more across the borders of their country of origin. This will have an impact global S&OP/IBP processes as well. In my previous blog on this topic http://supplychaintrends.wordpress.com/2011/06/17/the-impact-of-company-culture-on-ibp-part-iv-geography-2/ I explored what could be preferred cultural drivers to implement and sustain IBP. According to my perception, those preferred cultural drivers were:

1. High individualism
2. Low power distance
3. Low uncertainty avoidance
4. Low masculinity

If we use these cultural preferences, we can assess what would be the preferred natural IBP environment from geographical perspective. On the website http://www.geert-hofstede.com/ you can check the scores on the four cultural drivers for over fifty countries. Using the scores from countries that relative to each other perform well against the preferred four cultural drivers, we get next table of 11 top performers:

Highest relative scores Individualism index	Lowest relatives scores Power distance	Lowest relative scores Uncertainty avoidance	Lowest relative scores Masculanity
United States	Austria	Singapore	Sweden
Australia	Israel	Jamaica	Norway
Great Britain	Denmark	Denmark	Netherlands
Canada	New Zealand	Sweden	Denmark
Netherlands	Ireland	Hong Kong	Costa Rica
New Zealand	Sweden	Ireland	Yugoslavia
Italy	Norway	Great Britain	Finland
Belgium	Finland	Malaysia	Chilli
Denmark	Switzerland	India	Portugal
Sweden	Great Britain	Philippines	Thailand
France	Germany	United States	Guatemala

If we give 11 point to the highest performer per cultural driver and 1 point to the lowest in this table and we take as further criteria that a country has to score in minimum two of the four preferred dominant cultural drivers we get next table:

Top	Country	Points
4	Denmark	29
4	Sweden	27
3	Great Britain	16
2	Netherlands	16
2	Norway	15
2	New Zealand	14
2	Ireland	13
2	United States	12

Only two countries, Denmark and Sweden, score in the top eleven for all preferred cultural drivers. If we look at the geographies where the cultural drivers are most apparent then we might conclude that IBP has more likelihood to be successful in these countries. A daring hypothesis! If we believe this hypothesis to be true, the country with the most cultural advantage to implement and sustain IBP would be Denmark and the ultimate geography the Nordics.

As mentioned in my previous blog; there is a very strong argument that something complex as geographical and cultural impact on IBP can't be captured in four dimensions. There are countless other factors that play a role in creating sustainable IBP environments. On the other hand, cultural impacted behaviour can't really be excluded from the equation of an ideal cross geography IBP environment. If all the other parameters in this IBP equation are kept equal, it might be that countries with the preferred cultural drivers will have related behaviours that have a leading edge to create a sustainable IBP environment.

S&OP and Leadership

Leading an effective S&OP culture

Many articles and whitepapers have been written on how to overcome the process and technology aspects of S&OP. Not many S&OP whitepapers have been written on how to include and overcome behavioural and cultural aspects of S&OP. I will write four articles that will provide you with some thoughts and guidance to address behavioural and leadership challenges when implementing and sustaining effective S&OP. In my third article I will share with you the 'S&OP leadership quadrant' that can help you recognize and manage S&OP leadership types. This first article will introduce important behavioural aspects of effective S&OP/IBP.

Effective S&OP/IBP behaviour

Globalization is pushing companies to plan and operate more and more across the borders of their country of origin. This also has impact on sales and operations planning (S&OP) processes. Companies that once started S&OP locally are now rolling out S&OP across geographies, sometimes even globally. This means that S&OP stakeholders have to overcome an increasing set of geographical driven social and cultural differences in the S&OP implementation. In the S&OP meeting cycle they need to handle different cultural perspectives, disagreements and come to consensus. To handle this, S&OP managers and senior leaders have to be aware of their own company culture, understand geographical cultural environments and show leadership to establish the right cultural environment to drive effective S&OP.

According to Collins and Porras, 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. Where you can fulfil a strategy, you can't fulfil a purpose. Core values define what the company stands for. A company will stick to them, even if it became a competitive disadvantage in certain situations. 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. White their sphere of influence, senior leaders are in the best position to show the right behaviours and create this sustainable culture.

When implementing S&OP a company will face behavioural challenges as well. Long imbedded company behaviours might not necessarily be favourable for S&OP. Although the core of the S&OP process is about cross functional collaboration, recent studies show that actually only 50% of people systematically and predictably behave cooperatively. About 30% behave as though they were selfish. Having a critical mass of co-operators and collaborators in your S&OP process is critical to make it effective. Dr Adizes, the author of the book *mastering change,* argues that collaboration might occur when there is mutual respect. 'Once respect exists, the condition for learning from each other is established. At that point, if the parties have something to contribute to each other, collaboration *might* happen.' "Might happen", because for collaboration to happen, a supportive positive environment is also necessary. A respectful and supportive environment has to be created by passionate leaders that believe there are more then only hard business goals to achieve. These leaders

know there has to be a purpose, an emotional component and the right behaviours to drive a supportive, positive and achieving environment. As P&G CEO Bob McDonald said in the Harvard Business Review on innovation at P&G; 'People will innovate for financial gain or for competitive advantage, but this can be self limiting, there is a need for a emotional component as well – a source of inspiration that motivates people'

Research from Cooke and Lafferty shows that there are four main constructive behaviours, which seem to support effective management across geographical boundaries. In what they call Life Styles Inventory (LSI) they define these constructive behaviours as; achievement, self-actualising, humanistic encouraging and affiliation. This is supported by their database with information from over 1 million managers and 12,000 organisations worldwide. Cooke and Lafferty seem to have evidence that achievement needs to be supported by other –softer- styles, which are more focused on the person behind the achievement. They describe these styles as follows:

Self-actualising: People with this style demonstrate a strong desire to learn and experience things, creative yet realistic thinking and a balanced concern for people and tasks

Humanistic Encouraging: People with this style devote energy to coaching and counselling others, are thoughtful and considerate and provide people with support and encouragement.

Affiliative: People with this style share their thoughts and feelings, are friendly and cooperative and make others feel a part of things.

Company cultures that lead in these behavioural styles will create a trusted and respectful environment where important behavioural S&OP principles like open and honest communication, transparency, conflict resolution, cross functional coaching and continuous improvement will flourish. If an existing company culture doesn't live these behavioural styles and S&OP principles, the company culture will be a roadblock to implement effective S&OP.

There are two main ways in which company culture has impact on implementing S&OP; in change management during the S&OP implementation and in sustaining S&OP once the initial S&OP project is finished and is handed over to business as usual for continuous improvement. In my online survey the **S&OP pulse check II 2011** , 142 participants from over 30 countries indicated that the top roadblock to implement S&OP is **senior leadership support.** As senior leaders drive company culture, they also impact both change management during the S&OP project as well as the creation of a sustainable S&OP culture. The impact of leadership on both changing S&OP and sustaining S&OP will be discussed in my next two articles.

Leading S&OP/IBP change

This is the second in a series of four articles on leading an effective S&OP/IBP culture. The first **article** was on S&OP/IBP behaviour. This second article is on leading S&OP/IBP change.

Leading S&OP / IBP change

Whilst implementing S&OP/IBP, you and your company will go through a change process. Leading S&OP/IBP is about leading change in processes, systems and behaviour and you need support to make that happen. In his book 'Good to great' Jim Collins describes companies that made it from good to greatness. Great companies showed an average return of 6.9 times greater then the market. One of the features of these companies is the leadership style. What Collins describes as level 5 leadership goes beyond effective leaders. Three characteristics these leaders have are competence, chemistry and character. These leaders furthermore were:

- setting their successors up for success

- give credit outside themselves when there was success, while taking

- responsibility when there was failure

- distinctive in their approach to the people they wanted in the company

- put their best people on their biggest opportunity, not their biggest problem

Another feature of these great companies is that change comes automatically to them. The culture and behaviours in these companies is one of discipline and change. They don't need change management, because the right self-motivated employees that have been hired and promoted by the leadership just do change if required. They live it! Besides being highly competent and achieving, it seems that the leaders from great companies show human encouraging and affiliative behavioural styles as described by Cooke and Lafferty. On top of a great change environment, these behavioural styles will create a trusted and respectful environment where important behavioural S&OP/IBP principles like open and honest communication, transparency, conflict resolution, cross functional coaching and continuous improvement will flourish.

Unfortunately less then 1% of the companies investigated by Collins meets the criteria to be great. It is not very likely your company is amongst them! The more likely scenario you find yourself in from change management perspective comes from a groundbreaking 1996 change study – Leading Change – from John Kotter. His research showed that only 30% of change projects are successful. In 2008 a study from McKinsey amongst 3,199 executives around the world, concluded that still only 30% of change transformation are successful.

If 30% has been the change success rate for the last 15 years, we can expect some challenges while leading S&OP/IBP change. If you're not in a 'great' company or have dominant level 5 leadership in your company, you need some preparation in order to lead S&OP/IBP change. In my online survey the **S&OP pulse check II 2011** , 142 participants from over 30 countries indicated that the top roadblock to implement S&OP/IBP is senior leadership support. This suggests indeed that across geographies, survey participants are not working in an S&OP/IBP environment with dominant level 5, self-actualising, human encouraging and affiliative leadership styles.

Assuming change doesn't come to you automatically in your organization, how can you to detect in what change environment you're about to operate? When you are about to lead S&OP/IBP change, how can you know if you have any chance of being successful? In his book 'Beyond the wall of resistance', Rick Maurer gives three easy to understand levels on which people resist change:

- **Level 1**: I don't get it: this involves facts, figures and ideas to understand S&OP/IBP. It's the world of thinking and rational action. It is the world of presentations, diagrams, processes and logical arguments.

- **Level 2**: I don't like it: this is an emotional reaction to the S&OP/IBP change. It is based on fear. People are afraid that this change will cause them to lose face, status, control, maybe even their jobs.

- **Level 3**: I don't like you: maybe they do like you, but they don't trust or have confidence in your S&OP/IBP leadership to make this work.

These levels of resistance can be present in every echelon in the organization. Yes indeed, don't expect every senior leader or stakeholder to get S&OP/IBP, to like S&OP/IBP, or to like you! As a leader in S&OP/IBP change, you have to understand the dynamics of your change environment. Before you start your S&OP/IBP project, here are some tips to discover in what type of environment you are about to lead S&OP/IBP change:

1. **Proven change success**: Have informal chats with S&OP/IBP stakeholders on the track record of change programs in the company and how they view this S&OP/IBP change. Does the company handle change well? How did that last IT implementation or business process redesign go?

2. **Business priorities**: Do senior leaders provide the right focus and priorities? Verify how many strategic projects are on the list in the board room. There should be around four or five. If S&OP/IBP is not part of that, or if there are 30 strategic projects, expect priority issues that will delay your S&OP/IBP implementation.

3. **S&OP/IBP process**: Have an informal chat with senior leaders if they 'get' and 'like' the S&OP/IBP process. This will tell you if they are committed to support it. You might pick up level 3 resistance too. Check for real evidence that they support the S&OP/IBP process and follow its rules, also when under pressure.

4. **S&OP/IBP behaviours**: Ask the same senior leaders about their ideas on S&OP/IBP behaviours like transparency, conflict resolution, cross functional coaching and continuous improvement. Check for real life examples on how meetings are conducted and on cross functional communication and collaboration.

5. **Company culture**: Get a broader feel for the company culture. Is it a command and control environment, where people are micromanaged, feedback is seen as a personal attack and trust is low? Are their many meeting after meetings? Is information withheld? Or is it a consensus or collaborative environment, where people are empowered, trustful and where cross functional feedback is seen as a 'gift' to improve people and process? Don't stick to the company brochure. Talk to as many key people as you can from all functional areas. Ask them to describe the company culture and specifically ask them questions about work relations with other functional areas. Is there a common joke about the company culture? Usually, these are true.

Based on these steps, you can assess the environment where you have to lead S&OP/IBP change. If you're in an organization that has a good record in change, that's great for leading your S&OP/IBP project. If the company doesn't have a great track record in change, don't worry too much. Not all organizations can be great in change if 70% of change programs still fail! Too many strategic projects will give priority problems and will slow you down in leading S&OP/IBP change, but it can be dealt with through good project management. Level 1 resistance in supporting S&OP/IBP process and behaviours is hard work, but can be overcome by S&OP/IBP education and engagement sessions.

Change gets harder when you discover level 2 or level 3 resistance, especially on senior leadership level. If there is critical mass in senior leaders that do not support S&OP/IBP processes and behaviours, or the company culture is a non collaborative, low trust, command and control environment, leading S&OP/IBP change becomes nearly impossible. There will be no trusted and respectful environment where important behavioural S&OP/IBP principles like open and honest communication, transparency, conflict resolution, coaching and continuous improvement can flourish. In these situations you need to find partnerships on senior level to change your company culture. This can't be solved by an S&OP/IBP implementation team only.

Find partners in the highest echelons, preferable C-level to help you change and create a culture to support sustainable S&OP/IBP.

The third article in this series will provide a framework – the 'S&OP leadership quadrant'- that can help you recognize and manage different S&OP/IBP leadership types. Furthermore examples will be provided of the different types of S&OP/IBP leadership.

Leading sustainable S&OP

This is the third in a series of four articles on leading an effective S&OP/IBP culture. The first **article** was on effective S&OP/IBP behaviour. The second **article** on leading S&OP/IBP change. This third article is on leading sustainable S&OP/IBP.

Leading sustainable S&OP/IBP

Once you've led S&OP/IBP change and established a good S&OP/IBP foundation, you want to sustain that level or continuous improve to get to advanced S&OP/IBP. After initial basic S&OP/IBP successes, which might have taken up to a year to accomplish, there is a danger that everything goes back to normal. The initial excitement and novelty of S&OP/IBP fades, people focus on new priorities and get a bit sluggish in believing in and adhering to the S&OP/IBP process.

According to a recent Gartner publication, it takes up to 10 years to get to mastery in S&OP/IBP. In this timeframe key management positions might have changed two or three times. New strategies have been set several times and even mergers and acquisitions can happen. During these types of major business changes, it will be the underlying company culture that can survive these events and keep the focus on sustaining S&OP/IBP. If the company culture has no trusted and respectful environment that sustains important behavioural S&OP/IBP principles like open and honest communication, transparency, conflict resolution and coaching to improve, there is less chance you will have the time to get to S&OP/IBP mastery. There are examples of companies that were very successful in S&OP/IBP for some years and let the process deteriorate in months during and after a merger.

The S&OP leadership quadrant

To lead sustainable S&OP/IBP, you need the support of the senior leadership. In the end, it is the senior leaders who have to drive the right behaviours and cultural environment for S&OP/IBP. Senior leaders can support S&OP/IBP in two ways; in S&OP/IBP process and in S&OP/IBP behavioural principles. That leads to four types of S&OP/IBP leadership support as shown in the S&OP/IBP leadership quadrant in figure 1:
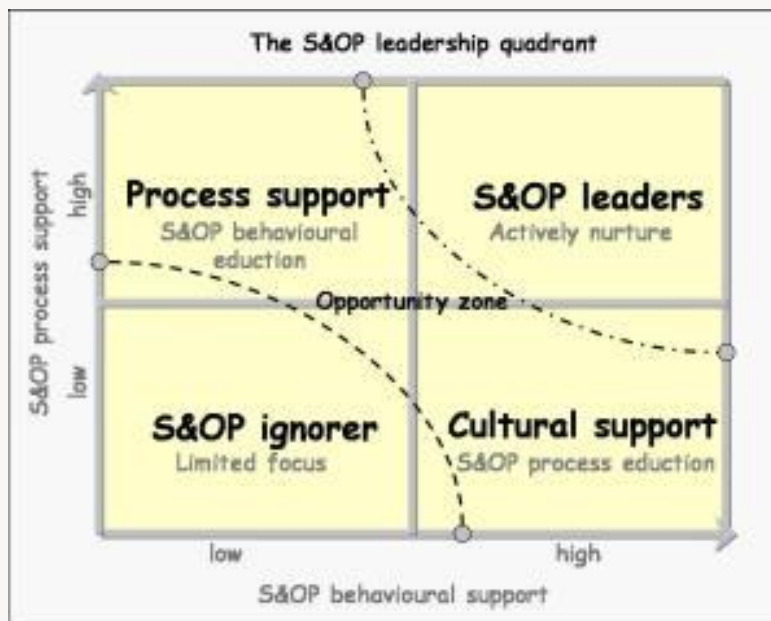

Figure 1: The S&OP leadership quadrant

The four types of S&OP/IBP leadership can both be lived inactively or actively. An S&OP/IBP ignorer can quietly dislike the S&OP/IBP process or choose to actively influence people that S&OP/IBP is not the right thing and try to derail the process. On the other side of the spectrum we can have a leader that quietly drives S&OP/IBP process and behaviours, or a leader that actively uses every opportunity to advocate the S&OP/IBP behaviours and communicates process results and improvements to the wider business. The different types of S&OP/IBP support will be explained with some examples.

1. The S&OP/IBP ignorer

This leader type doesn't like or want S&OP/IBP. He or she might have different priorities or feel threatened by clear processes and transparency. This type doesn't show the S&OP/IBP behaviours and personal values and behaviours might even be on the opposite side of the S&OP/IBP behavioural spectrum. This leader might prefer a command and control management style, keeps information within the functional silo and might talk other people down to get their way. Constructive feedback or coaching to improve are not common practices this leader type shows.

Most of us can imagine an active S&OP/IBP ignorer in meetings. Arms folded, shaking the head with every new slide, making negative comments about the content and show aggressive defensive behaviour when discussing matters to come to consensus. Use of smoke and mirrors when discussion functional performance. This person is likely to be in the 30% of natural non co-operators. If there is critical mass of leaders in this quadrant, S&OP/IBP is not likely to become an effective executive meeting. A sustainable S&OP/IBP culture, based on principle behaviours, will almost be impossible to establish. Limit your focus in this part of the quadrant.

2. The S&OP/IBP process supporter

This leader type understands the importance of the S&OP/IBP process and S&OP/IBP content, but doesn't necessarily behave according to S&OP/IBP principles. This type has a positive influence on the S&OP/IBP process itself, creates S&OP/IBP awareness, but doesn't necessarily create a sustainable S&OP/IBP culture.

An example of a passive S&OP ignorer is when I worked as supply chain manager at a beverage company. In my first interview with the managing director he mentioned that he sponsored the companies S&OP process. Only later I realized that it was the only time I actually heard him use the S&OP abbreviation. He did not support the S&OP process. Furthermore his behaviours didn't show transparency and collaboration, he was an inactive S&OP ignorer. I started up an S&OP process, with collaborative forecasting with two of the fifty countries we were exporting to. Monthly forecast accuracy increased on monthly level from 40% to 70% for those countries, but after the demand and supply review the S&OP information never came to the boardroom for decision making. S&OP stayed at demand and supply planning without sales having the full ownership for forecasting. When a new managing director came in who had experience with S&OP things changed quickly for the better. Within months the company was running a decent S&OP process. There was sales owned collaborative forecasting with most of the major countries, finance was involved and S&OP became a boardroom meeting, where decisions were being made. This is the difference an S&OP supporter on executive level can make versus an S&OP ignorer.

Be aware that S&OP/IBP process supporters can be highly knowledgeable in S&OP/IBP and enabling technologies. They just might not have the behavioural capacity to create a sustainable S&OP/IBP culture. I experienced a highly knowledgeable S&OP/IBP manager who when we first met told me all about how I had my own responsibility and how trust was granted to me as long as I delivered against our agreed objectives. After telling me all of this, the first thing this leader did was to put two weekly meetings in my calendar. One meeting for Tuesday to review the results for last week and one meeting for Thursday to discuss the working plan for next week. This S&OP/IBP process supporter talked about creating a trusted and respectful environment, but the behaviour I perceived was exactly the opposite; distrust and controlling.

Under this type of leadership S&OP/IBP can work, but will never be effective in the long run. No sustainable S&OP/IBP culture will be created, unless behaviour changes. Through this type of leadership S&OP/IBP stakeholders will be less engaged and not perform to their best. Information will not openly flow across functions and cross functional coaching and learning will not flourish. People will not go the extra mile to continuously improve. A culture under which best practice S&OP/IBP is not likely to be reached. In this part of the quadrant, there is an opportunity to get to S&OP/IBP leadership if you focus on improving the S&OP/IBP culture by addressing behavioural issues.

3. The S&OP/IBP cultural supporter

Maybe this leader type doesn't understand or 'get' S&OP/IBP, but shows S&OP/IBP behaviours and might even advocate these as part of personal values. This type naturally works across functions, shares information openly, empowers their people and coaches to improve. Cherish these types of leaders, as they can be the cornerstone to build your S&OP/IBP process. They can help you address behavioural issues on boardroom level.

I vividly remember an S&OP/IBP cultural supporter. It was the introduction speech from a CEO who had the task off merging two multi billion dollar food companies. In his first speech in front of the total head office of the soon to be acquired company he dared to relate the ten-year success of his company, in terms of increased sales and shareholder value, directly to the ten-year cultural growth. The previously dominant culture of aggressive-assertive and passive-defensive behaviour has been changed to positive collaborative behaviour thanks to a cultural awareness programme. The employees are now better at sharing information and collaborating, and are much more enthusiastic about the company and its brands. This CEO also said: 'If you don't perform, but fit our new culture, we have to ask you to leave. If you do perform well, but you don't fit our new culture, we have to ask you to leave too'. It is clear that this CEO wanted to sustain his positive, collaborative and achieving company culture. Although this CEO might not be aware of S&OP/IBP processes and technologies, his company culture forms a strong basis on which S&OP/IBP can flourish. In this part of the quadrant, focus on S&OP/IBP eduction with these leaders and explain what's in it for them and for the total business. This can transform them in S&OP/IBP leaders.

4. The S&OP/IBP leader

This leader type understands the importance and supports the S&OP/IBP process and the related behaviours. This type strongly believes and advocates that S&OP/IBP is the way we do business and S&OP/IBP behaviours are the way we behave. This leader proactively engages and coaches to improve across functional boundaries, is disciplined in the S&OP/IBP process, advocates transparency and stays constructive, even in conflict.

We can expect the S&OP/IBP manager to be in this bucket. Unfortunately in almost 15 years of S&OP/IBP experience I only came across a handful of S&OP/IBP leaders. One of them even got made redundant and replaced by an S&OP/IBP process supporter. A reminder that real S&OP/IBP leadership is rare and can only excel in environments that embrace and stimulate this type of leadership. If you have senior leaders in this part of the quadrant, focus on actively nurturing your S&OP/IBP process and culture with these senior leaders.

Getting the critical mass right

At the start of your S&OP/IBP project, you can map the senior leaders and key S&OP/IBP stakeholders in the S&OP/IBP support quadrant and define your strategy to make critical mass in S&OP/IBP leaders. During time you can revisit your initial assessment and see where the critical mass of S&OP/IBP support shows on the quadrant. Creating a sustainable S&OP/IBP culture based on behaviours can take years and needs executive support. Here are a couple of ways that can help to get the critical mass of leadership in the right direction:

1. **Build partnerships**: focus to actively build relations with process and behavioural supporters on executive level. Ask process supporters to become active and influence other leaders on the importance of the S&OP/IBP process. Build partnerships on senior level with leaders that support S&OP/IBP behaviours. Ask them to become active advocates. These senior leaders can help to put S&OP/IBP principle behaviour on the boardroom agenda.

2. **S&OP/IBP vision**: start at the top and create an S&OP/IBP vision that is aligned with the company vision. Make sure S&OP/IBP principle behaviours like '*pro actively engage across functions*', '*be open and transparent*' or '*lead in meeting disciplines*'are linked to the company values. In this way you can always refer back to the fact that 'this is the way we're doing things here and this is how we behave'. Add the principle behaviours you define as an appendix to the monthly S&OP deck.

3. **Hire, develop, promote or let go**: if a business is committed that S&OP/IBP is the way to do business and S&OP/IBP behaviours are key in the company culture, this should be reflected in HR policies. Make sure that the next generation of (top) management really does personify the new S&OP/IBP approach. This is about hiring, promoting and developing employees who support and practice S&OP/IBP process and behaviours. The ones who don't; let them go. In this way we can make sure the right people end up in critical S&OP/IBP positions and that the new leaders will personify S&OP/IBP and sustain the S&OP/IBP culture.

4. **Advocate**: Lead by example in S&OP/IBP process and behaviours. Actively build trust by asking for feedback on your own S&OP/IBP behaviours or share your development plans with your team or your peers. In team meetings, give examples of behavioural improvement opportunities you discovered about yourself during the S&OP/IBP cycle. Be disciplined in sticking to meeting timings and agenda's, show passion to collaborate across functions, share your S&OP/IBP knowledge and stay constructive at all times.

5. **Measure:** make S&OP/IBP behaviours measurable. S&OP/IBP can be added to cross functional curriculum, induction, training, and 360 degrees feedback and performance programs. S&OP/IBP engagement can be measured through the company's yearly engagement survey.

6. **Communicate:** Make a conscious attempt to show people how the S&OP/IBP process and behaviours have helped improve visibility and performance. This is about communicating the wins of S&OP/IBP to key stakeholders or to the total business. Senior leaders and managers can monthly update their wider functional teams of S&OP/IBP outcomes, small wins and good S&OP/IBP behaviour. Face to face and with the support of the company newsletter. In the monthly S&OP/IBP cycle, good examples and improvement opportunities can be reviewed and discussed as part of continuous S&OP/IBP improvement.

When you have established critical mass in the S&OP leadership quadrant you will start to create an effective and sustainable S&OP/IBP culture. Cherish and nurture it and keep making sure you get the behavioural as well as the process support from the senior leaders. Don't forget to celebrate as you're one of the few who made it this far! The next leadership challenge waits when you start implementing your S&OP/IBP process across geographies. My next blog will focus on some aspects of that.

Leading S&OP across geographies

This is the last in a series of four articles on leading an effective S&OP/IBP culture. The first **article** was on effective S&OP/IBP behaviour. The second **article** on leading S&OP/IBP change. The third **article** discussed on how to lead sustainable S&OP/IBP and introduced the '*S&OP leadership quadrant*'. This fourth article is about leading S&OP/IBP across geographies.

Leading S&OP/IBP across geographies

Once a company starts crossing the borders other complexity enters the S&OP/IBP equation. Across geography and cultures, S&OP/IBP processes are facing the same challenges, but sometimes one culture just has a preferred way dealing with these relative to other cultures. There is no right or wrong in different approaches, but when leading S&OP/IBP across cultures, it will be effective to understand what the preferences in different cultures are.

It is important to understand that many leadership and business theories (like S&OP/IBP) have been developed in the West under the assumption that they were universally applicable. It was only in the beginning of the 1980's that researches, led by Geert Hofstede's work, started to challenge this assumption and showed that management ideas and practices were not universally applicable, because national culture played a significant part in the way people thought and behaved. From that time, significant research in cross functional has established the need for adapting leadership practices to local context.

In his pioneering work on geographical cultural environments 'Cultures Consequences', Geert Hofstede identifies four main geographical cultural drivers for work related values in over 40 countries. They are:

1. **Power distance**: Social inequality. The extent to which the less powerful members of organizations and institutions accept and expect that power is distributed unequally.

2. **Uncertainty avoidance**: deals with a society's tolerance for uncertainty and ambiguity. It indicates to what extent a culture programs its members to feel either uncomfortable or comfortable in unstructured situations.

2. **Individualism versus collectivism**: is the degree to which individuals are integrated into groups. On the individualist side we find societies in which the ties between individuals are loose: everyone is expected to look after him/herself. On the collectivist side, we find societies in which people from birth onwards are integrated into strong, cohesive in-groups, in which people look out for one another and organizations protect their members' interest.

3. **Masculinity versus femininity**: Masculinity reflects a preference for achievement, heroism, assertiveness, work centrally and material success. Femininity reflects the values for relationships, cooperation, group decision making and quality of life. Both men and woman subscribe to the dominant value in masculine or feminine cultures.

On the website **http://www.geert-hofstede.com/** you can check the scores on the four cultural drivers for over fifty countries. The country preferences might have impact on how leaders in different countries create a trusted and respectful environment and deal with important behavioural S&OP/IBP principles like open and honest communication, transparency, conflict resolution, meeting discipline and coaching to improve. From my own Western viewpoint and experience I'll discuss how these four principle S&OP/IBP behaviours can have other meanings for different cultures and offer some guidelines on how to approach cross cultural S&OP/IBP implementations.

1. Open and honest communication

In my 2011 S&OP pulse check, 142 participants from over 30 countries indicated that the main reason to implement S&OP/IBP is to improve cross functional communication. Communication in S&OP/IBP meetings needs to be open, transparent and honest to bring all issues and information to the table. If this is not the case decision making and therefore the S&OP/IBP process will be less effective. For communication to be open and honest we need a trusted environment. It is the company leaders who have to establish this environment. When communicating across geographies leaders have to take in to account how some cultures prefer to communicate.

In S&OP/IBP meetings we have to ask and answer questions to come to consensus and make decisions. If we view this from a cultural perspective, there are two ways cultures respond to questions or ask questions. The American culture as well as the Dutch culture will go directly to the point, both in asking and in answering questions. These are specific or low context cultures. On the other part of the spectrum, cultures in southern Europe, Asia and Japan, will circle around the point, talk more about context, before actually ask or answer the question. These are diffuse or high context cultures. The specific culture wants to go straight to the point or business deal and might perceive the diffuse culture as not coming to the point and wasting time. The diffuse culture might perceive the specific approach as too direct, impersonal and pushy. These different perceptions might lower trust levels between the cultural S&OP/IBP parties and hence negatively impact open and honest communication and therefore effective S&OP/IBP. In a cross cultural S&OP/IBP meeting where we ask and answer many questions to try to solve issues and make decisions on our business, we have to keep in mind what the preferred cultural way of answering or asking questions is.

2. Conflict resolution and consensus:

In a monthly S&OP/IBP cycle, we don't always agree across functions or business units and we have to solve conflicts to come to consensus. If we do this in a cross cultural environment we have to keep in mind how different cultures prefer to solve conflict and adapt our behaviour to that. In masculine or assertive countries like America, it is acceptable to resolve conflicts through relative more aggressive means and with a good fight: Let the best man win! In feminine countries like the Netherlands, Denmark or Sweden, the preference is to resolve conflicts through negotiation and compromise. Southern European countries will be more emotion driven in discussion, where Northern European countries tend to be more factual.

As supply chain manager in a beverage company, I once received a letter from an American customer. Signed by the vice president of supply chain and a lawyer, this customer threatened legal action because of one late delivery. My first reaction was; 'why didn't this guy just call me?' As I never had any issue before with this customer, my Dutch expectation was that I would get a call to discuss the issue, understand the issue and offer my help to resolve it. This is what Hofstede calls masculinity versus femininity. My Dutch feminine or nurturing expectation was to get a call to solve the dispute. The American approach was masculine and in my perception very aggressive. In masculine or assertive countries like America, it is acceptable to resolve conflicts through aggressive means and with a good fight. Hence America has the highest rate of lawyers per capita in the world. In feminine countries like the Netherlands, Denmark or Sweden, the preference is to resolve conflicts through negotiation and compromise. Threatening with legal action is not part of the preferred business dialogue to solve issues.

3. Meeting discipline

Personally, I like to end an S&OP/IBP meeting with a roundtable to provide feedback as this can be an important part of S&OP/IBP communication to continuously improve effectiveness of S&OP/IBP meetings. In individualistic cultures like Australian, American and Dutch cultures this is no issue. In more collective cultures like Japanese, Asian and southern European cultures, there is no preference to give feedback in group form. These cultures don't want to insult the group or lose face by making a critical comment in front of superiors. Feedback is preferred in person. Therefore, when leading cross cultural S&OP/IBP, we have to be cultural intelligent and apply the most effective approach on gathering feedback depending on the cultural environment we're in.

On feedback maybe Fons Trompenaars, author of the book *Riding the Waves of cultures*, gives the best example himself: 'I try to avoid asking a Dutch audience for criticism after one of my workshops; the experience is much the same as being machine-gunned. Afterwards, however, they tend to ask the corpse for the next date it will be available. In contrast English and French managers will make a few mild suggestions in a context of positive congratulation, never to be heard of again.'

Process and meeting discipline and discipline in general is an important factor for continuous improvement. According to Collins, discipline is also one of the features that define *great* companies. Process discipline is seen as one of the top three

S&OP/IBP roadblocks in the 2011 S&OP pulse check. Discipline comes back in many ways; in S&OP/IBP project deliverables during implementation, in gathering data in time, sticking to meeting agendas and meeting timings or following of agreed communication lines are some examples. But the definition of discipline gets harder when you implement S&OP/IBP across geographies.

Imagine jumping a queue in England, all hell would break loose. On the other hand, if you don't protect your position in a queue in Italy, you'll never get served! For an English person, standing in an Italian que must be horrible. But both countries have in common that in their communication they provide feedback in an indirect way, circling around the main message. To cross a red light as a pedestrian in Switzerland is not done, but in the Netherlands it happens all the time. Still both countries show similar discipline in starting their meetings on time and stick to the agenda. In southern European countries like Spain and Italy, time is perceived differently and they will stick less to meeting timings and agenda's then Northern European countries. Different cultures are disciplined in different ways. We have to keep this in mind if we expect S&OP/IBP discipline in a cross cultural environment.

4. Coach to improve

In a trusted environment where we respect each other's opinion, cross functional coaching can be a powerful way to share knowledge, create shared interests and collaborate to improve our S&OP/IBP process. In an environment like this we can engage pro-actively with peers, superiors and subordinates across functional areas and provide our point of view on improvement opportunities for the other person, function or part of the S&OP/IBP process. Coaching to improve can drive improvements throughout a company across functional boundaries.

In low power distance cultures, a leader or manager is seen as equal and it is more likely to provide each other coach to improve feedback. A subordinate in a low power distance culture can provide a process or communication improvement suggestion to a superior. Personally, I have given feedback on behavioural improvement opportunities to a superior and board member. This would not be possible in a high power distance culture.

In high power distance cultures, subordinates are more likely to only accept feedback from their superiors, less from their peers. It's very unlikely to provide coach to improve suggestions to a superior in high power distance cultures like Arabic and Asian countries. A coach in Asia is not seen as equal. He or she is seen as a respected elder or teacher. This status is ascribed from the social hierarchy present in Asian society. Personally, I have been a mentor for a similar aged peer. This would be very unlikely in high power distance cultures.

Asian collectivism and group thinking on the other hand, makes it easier to have common collaborative goals and work as a team towards them. In individualistic cultures it is more likely to be side-tracks by personal or functional goals and the associated political games. This leaves the question open if coach to improve as S&OP/IBP behavioural principle is more important for individualistic cultures then for collectivistic cultures.

These examples show that these four S&OP/IBP behavioural principles can have different approaches in different geographical cultures. As you can change a company culture, but you can't change a country culture, learn to adapt if you want to be effective in leading global S&OP/IBP. The following guidelines might help you:

- **Design globally, implement locally**: design process and technology globally, but take local culture and behavioural preferences in to account when implementing. Get the local HR team involved for change management, communication and knowledge of the local culture.

- **Create cultural awareness**: Train your S&OP/IBP implementation or S&OP/IBP process teams in different behavioural aspects of cultures and teach how to reconcile behaviour between cultures. There are many books and training courses available.

- **Listen and measure:** Listen to local HR and S&OP/IBP stakeholder feedback during and after meetings and collect this feedback in a structured way so you can track it. Measure S&OP/IBP engagement across different countries as part of company engagement surveys and identify if different levels of engagement can be contributed to cultural aspects.

- **Communicate:** make sure you let the local S&OP/IBP stakeholders know that the cultural aspect of S&OP/IBP is part of the S&OP/IBP implementation and continuous improvement. Keep them updated on what you are doing about it to keep their involvement.

Many articles and whitepapers have been written on how to overcome the process and technology aspects of S&OP/IBP. Not many S&OP/IBP whitepapers have been written on how to lead to overcome cultural aspects of S&OP/IBP. I hope the four articles in this series provided you with some thoughts and guidance to lead in cultural and behavioural challenges when implementing and sustaining effective S&OP/IBP, either locally or across the globe.

The four phases of IBP

This blog has been published recently as an article in the AFP Exchange. Check it out here: **4 of a kind – The four phases of IBP**

Integrated Business Planning (IBP) is often seen as a natural progression from Sales and Operations Planning (S&OP), which came to life in the 80's to align sales and operations. As S&OP found its origin in the supply chain, IBP is often biased with supply chain terminology and reasoning. It can be argued that current IBP development is still driven with a supply chain bias. With this lack of divers thinking, IBP innovation runs the risk of being not truly 'integrated'. Let's hope the IE group IBP innovation summit in Berlin will proof me wrong. Find their program at: **http://operations.theiegroup.com/ibp-berlin**

Contrary to most current defined maturity phases of IBP one can find on the internet, we also can define IBP maturity phases from a more strategic angle. Many experts agree that IBP has a monthly check and balance with the budget and the strategic intentions of a business. Therefor, a well executed IBP cycle will provide monthly visibility and measures progress against business objectives and strategy in the long term horizon. Furthermore we can say that a business strategy and the required strategic resources and capabilities have the goal to get a company closer to its vision.

According to Collins and Porras a company vision exists from its core values, core purpuse, a BHAG (big, hairy, audacious goal) and a vivid description. The core purpose is the reason for being; it captures the soul of the organization. Where you can fulfil a strategy, you can't fulfil a purpose. Core values define what the company stands for. A company will stick to them, even if it became a competitive disadvantage in certain situations. 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. A well-defined achievable BHAG with a vivid description provides employees with an envisioned future they can identify with and which creates an emotional attachment, which makes them go the extra mile. As CEO Bob McDonald says on the emotional component and innovation at P&G; *'People will innovate for financial gain or for competitive advantage, but this can be self limiting, there is a need for a emotional component as well – a source of inspiration that motivates people*'.

If a company wants to track its budget and strategy and we use this vision framework and IBP as the planning process to support the business, IBP can be defined with the following maturity phases:

1. Integrated planning:

In this phase companies start to focus on integrated planning between previously siloed functional areas. Some functions are more advanced than others. A company might have focused on state of the art finance processes and systems, but doesn't reap the full benefits of that due to lack of integration of other functional areas in to the finance process. Some integration exists, but not across all functional area's and there is not enough integration with finance to make a monthly financial prediction on EBIT level in the long term horizon. S&OP as most define it will be in this phase.

2. Dynamic budget planning:

In this phase, enough functional areas plan in an integrated way for the process to provide their input to the P&L to create a fully loaded forward projected P&L. Finance understands the 'volume' input and the other functional area's understand the financial 'value' planning. This will provide the company visibility on how it is tracking versus the budget or annual operating plan on a monthly basis on EBIT level. Why EBIT level? Because I heard too many times in a boardroom the argument, when only gross profit was on the table; '*we can't decide on this because we don't have EBIT an number*'. We can also expect these companies to deliver monthly balance sheet and cash flow prediction. For these companies there is no separate budgeting or forecasting cycle. Every month can be the budgeting cycle. Dynamic indicates that opportunity and risk scenarios across all functional areas are integrated in the financial projection.

3. Dynamic strategy and capability planning:

In this phase, the company has defined its strategic goals, measurements and targets and is capable to check and communicate monthly if they are on track to meet the strategy in the horizon beyond the budget. The strategic intent, which can be defined on lower levels like product segment, country or business unit level, will also guide in decision making for decisions in the budget horizon.

The company has also defined its core strategic capabilities to meet its strategy. There are many strategic capabilities possible. Ideally a company shouldn't have more than a handful as if it will define more it will erode the focus on these capabilities. Some examples are:

- o **Risk management:** for companies that have extended and complex networks that are sensitive and dependent for changes in global and geopolitical events. For example companies with global supply chains, but also the Finance industry.

- **Innovation**: for companies that in a highly competitive market can outpace their competitors based on innovation and new product development. Often seen in technology industry and CPG

- **Commodity trading**: for companies that are highly influenced by commodity cycles as the commodities can be more than 80% of the COGS of their core products. For example food & beverage companies that have crops and livestock as core raw material.

- **Demand driven supply chain**: for companies that can get competitive advantage from driving their business from the front end of the supply chain. For example food, beverage and consumer package industry. Often in retail and consumer environment, which are promotional driven and where POS information is available,

- **Knowledge management**: for companies that are highly dependent on knowledge workers and the exchange of knowledge between people and business units. Companies that have IP to integrate, sell and protect. For example Consultancies and software industry.

- **Supply exploration**: for companies that have to spend high amounts of capital to find new or increase the supply of their core product. For example oil and mining industry.

- **Collaboration:** Collaborative IBP can be a separate phase for companies that see strategic advantage in collaborating with their suppliers and customer in the longer horizon and therefore want to integrate their business plans. For companies that have the power in the supply chain through size or uniqueness of offering this will most likely not be a strategic focus.

The list can go on and on with Technology, Sustainability etc. Once a company has defined its strategic capabilities and has defined goals, measurements and targets for these capabilities, it needs plans to implement or improve these strategic capabilities. An update of status, progress, risks and mitigations for those plans will be part of the IBP cycle in this phase. Dynamic indicates that sensitivity analysis around the plans to reach the goals of the strategic capability is part of the update.

4. Integrated vision & purpose:

In this phase companies have well-defined purpose, values and an achievable BHAG with a vivid description that people can identify with and which create an emotional attachment. The company aims to integrate this with the IBP cycle. A company can decide not to pursue strategic opportunities because doing so would compromise their core purpose or values. A large multi-billion dollar beverage company for example, decided not to enter the very lucrative market of premium RTD's (Ready to Drink) alcoholic beverages, because the alcohol content was to high. Although the opportunity was achievable and margins were very interesting, the alcohol content would not be in line with their core purpose of '*bringing more sociability and wellbeing to our world*'. The purpose guided decision making in the strategic horizon.

The company values and the emotional attachment will be tracked in the monthly IBP process and have actions, goals and measurement. Executives follow progress to understand if employees believe and identify with the companies values, BHAG and purpose and show emotional attachment. This can be done by 360 degrees feedback, engagement surveys or roundtable discussion between executives and employees. Executives also have to lead by example in behaviour and actions. Their own behaviour will have goals and measurements and progress is tracked,

For all phases communication is important, although it can be argued that it's most important when developing an emotional connection. An IBP document on key decision, outcomes, progress and wins in the IBP cycle can be communicated to a well-defined stakeholder group in the company. This will both give the stakeholders an understanding of business performance, priorities, improvement opportunities and successes, as well as keep the engagement with the company vision, purpose and the IBP process. Executives have to realize and appreciate that this communication document is the results of all the hard work from middle and lower management to gather all required IBP information for the executives to make decisions in the IBP meeting. This communication makes sure the IBP meeting is not seen as a 'black hole' which only sucks up information and doesn't provide feedback.

Once a company masters these four phases, it tracks and plans on a monthly basis the budget, the strategic intent and strategic capabilities, the company values and purpose and the emotional attachment of the employees. If a company then links these plans with shorter term control plans and execution, we might call it real Integrated Business Planning.

S&OP and the right brain

Supply Chain left brainers

It has been a while that I wrote a blog. I've not read a lot of interesting articles, blogs or tweets on supply chain to get any inspiration. It seems more of the same. Usually when I go for a run or take the bicycle along the bay of Melbourne to work I think about topics to write. Lately I've been using that time to think about my new business venture; my own social network! So I've been getting a lot of inspiration lately by hanging out with gen Y app developers. I just closed my round of funding and will start developing a social app soon, so it's exciting times for me.

My last blog was a reaction to a question from Lora Cecere on how to change company DNA. Or company culture. It just strikes me over and over again that supply chain left brain bloggers, writers etctec don't touch the topic of leadership and company culture. A little exception left and right maybe, but in general you can't find it. The fact that an article of me on this topic has been for over a year under editors review, makes me think people don't get it either! Maybe it is my writing style.

For me the equation is so simple:

The right consistent leadership drives trust and the right behaviour by employees. The right behaviour over time drives company culture. Company culture will enable you to communicate faster and more effective, to really collaborate, to make more effective and faster decisions and execute according to what was agreed as there is a high sense of accountability.

Therefore company culture can be a competitive advantage.

I'm a left brainer and analyst too and had to make a journey. I started of thinking the world can be optimized with algorithms when I finished my studies in operations research. Then I worked across 10 countries as consultant I soon learned about different cultures and how people are different. In my first year as supply chain manager my customer service department had a turnover of 100%. I realised then it was about people. The last 5 years I learned that, although you can't change a country culture, you do can change a company culture for the better

You ever experienced this? You sit in a meeting, you and the team have prepared well, and all the information and decision documents are available. All the attendees had the chance to read through the information before the meeting. But you sit there and you don't get value out of the meeting, there are no quality decisions. And all the fancy reporting by the sexiest systems in the world won't help.

There is no open transparent discussion, no trust; politics are on the agenda more than the real agenda. No accountability is taken and there is no follow through on actions and agreements. No constructive feedback is given on suggestions. People are not listening with the intention of being influenced. After the meeting the real decisions are made.

All signs of a non-effective company culture. My estimate is that this stuff happens in over 80% of companies. This is where we can unlock real value. The supply chain left brainers just decide not to touch on the subject and keep talking about data, systems and other left brain stuff.

I just don't get it!

The right brain chasm in supply chain and S&OP

Earlier this year I spoke at the Australian S&OP forum 2013. On the first day of this event, Oliver Wight spoke on the evolution of S&OP and they discussed the 'chasm' in S&OP. The term 'the chasm' comes from the book 'Crossing the chasm' by Geoffrey Moore. Moore used the chasm to describe the difficulty in a (product) lifecycle go from early adopters or visionaries to the early majority. According to Oliver Wight S&OP has crossed the chasm of early adopters and is becoming mainstream and accepted as best practice. Although there are still too many different definitions of S&OP out there, I agree with Oliver Wight.
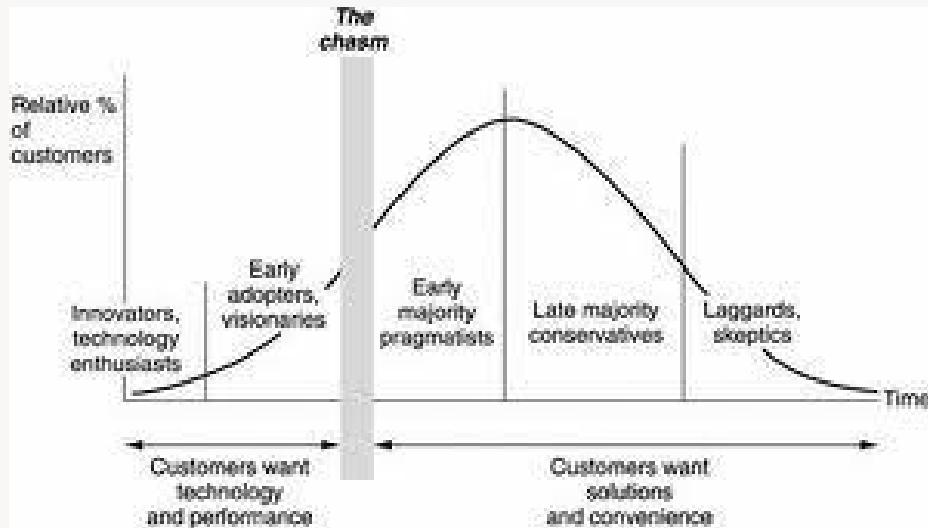

My presentation was about how to create and sustain a culture of S&OP and how we need to start using our right brain to do that. I tell you why we need our right brain more. The biggest change we have to go through when implementing S&OP is to start thinking horizontally rather than vertically. We have to start crossing the borders of our silo's to start communicating and collaborating with other functions. Thinking horizontally means thinking holistic. Thinking holistic is a right brain activity.

Crossing the silos is hard for us, as historically we are wired to stay in our silo. That's just our survival instincts. Staying in our own clan or herd, means risk reduction, certainty, safety and a higher change to survive. Only when our survival is threatened we will go outside our herds, take risks to try and survive. Our survival in business is now threatened if we don't cross the borders and exchange better and more complete information for agile, fast decision making. If we want to cross a silo effectively, we have to understand the other silo's motivations, goals and feelings. We need to have empathy for the other silo. Feelings and empathy are right brain activities.

The last thirty years we have made great progress in developing supply chain management and S&OP form a left brain perspective. As I described three years ago, it is now time for the **behavioural supply chain** , or the 'right brain' supply chain. We're three years on and unfortunately I don't see many signs that we're getting closer in crossing the chasm from left brain to right brain supply chain thinking.

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The right brain challenge

This is a follow-up on my blog on the **right brain chasm**, which had a lot of traffic. Well, at least for my blog it had! I was also encouraged by an S&OP practitioner who told me that he was inspired by my lecture on this topic during a conference.
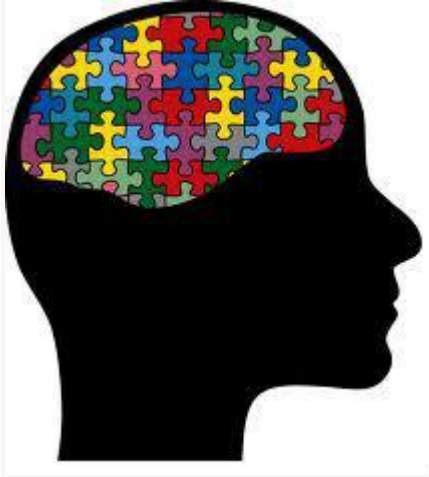
I think I have to set something straight. Some of the comments on my blog suggest that the right brain chasm issue is about clearly 'owning' the S&OP process at the most senior level and therefore put it in the simple 'leadership' bucket. Yes, I think we all agree that leadership is key in implementing S&OP or any change for that matter. My S&OP pulse check survey's in 2010, 2011 and 2012 all indicate that senior leadership is the biggest roadblock in implementing S&OP. But that's not what I'm talking about. 'Owning' the process by the most senior business leaders is just the start.

I'm talking about the biggest issue and opportunity business and thought leaders have to start addressing to make S&OP or business as a whole more effective.

The biggest opportunity is to find ways to build a business culture with critical mass of people who show cooperative behaviours, want to understand the other silo and are open to be influenced by the other silo's, be it function or business unit, customer or supplier. Actively create groups that cross the silo's and think holistic in 'we' and 'us', rather than in 'I' and 'me'. Thinking holistic is a right brain activity. If we want to cross a silo effectively, we have to understand the other silo's motivations, goals and feelings. We need to have empathy for the other silo. Feelings and empathy are right brain activities as well.

Crossing the right brain chasm is not an easy task for business leaders, as crossing the silos is hard for us humans. Historically we are wired to stay in our silo. That's just our survival instincts. Staying in our own clan or herd, means risk reduction, certainty, safety and a higher change to survive. On top of this there is research that indicates that only 50% of people cooperate naturally and 30% behaves selfish. Fuelled by social networking we see evidence of more narcissism and 'I' and 'me' thinking. So the challenge to understand the other silo and think holistic only seems to get bigger.

Business leaders have to first understand the right brain chasm before addressing it. Business leaders then need to educate their people in understanding and using their right brain; if we want to start crossing the borders of our silo's to start communicating and collaborating more efficiently. Building critical mass of people who have a developed right brain and are willing to use it is where the real value for businesses is. It will pay back through transparent, timely information sharing and speed and agility in decision making or correcting mistakes. And if done right, it will pay back more than any other investment in training, process or technology.

Business and supply chain leaders are mostly left brainers and don't think (yet) like this. They think logic, KPI's and analytics. They think left brain. This is how supply chain and S&OP have evolved the last 30 years and achieved great things. My point is; it's time to change if we want to bring things to a whole new level. I can't say that what I'm saying is totally new as Daniel Pink already described in 'a whole new mind' the importance of the right brain in today's world. My angle is just slightly different from Pink's.

For me crossing the right brain chasm is the only solution for real efficient horizontal business processes and the key for a collaborative environment.

The lack of system thinking in IBP

IBP suffers a deadlock of maturity. Independent companies and maturity measurement all point in the same direction. Find below some evidence that IBP gets stuck in early stages.

- Gartner found in 2010 that 67% of companies can't get further then step two from their four step maturity model.

- An Oliver Wight white paper on the transition from S&OP to IBP tells us that most companies '*get stuck in between Stage 2 and Stage 3*' from a four stage model.

- According to a 2012 ebook from Kinaxis, most companies are stuck in step 1 and 2 in Larry Lapide's four step model.

- A 2013 *Supply Chain Insight* report tells us that 57% companies don't get further then stage 2 of a 5 stage maturity model.

- In the book Bricks Matter, we can read that '*36% of companies' S&OP processes are stalled or are moving slowly*'.

Although practitioners tell us through questionnaires that this is because of senior leadership support, the organizational silos or process discipline, I think it is because of a lack of holistic or system thinking.

System thinking was defined by Senge, Lannon-Kim in 1991 as; '*System thinking is a discipline for seeing wholes, recognising patterns and interrelationships and learning how to understand those interrelationships in more effective, efficient ways*'.

A well known system approach, the 7s model, was develop in the 80's by McKinsey. Ironically around the same time as S&OP was born. Another irony is that integrated business planning is about holistic thinking across functions, but in our implementations we don't take a system or holistic approach. Companies will focus mostly on the process and technology and a little bit on people and change.

This is the same for consultancies and technology vendors who usually offer a system driven or a process driven solution to implement IBP. During workshops a remark is made how important people and behaviours are. An Oliver Wight white paper on the transformation of S&OP to IBP even spells out that '*the importance of people and behaviours should not be underestimated*'. An accompanied picture shows '*what clients tell us*' is that people and behaviours are more important than process and tools.

So let me get this right! I know what the biggest issues are because our worldwide blue chip client base tells me in well paid consulting time. I then tell you what the biggest issue is, but I don't offer you a solution for it? Instead I will talk to you about process until the cows come home and tell you to solve the biggest issue yourself! Am I the only one that thinks something wrong here?

If you've read my blogs you know by now that I focus on culture, behaviour and the importance of the right brain in implementing IBP. In McKinsey's 7s model this would probably fit in shared values and skills. Solving culture and behaviour only will not solve the dead lock of IBP maturity, but at least it is a step forward from this awful process, KPI's and technology focus that has IBP in its grip for the last 30 years.

IBP requires holistic thinking across functions to be effective. Until we start implementing IBP from a holistic or system thinking perspective we will not get rid of the deadlock of IBP maturity.

The state of collaboration in Supply Chain and S&OP

A horizontal process like S&OP can leverage the other three collaborative organization efforts to drive a collaborative culture. Once implemented the recurring cross-functional meetings in the S&OP process provide the opportunity for the right and capable people to understand and compromise with other functional areas to achieve common goals.

In the book *'Bricks Matter'*, Lora Cecere talks about the evolution of the supply chain in the last 30 years and how companies need to think outside-in rather then inside-out to create a market driven supply chain. She explains that '*each supply chain leader learned that strong horizontal supply chain processes are a pre requisite to drive success in building market driven value networks*'. She furthermore argues that strong horizontal process can't be built with the limitation of traditional functional metrics and that fewer of 5 percent of companies surveyed in the book have sufficient alignment to build strong horizontal processes. I think that a critical mass of right brain thinkers, which show understanding for the other silo, think holistically and are driven by a higher purpose rather than their own functional powers, can overcome this. This can easily be further incentivised by giving most senior employee's metrics on holistic level, like EBIT (Earnings Before Interest & Tax) or ROCE (Return on Capital Employed). These metrics are in the end the ultimate goals of most companies and will promote holistic and not functional decision making.

But S&OP itself seems to struggle to lead in step one of collaboration; setting a common goal. Participants in my S&OP pulse check 2012 suggest that 63% of companies have not clearly defined what S&OP maturity level or goal they want to achieve. Only 42% of participants agree that all company functions have a common goal in improving S&OP. In Bricks Matter we can read that '*more than 75 percent of companies lack goal clarity, which undermines S&OP success'*. Without this common S&OP goal across the company, a collaborative environment to implement S&OP is less likely to occur. It is therefore not a surprise that 'the organizational silos' have been chosen as a top 3 roadblock in implementing S&OP for 3 consecutive years in my S&OP pulse check. 'Senior leadership support' was the number one roadblock in all three years.
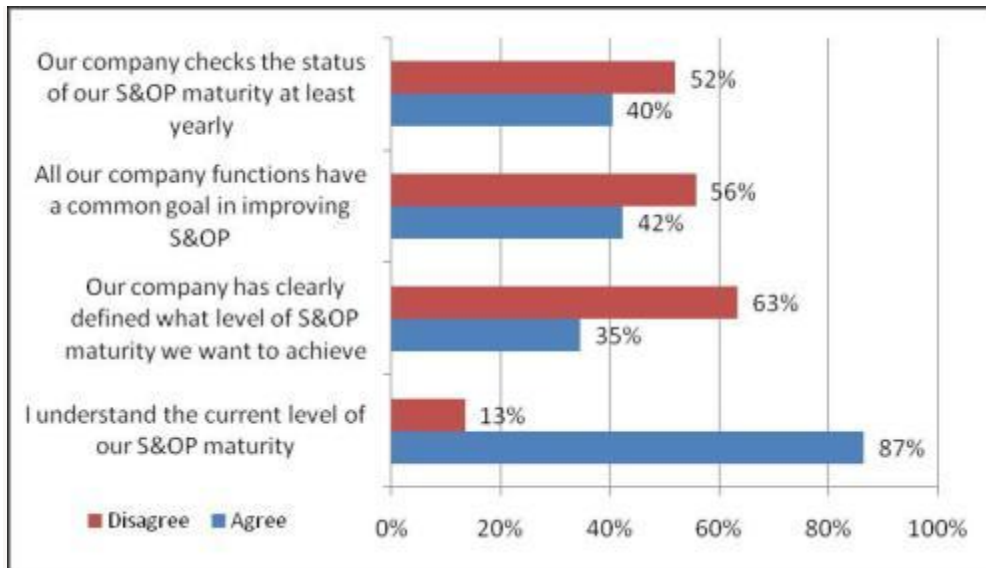
Figure 1: S&OP agreement on S&OP maturity statements according to survey participants

Progress is slow and S&OP maturity suffers. In Bricks Matter, we can read that *'36% of companies' S&OP processes are stalled or are moving slowly'*. According to an ebook from Kinaxis, most companies are stuck in step 1 and 2 in Larry Lapide's four step model from 2005. Gartner found in 2010 that only 67% of companies can't get further then step two from their four step maturity model. An Oliver Wight white paper on the transition from S&OP to IBP tells us that most companies '*get stuck in between Stage 2 and Stage 3'* from a four stage model. A 2013 *Supply Chain Insight* report tells us that 57% companies don't get further then stage 2 of a 5 stage maturity model. However we define S&OP maturity, it seems to be stuck in early stages.

To implement S&OP successfully a business needs to have S&OP as a clearly defined common capability. Only then, as a horizontal communication platform, S&OP can be a leading contributor in creating a collaborative company culture. Only when successful internally, horizontal processes like S&OP can extend to the end to end value chain and drive effective collaboration with suppliers and customers. Unfortunately it seems that the state of S&OP is not ready to internally lead companies to a collaborative culture. It is time for business and thought leaders to understand that more process, systems or KPI's will not solve this riddle. It is time to acknowledge that building organizations with critical mass in right brain, holistic, purposeful and more empathetic thinkers only can change this.

The right brain and S&OP: cornerstones to a collaborative culture

Collaboration is widely accepted to add value to a business network. Yet few companies will say they have truly a collaborative culture. The supply chain function and S&OP process can be catalysts to drive a collaborative company culture. For this to happen, the traditional left brain thinking supply chain organization has to start activating and using right brain skills and S&OP needs to start leading as a mature horizontal process.

Why do we need collaboration?

Not many people will argue that today's world is an uncertain, volatile and complex environment, where customer and consumer demands are higher than ever and the availability and speed of information is growing at a pace not experienced before. In this environment, having correct and complete information available at the right time for decision making is critical to have competitive advantage and for some business even a necessity to survive. Several short shelf life food companies I worked for budget their supply chain waste at roughly 1% of net sales value (NSV). In other words, a $2 billion company I worked for expects every year to write off $20 million in margin and waste. Better information and decisions making can reduce this significantly and directly add to the bottom line.

To make better informed decisions within a company, information is required from multiple functional areas and external sources like customers, suppliers or the market. For decisions making to happen efficiently, information must flow horizontal between functions and external markets in an open manner. Advanced technical infrastructure and tools can help support accurate and timely information availability, even on a global scale if required. Horizontal concepts like S&OP will help facilitate processes, meetings and decision making around this information. On top of all this technical and process support, once decisions need to be made, it is key that different functions share the available information openly to achieve a common goal and the best outcome for the business.

This requires the magic of collaboration. Collaboration can simply be defined by working jointly across boundaries of a function, company or industry to work on a common task or goal. Often, where people coordinate or cooperate together to get a job done, the word collaboration is used. But a lot of meetings, emails, project planning and execution to get a job done between many people from different functional areas, doesn't necessarily mean we are collaborating and working towards the same goal. Companies understand the value of collaboration. A managing director I worked for in a $500 million company estimated the value of collaboration at 1.5% of NSV. In a short shelf life environment, I think this $7.5 million is even an underestimation, but the example shows that executives understand that mastering collaboration have a cost advantage as they have better information available for decision making, and make decisions quicker. So why doesn't everybody just collaborate?

Why is collaboration so hard?

Collaborating is hard and a collaborative culture is not easily created; it requires company vision, leadership resilience, clear and common goals and follow through for an extended period to change a company culture to a collaborative one. But above all, for collaboration to happen, employees need to change and start using their right brain to think holistically and cross the silos.

Crossing the silos is hard for humans, as historically we are wired to stay in our silo. That's just our survival instincts. Staying in our own clan or herd, means risk reduction, certainty, safety and a higher change to survive. Only when our survival is threatened we will go outside our herds, take risks to try and survive. In business we see the same risk avoidance. We feel more comfortable in our own silo and vertical reporting line. Working horizontally across the silo's doesn't come naturally and is often avoided. Beside this natural risk avoidance, there is research that indicates that only 50% of people cooperate naturally and 30% behaves selfish. Selfish people are less likely to pro actively cross functional boundaries. On top of this new trends are emerging, where fuelled by social networking, we see evidence of more narcissism and 'I' and 'me' thinking. If this trend continues, the challenge to stop being self-centred and understand the other person or silo and think holistic only seems to get bigger.

If we want to cross a silo effectively, we have to understand the other silo's motivations, goals and feelings. We need to have empathy for the other silo. Feelings and empathy are right brain activities. When we start using horizontal process like S&OP to better manage our information flow we have to start thinking horizontally rather than vertically in our own silo. Thinking horizontally means thinking holistic. Thinking holistic is a right brain activity.

Traditionally functional areas like finance & supply chain are dominated by left brainers that think data, logic, analytical and KPI's. From a cost controlling and optimizing perspective, this is how these functional service providers have improved significantly over the last 30 years. It is now time to change and collaborate if we want to bring things to a whole new level and get more value out of these functions. Cross functional service providers like supply chain and finance are perfectly positioned to cross silo's and start leading in collaboration. We already see the trend that CFO's and COO's and their organizations have to get out of their comfort zone of reports, analysis and numbers and act more as business partners and relationship managers. This change to think about your business partners with a collaborative mind requires a shift in mindset and capability for many traditional left brainers in these functions. This needs to be taken in to account when developing collaboration within an enterprise.

The role of the right brain in developing collaboration

According to Paul Adler and others in the July 2011 Harvard Business Review, there are four key organizational efforts that drive successful collaborating:

1. ***Define and build a shared purpose***: make sure people work to an overarching goal.

2. ***Ethic of contribution***: look beyond your current role to contribute to the business.

3. ***Horizontal processes***: develop processes that enable people to work together in flexible but disciplined projects. This can be an S&OP project or process.

4. ***Value and reward collaborative behaviour***: visibly reward the right behaviour.

As a cross functional service and value provider, the supply chain function is perfectly positioned to create a collaborative environment. Therefore supply chain leaders have to address all these four characteristics and – maybe more important – train their people on collaborative characteristics, or get the right people on board. Leaders need to communicate the company visions and common goals in a structured way and reward collaboration to promote an ethic of contribution, but most of all business leaders have to create a critical mass of people who can activate and use collaborative characteristics.

Some of these characteristics are:

- ***Read non-verbal communication*** whilst listen actively. Non-verbal communication contains most information and reading it is a right brain activity.

- ***Show empathy*** to deeply understand the other silo feelings and motivation to either resist or collaborate. Showing empathy is a right brain activity.

- ***Use creativity*** and imagination to solve issues and find common ground. A brainstorming session with a collaboration partner creates an open and save environment to think outside the box together. Creativity and imagination are right brain activities.

- ***Think holistic*** and big picture. Think 'we' and 'us', rather than in 'I' and 'me'. Thinking holistic is key to include the collaboration partner in your thought process. Thinking holistic is also key to understand S&OP and is a right brain activity.

In the last 30 years of supply chain development, process improvement and optimization, we've proven that we're able to use our left brain to perfection. We now understand how to optimize our vertical functions up to a point that there is minimal value to be found in the siloed function. Creating critical mass in the workforce with additional right brain characteristics is now where the real value is for businesses. This is the real challenge is for business leaders that want to develop a collaborative culture and take things to a whole new level. Once this critical mass is established and leaders provide employees with a common vision and continuously follow through with rewarding collaborative behaviour, the foundation for a collaborative environment is made. To leverage these organizational efforts and be a catalyst for a collaborative environment, S&OP can be used as a horizontal process and therefore needs to be successfully implemented. This requires having S&OP as a common goal or strategic capability in a business.

S&OP Summits

Cracking the code of S&OP I

In Dan Brown's novel The Da Vinci Code, symbologist Robert Langdon is chasing complex puzzles and cryptic messages to unlock the code to one of the biggest prices of mankind; the holy grail. Regularly he finds himself wondering what the next step should be to make progress in his quest.

In this context, the IE group S&OP summit; 'Cracking The Code of S&OP' has an exciting and promising title. This event might just unlock the code to of one the biggest prices in modern business management; effective S&OP.

On the website http://www.theiegroup.com/SOP_Boston/Overview.html you can checkout the impressive list of speakers. Will they unlock the S&OP code? Be ready for some great insight and discussions on S&OP processes, enabling technology en maybe some S&OP change management.

But I have a little secret for you. According to my S&OP pulse check 2011, a still running S&OP survey, the top 3 roadblocks to implement S&OP are:

1. Senior leadership support
2. The organizational silo's
3. Process discipline

This means that the survey participants, S&OP practitioners from over 20 countries, think that S&OP roadblocks are people and culture driven. The S&OP code is not about process or technology, but about support, ownership, silo mentality and discipline. You can use my secret message to ask some questions to speakers, who obviously have a wealth of experience.

You'll walk out of this summit a lot wiser, but don't think you know all about the S&OP code. We know Robert Langdon had to follow through in some sequels. That won't be any different for you. If you can go, enjoy the summit and the journey to unlock the S&OP code.

You can still join The S&OP pulse check 2011 on
http://www.kwiksurveys.com?s=HBHNLJ_9e9b5a14
and help create insight in S&OP. Results and the raw survey data will be published on this website

Cracking the code of S&OP II

We're are still on our quest to crack the code of S&OP before the IE group S&OP summit 'Cracking The Code of S&OP' next week in Boston. Like symbologist Robert Langdon in the 'Da Vinci Code' we have to solve complex puzzles, cryptic messages and overcome hurdles and change to unlock the code to one of the most important business processes of our time: S&OP!

We learned in the last episode http://supplychaintrends.wordpress.com/2011/07/07/cracking-the-code-of-sop/ about major roadblocks to implement S&OP. In a recent S&OP survey, http://supplychaintrends.wordpress.com/2011/07/31/sop-pulse-check-2011-results/ 61% out of 140 S&OP practitioners from over 30 countries indicated that senior leadership support is the biggest roadblock to implement S&OP.

Whilst cracking the S&OP code you might come across hurdles from consultancies that tell you about research which shows that companies with advanced S&OP are twice more likely to have higher forecast accuracies, lower working capital etc. The question is if these so called higher performers are total business high performers or are they just supply chain high performers? Don't let their riddles confuse you on your quest to unlock the S&OP code, as there is other insight available.

In his book '*Good to great'* Jim Collins describes companies that made it from good to greatness. Great companies showed an average return of 6.9 times greater then the market. Now we're talking about outperforming! One of the features of these great companies is that change comes automatically to them. The culture in these companies is one of discipline and change. Furthermore these companies were build to last; they had a strong purpose in which the employees believed.

The secret code about S&OP is that the leadership support must be both in the S&OP process as in the creation of an effective S&OP culture. This is similar what Collins suggests about great companies. Great S&OP will have leaders that not only support the S&OP process but also lead in being disciplined, collaboration, and empowering people, providing and accepting feedback and practicing constructive conflict resolution. Furthermore these leaders will provide an S&OP purpose that goes beyond the process.

Therefore the real code to crack in S&OP is to have leaders that will lead in constructive behaviours, who will stimulate trust and collaboration across functions and who will create an effective S&OP culture that is there to stay.

On the website http://www.theiegroup.com/SOP_Boston/Overview.html you can checkout the impressive list of speakers. Will they unlock the S&OP code? Be ready for some great insight and discussions on S&OP processes, enabling technology en maybe even some S&OP culture!

Integrated Business Planning innovation I

The slogan of the March 2012 IE group summit in Berlin is 'IBP innovation'. As innovation is defined by *'the act of introducing something new'* it is good to see that the IE group wants to start thinking beyond the current definition of IBP. Integrated Business Planning is often seen as a natural progression from S&OP, which came to life in the 80's to align sales and operations. Although there are many discussions on the difference between S&OP and IBP, many agree that IBP has a larger scope then the traditional S&OP. So how can we make sure we will really innovate IBP?

If patents are an indicator for innovation, IBM is king. In 2011 IBM earned most patents in the U.S. for the 19th consecutive time. More then impressive! In total 6180 patents, the odd 1300 more then 2nd Samsung and a staggering 3800 more then Microsoft. Apple, often perceived as the most innovative company, wasn't mentioned in the top 10. There is proof that for effective innovation you need diverse teams with different cultural background, knowledge and values that challenge each other to create new insights and…innovate.

On IBM, Shirley Ann Jackson, the first African American woman to receive a doctorate from MIT, already noted in 2006 that *'if we want to cultivate and to nurture innovation in our nation, in our states, in our communities, in our universities, and in our corporations, then, we must cultivate and nurture diversity, as well.'* [1]

P&G is another company well known for its innovation in consumer products. Robert McDonald, CEO and 30 year veteran at P&G, has as one of his ten leadership principles: '*diverse group of people are more innovative then homogenous groups'.* He led P&G from 15% of innovations making its profit and revenue targets in 2000, to 50% in 2010. [2]

These world leading innovators understand that diversity is essential for innovation and they made it part of their core values and business principles. In this way IBM and P&G made their innovation strategy sustainable. If we now talk diversity and the future of IBP innovation, I'm getting concerned. Unfortunately there are indicators that show that IBP thinking is mostly done with the supply chain in mind, as the traditional S&OP thought leaders, consultancies and practitioners move to IBP. Some of these indicators are:

1. **Functional interest:** 58% of the 142 respondents from 31 countries, who participated in my 2011 S&OP pulse check survey, are reporting in supply chain. This shows a high diversity from cultural perspective, but a narrow interest from functional perspective in S&OP.

2. **Consultancies**: S&OP and IBP maturity models developed and used by consultancies in implementations are mostly starting from demand and supply perspective and define things like *demand driven value networks* as the highest maturity stage for S&OP. These are supply chain biased terminologies. Most of these consultancies with an IBP offering have a supply chain background, which indicates a lack of diversity.

3. **Software**: there has been an explosion of S&OP and IBP offerings from software houses that previously focused on advanced planning and execution systems to support the supply chain. Picking up the S&OP/IBP trend they now flood the market with things like next generation S&OP, rapid implementation S&OP. Some software companies scream S&OP and IBP while their sales people don't know yet what IBP is and still sell functional packages separately. It's a scary thought if these software companies drive thought leadership on IBP.

4. **Industry depth**: While a good IBP model should be applicable and have value for any industry, IBP seems mostly applied in manufacturing companies. We don't hear many IBP success stories from the finance industry, not for profit organizations, governments etc.

5. **Lack of attention**: Now we don't need to have president Obama talk IBP, but there is no noise from strategic consultancies on IBP. Although strategic consultancies like McKinsey discussed zero based budget forecasting and dynamic budget forecasting in the McKinsey Quarterly, there has been no mention of IBP. The most visited McKinsey Quarterly article in 2011 *Have you tested your strategy lately,* provides 10 tests to review a company strategy.[3] Although some of those tests are similar to IBP capabilities or can be accommodated by IBP, the term integrated business planning is not used in the article. Doesn't McKinsey get it?

All these factors limit diversity and therefor innovative IBP thinking as there is not enough diversity and challenge that drives thinking beyond the current IBP. If we really want to have a business process that can plan a company's future E2E in an integrated matter, we have to start adding additional perspectives to develop real E2E IBP, otherwise IBP runs the risk to remain 'a supply chain thing'.

If you go to the IBP innovation summit http://operations.theiegroup.com/ibp-berlin and mingle with the visitors, you will be surrounded by 60%-80% supply chain biased thinkers. My advice if you really want or break down the walls of the functional silo's; go for diversity and look for the 20% non-supply chain thinkers! History will help you, as it has shown that Berlin is a pretty good place to break down walls!

1. http://rpi.edu/president/speeches/ps103006-ibm.html
2. Harvard Business Review, June 2011
3. https://www.mckinseyquarterly.com/home.aspx

Integrated business planning innovation II

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2. Harvard Business Review, June 2011

3. **https://www.mckinseyquarterly.com/home.aspx**

S&OP muses

The Purpose of Integrated Business Planning

There are many discussions on what S&OP and IBP is. Lately, there are even more discussion on the difference between S&OP and IBP. Check out http://ibpnews.wordpress.com/2011/04/30/the-difference-between-sop-and-ibp/ for 7 different blogs on this topic only. But did any of these bloggers ask the simple existential IBP question; *what is the purpose of IBP*?

If you, confronted with this question, jump up and start talking about improved asset utilization, working capital, forecast accuracy and other supply chain and general business KPI's, sit down and think again! Those KPI's are goals of IBP, not the purpose!

What is the reason for being for this business process? And for the people who lead this process? Why does an IBP manager get up every day, go to work and does what he or she needs to do? Here is my view.

Disney's purpose and reason for being is; '*to make people happy'*. Every person in the Disney organization gets out of bed to make people happy. Although the goal will still be to make money, both CEO and cleaner in the Disney Park purpose are to try and make people happy.

In my 2010 survey on Supply & Operations Planning (S&OP); S&OP pulse check 2010. Survey participants nominated '*improve cross functional communication*' as main reason to implement S&OP. A quote from an article on S&OP culture says:[1] 'the business result has led to the culture of the company being optimistic and positively minded, as opposed to pessimistic'. Combine the two and this can mean that the purpose of S&OP is to make people optimistic and positive (happier) through improved cross functional communication.

Now making people happy only is not good enough. We would like to have some results in our IBP purpose as well. That's why I'll borrow from another proven purpose. The smart fellows at McKinsey's have the purpose; '*to help leading corporations and governments be more successful'*.

If we can position the IBP purpose in between Disney and McKinsey, the purpose of IBP is to: '**improve cross functional communication and collaboration to help a company be more successful'**

Is that good enough for you to get out of bed?

1. John E. Mello and Robert A. Stahl, How S&OP changes corporate culture, *Foresight,* winter 2011

The IBP journey

We all heard it in a work environment, at a seminar, read it in articles or in blogs. 'S&OP is a continuous journey' or 'IBP is a journey not a destination'. We might even have been nodding at the time in confirmation of the validity of these statements. But is IBP a journey??

According to Cambridge online dictionary a journey is; 'the act of travelling from one place to another, especially in a vehicle'. This means a journey has a start and destination, but no defined scope, timelines, deliverables, quality. Furthermore we're not sure on how much resource the journey actually cost us, beside the need of a vehicle. That's hardly enough detail to guide a team through the change required to implement and sustain IBP.

As consultant I learned that a journey is a group of programs. And a program exists from a group of projects. A project has a scope, a start and a finish and deliverables with defined quality and resources assigned to do the work. On a much larger scale, a journey will have similar outcomes as a project.

According to the second definition IBP can be implemented as a project, program or journey. At an agreed time the IBP project has to deliver tangible results, with a limited budget. Once an IBP project is finished it can be handed over to a business process or continuous improvement part of the organization. Often it will be the same resources that will work on the IBP project and, after the implementation, on the IBP process for continuous improvement.

Which of the two IBP journeys would you want to join?

The one without a clear scope timeline and definition, without a project plan, change management or communication plan? Without resources or budgets assigned? Whatever definition of journey you choose, just make sure that next time somebody is telling you about the IBP journey you're about to encounter, you ask for his project plan!

The hard and the soft benefits of IBP

Most people who are working on IBP can sum up the goals they're trying to achieve with this process. Those goals usually are defined in their KPI's and linked to their performance program. These goals and KPI's are the hard benefits of IBP. Amongst these hard factual goals or benefits of IBP are improved:

- Working capital
- Forecast accuracy
- Customer service levels
- Productivity

What not every stakeholder in the IBP process realizes is that the hard benefits usually come after the soft benefits. Amongst the soft benefits are improved:

- Cross functional communication
- Collaboration
- Trust
- Empowered decision making

When implementing IBP, it is important to manage expectation from senior stakeholders that benefits will usually come in this order. I've seen several situations where a couple of months in to the new IBP process, questions from senior leaders arise. Comments like; 'why have we not seen improvement in this KPI?' or 'I thought IBP would solve these issues', are not unfamiliar in this context.

As IBP manager, the best early indications you can get that things are moving in the right direction are in this 'soft' area. An example is a trade marketer who said; 'since we're working on the IBP process with you, marketing and sales are communicating much better with each other'. Or a senior executive that mentioned; 'I really start to believe that IBP is the way to go'.

Many soft indicators can be found in IBP meeting behaviours. If the language used in meetings move from using aggressive and defensive language to using more constructive language, you are heading in the right direction. If not every number in the meeting is scrutinized for its validity, there is improved trust. Meetings that close with a roundtable where all participants provide feedback on the meeting effectiveness and improvement opportunities, show there is a safe environment to discuss these matters.

Soft benefits are harder to measure then hard benefits. Therefore as IBP manager it's first of all important to make the soft benefits happen, secondly to capture and document these indicators and thirdly to let IBP stakeholders know about them. IBP progress is initially not always visible in the measurements many stakeholders have as their goals, but those measurements are only the top of the IBP iceberg. It's the soft benefits that hold the IBP iceberg stable in the water.

IBP; the best of all possible worlds

In his classic satire Candide, Voltaire makes fun of the positivism which was an influence philosophical movement in his time. Positivists see the world we live in as 'the best of all possible worlds'. In an entertaining and funny way, Voltaire makes sure to the reader that we can question and challenge this statement from different angles. This was 250 years ago.

Today S&OP and IBP can be called one of the most influence business process movements of our time. IBP represent 'the best of all possible worlds' in how we communicate across business functions, stay aligned to our business strategy and effectively plan and execute this strategy.

In businesses around the world and even more in supply chain functions, IBP believers are the positivist of this age. It's hard to find negative references on the internet on IBP. Why is that? A small community keeps telling or selling how good IBP is. And hardly anybody is challenging them. In relation to IBP, it's hard to find the equivalent of Voltaire asking:

- Do people actually want to collaborate and share their information?
- Does every top manager want the whole company to know the strategy?
- Do we prefer to lay blame on others and work in silos?
- Do we dislike visibility and transparency?
- Do we naturally reject technology and process integration?
- How many IBP projects are not successful?

Readers of this blog are probably IBP believers and won't ask the question if natural human behaviour is made for IBP. We just assume we need change management to fix that. Maybe we need an IBP Voltaire to give us some perspective to our believe that IBP is; 'the best of all possible worlds'.

Before you start to write, be warned! Voltaire published his book in secret and still had to flee France because of its content.

The S&OP IBP illusion

Over the last year or so, in many Sales and Operations Planning (S&OP) expert blogs and interviews the question comes back. What is the difference between S&OP and Integrated Business Planning (IBP)? Seven differences between S&OP and IBP are given in one interview, ten differences in another. Some experts believe there is no difference at all as advanced S&OP equals IBP in their opinion.

The experts agree to disagree and take their time over and over again to explain. The S&OP practiser, who reads this, will shape their understanding on advanced S&OP, which is a great win for this vital business process. But while we're discussing the features to close the gaps, we don't spend time on how to do this or to think about what's next? This S&OP-IBP vacuum, creates the illusion of S&OP progress, but is rather tiny knowledge creation.

Isn't it time we leave this discussion on abbreviations behind us and start focusing on some value added discussions? Adding value is what S&OP/IBP was all about in the first place wasn't it?

S&OP experts and thought leaders; stop the abbreviation game. It doesn't have a right or wrong answer. It just discusses good, better and best S&OP. Please apply a basic S&OP principle and focus your limited brain resource and thinking where it has most added value. If we want to make progress in S&OP/IBP, please put your valuable brain time in thought leadership and start thinking about the next steps in advanced S&OP/IBP.

Where is the S&OP visionary?

About 10 years ago I was working as Accenture consultant in Europe on an implementation of common data and processes for Sara Lee. This project was implementing ERP and APS systems across 15 operations companies in 10 countries and must have roughly costed a 100 million Euro. Through a vendor selection model it was decided to use SAP R/3 and the little mature APO as enabling systems. At that time there were four main criteria and a weighting agreed with the clients.

1. Partner characteristics (40%)
2. Technical characteristics (20%)
3. Product/package characteristics (25%)
4. Business requirements (15%)

From advanced planning and scheduling (APS) perspective, the shortlist was SAP/APO, Manugistics and i2. As you can see from the 2000 Gartner quadrant from that time, i2 was still seen as the only APS visionary. Interestingly enough, a couple of quarters later during APS vendor selection, there was no APS visionaries anymore in the Gartner quadrant as SAP put their massive development team behind APO to catch up. The Sara Lee decision board decided that, although the package and functionality from i2 and Manugistics was superior, SAP APO provided a better long term strategic choice due to a stable one partner choice and package integration.
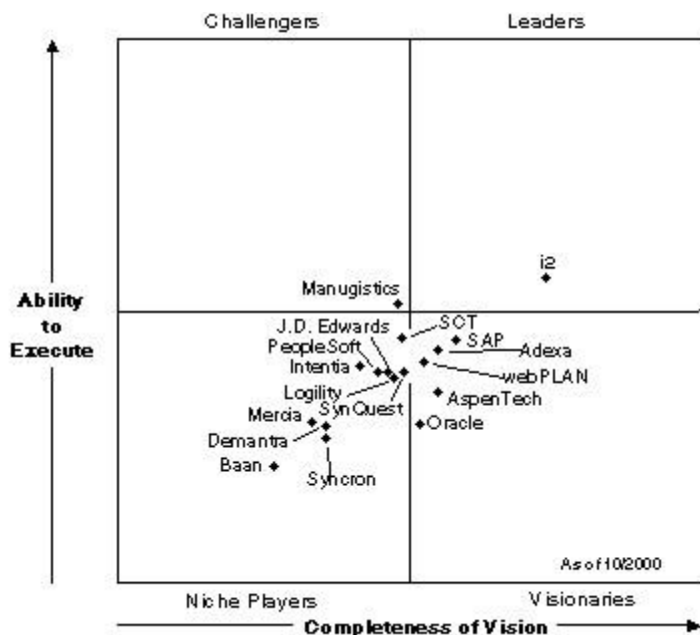
Sara Lee was right to go for the long term view! Ten years later we see that from the 3 dominant APS players 12 years ago (i2, Manugistics, SAP/APO) only SAP is left. i2 and Manugistics both got acquired by JDA. It shows that being a visionary doesn't mean having a bright future. Maybe that's the reason that since 2002 the top right box has been staying empty!

Since then, APS has been imbedded in most medium to large companies who are now looking for the next enablers to support integrated business processes like S&OP. Who are they turning too? Who are the S&OP visionaries and who would be on the shortlist for a global S&OP system roll out?

Newer solutions like Steelwedge or Kinaxis with cloud based solutions and S&OP specific data structures? Or JDA and Oracle who have apparently the Oliver Wight process methodology integrated? Or if you have to spend a lot of money, would you go for SAP with a clunky S&OP solution, but a partner who will most likely still be there in 2022?

S&OP leaders, we just don't get it!

Here we go again. Almost one and a half years after I wrote a blog saying that the difference between S&OP and IBP is an illusion, a hefty discussion on this topic started again on LinkedIn. This time it is getting a bit more dirty and personal, which seems to be driven from a deep down frustration and a drive to be right on an abbreviation.

What I'm disappointed about, is that if we are the leaders that have to educate and align people on what these terms mean, we're on the wrong path. If we start demonise and alienate people or whole groups, exclude them and their knowledge from the discussion, how can we find common ground to move forward?

Wasn't S&OP all about creating consensus, an agreed volume and value plan, defined by sets of activities to either follow opportunities or mitigate risks? Wasn't S&OP about creating bridges between functional silos, creating common business understanding and working together to common goals? Yes, the main roadblock to implement S&OP is senior leadership support. Or at least that's what S&OP practitioners suggested the last three years in my S&OP pulse check. But if our common goal is to define and agree an 'open source' definition on S&OP or IBP, we are the senior leaders that have to drive that.

S&OP is about people and behaviour that drive the right culture where S&OP can thrive, then a long time there is nothing, then there are processes and systems. An S&OP leader has to lead by example to create a trusted S&OP culture where we can constructively challenge our plans to be able to improve them and come to consensus. A culture where we listen, provide cross functional feedback and where peer to peer coaching is accepted. A culture without these constructive behaviours will always be less effective in the long run.

S&OP leadership is about driving and leading the very difficult – indeed sometimes impossible – change management effort of creating an S&OP culture. Some S&OP leaders in the S&OP versus IBP discussion seem to forget some of the basic rules of change management:

1. **Respect** the other opinion, only then are you willing to listen and learn from the other. Only then collaboration might happen (Ichak Adizes, '*Mastering change*')

2. **Listen with the intention of being influenced**: take your position, but be open to be influenced by the other opinion. (Rick Maurer, '*Beyond the Wall of Resistance*')

3. **Find common ground for change**: its very hard work looking for common ground with different minded people. It can be frustrating to the bone and will test your perseverance over and over again. But finding common ground, goals or interests is the only way you can lead change together.

In his article '*Leading change*: *why transformation efforts fail*' change guru John Kotter suggests as reason number 5 for change to fail: '*Not removing obstacles to the new vision'*. Indeed this is an important part of change management, but it is not the start of a change effort and can only be applied after significant investment to find common ground, goals and interest. If we are the S&OP leaders, we have to understand and lead these simple rules. If we are the S&OP leaders, we have to know better then exclude different minded people and groups. If we are the S&OP leaders, we better change our own behaviours, or **we** will be the main obstacles in the development of this great business process.

Have you crossed a silo lately?

In the S&OP pulse checks I conducted in **2010**, **2011** and **2012** '*the organizational silos*' were chosen as a top 3 roadblock in implementing S&OP for 3 consecutive years. '*Senior leadership support'* was the number one roadblock in all three years.

We do indeed feel more comfortable in our own silo and vertical reporting line. It seems that's just how we are. Working horizontally across the silos doesn't come naturally to most of us and is often avoided. Whatever the root causes are, S&OP maturity clearly suffers, as I also point out in my last blog:

- Gartner found in 2010 that 67% of companies can't get further then step two from their four step maturity model.

- An Oliver Wight white paper on the transition from S&OP to IBP tells us that most companies '*get stuck in between Stage 2 and Stage 3'* from a four stage model.

- According to a 2012 ebook from Kinaxis, most companies are stuck in step 1 and 2 in Larry Lapide's four step model

- A 2013 *Supply Chain Insight* report tells us that 57% companies don't get further then stage 2 of a 5 stage maturity model

- In the book Bricks Matter, we can read that *'36% of companies' S&OP processes are stalled or are moving slowly'*.

HikingArtist.com
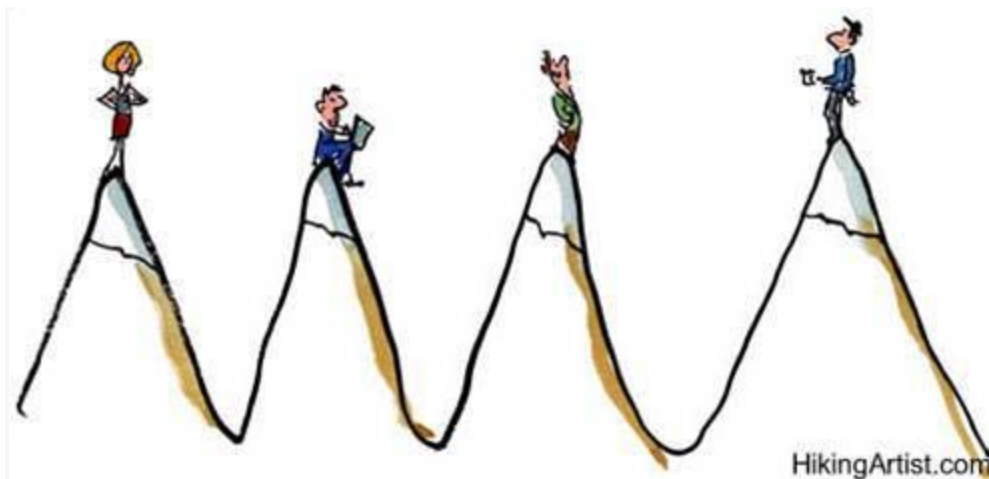
All these different ways to define S&OP maturity tell us one thing; S&OP seems to get stuck in early stages. Core reasons are because we don't cross the silos proactively and effectively and because of senior leadership support.

Crossing a silo comfortably and operate in another functional area is not part of everybody's capability. And crossing silos will not just happen because of external motivators, aligned KPI's, or senior leaders. Some people cross silos by nature, some will do it with help of external motivators, some with training or coaching and some just will never do it. Once organizations understand this, they can target

employees with a combination of insight, coaching and motivators and create critical mass of people that want to cross silos. But we have to be careful not to conclude that organizational silos are only a result because of a lack of senior leadership support. We can't just wait for the leaders of the organization to take the lead. We have to take ownership and lead ourselves. Crossing the silo starts with your personal mindset and every S&OP practitioner therefore has to look inside themselves and ask some tough questions:

1. Have I crossed a silo lately?

2. Do I naturally cross silos and build relations with other functions?

3. Do I know what motivates the other silo? Do I know their main issues and their basic expectation?

4. Do I wait for senior leaders to cross silos and lead the way or do I start myself?

5. Am I externally motivated by senior leaders or rewards, or am I intrinsically motivated to cross silos, because it's the right thing to do?

6. Do I show below the line – problem and blame driven behaviour- or above the line -solution driven – behaviour when I talk about other silos?

First create some self awareness by asking yourself these questions. After your self assessment, ask some feedback in your silo, to check if that is the way other people I your function perceive you. Then ask feedback in a save environment across silos.

You might be in for a surprise, but it is the only way to break down the silos yourself!

S&OP and communication; just listen!

Most people would agree that communication is an essential part of running effective S&OP/IBP processes. Or maybe we should say that communication is part of running an effective business! According to the results of the S&OP pulse check 2011, 144 participants from 30 countries indicated in two ways the importance of communication:

1. They voted as key reason to implement S&OP: '*Improving cross functional communication*'
2. They voted as the main cultural change driven by S&OP: '*Improved understanding and communication between functions*'

A further look in the survey results showed that the satisfaction on the communication between functional area's increased with the experience a company has with S&OP (see graph). This indicates indeed that S&OP contributes over time to better communication between functions.

Percentage of participants that are satisfied
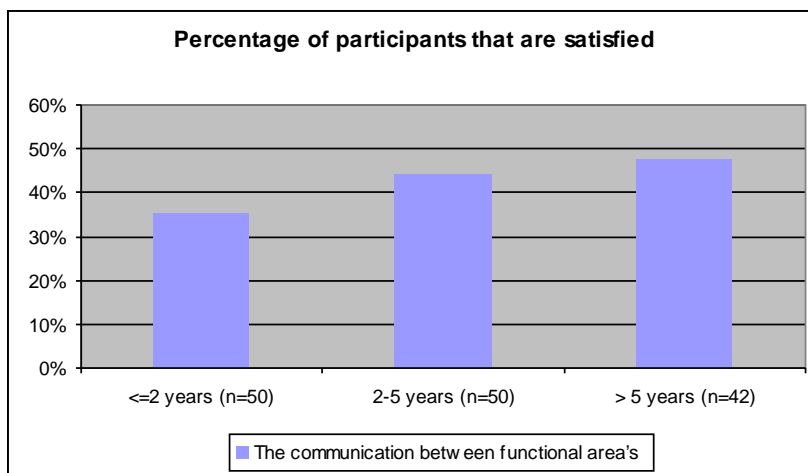
If the two sides of communication, listening and providing constructive feedback, are becoming part of the every day embedded behaviours, a company culture of great communication can be established. This is a much needed cornerstone to build a sustainable S&OP process. It will take a while and a lot of effort, before you create a culture of great communicators. In Stephen Coveys book '*the seven habits of highly effective people*' he addresses the behavioural effectiveness of 'seek to understand to be understood'. He identifies 5 ways of listening:

1. Ignoring
2. Pretending
3. Passive listening
4. Active listening
5. Listen with empathy

You know you have not yet established an effective S&OP meeting and a culture of great communicators, when your S&OP attendees:

- are texting on their mobile phone
- run out of the meeting to solve issues or get a coffee
- look at their fingernails, or worse, clean them!
- yawn for half the meeting
- start conversation amongst themselves
- are dreaming about anything but S&OP, while pretend to listen
- typing on their laptops or continuously writing notes

What to do if you observe this type of listening? Well, first make sure you have exciting news to tell and important decisions to make in your S&OP meeting. Secondly; take responsibility for your part of the communication equation and start to provide constructive feedback to address the behaviour.

It's a complex business process, STUPID!

I've seen it before and I'll probably see it again, but it still takes me by surprise every time. In the last 6 months I've observed two 2 billion $ well-respected FMCG companies with some very well-known world brands make the same mistake with IBP.

First they build up the burning platform for IBP. Their customer service levels are not up to scratch, waste levels are rocketing, they don't meet their budgets. There is not enough collaboration between function. No one exactly knows the reasons, but IBP will solve it all! Hell they even mention in their annual earnings report that a turnaround might happen due to renewed IBP capability.

Then they engage with a well known consultancy with a proven model and a proven track record of implementing IBP. So far so good!

The next step is to recruit somebody that can implement IBP and create a sustainable IBP culture of constructive behaviours and continuous business process improvement. So what did these two companies do after careful consideration? **They appointed somebody with no previous IBP experience!**

I'm note surprised that this happens, but I am surprised that this happens with large, well-respected, sometimes global companies, that have been struggling with the concept of IBP for a long period. Would any of these companies hire a marketing manager without previous marketing experience, or sales, finance, procurement, HR, or…? **NO**

So why does this happen for IBP? Maybe because as young, only 30 years old business process, IBP hasn't deserved a seat around the table yet. Maybe a lack of knowledge, a bit of ignorance about the IBP role, or a bit of arrogance that this planning stuff just needs to be solved by somebody! Maybe the decision makers didn't know that an IBP leader needs to be able to have conversations, drive change and coach people across functions about:

- **Marketing**: portfolio management, product life cycle management, NPD growth funnel health. Stage & gate process and criteria. Project priorities and project resourcing.

- **Sales**: sales volume, promotional plans, NSV and GP projection. The gap to budget and the plans and projects to close these gaps. Market assumptions on distribution depth, pricing, growth, competitor activity.

- **Supply**: production and distribution capability. Rough cut capacity plan and their assumed costs in COGS, labour, overhead and yields. Underlying capacity assumptions on crewing, waste, throughputs and plans to improve these. Inventory strategies. Finished goods and WIP projection and the impact on working capital, waste levels and customer service levels. Procurement strategies and the impact of PPVs'.

- **Finance**: The gaps and drivers of the latest projected P&L or EBIT projection. A clear summation of risks and opportunities and the commercial impact. A clear commercial decision-making process on what type of risks to take in a P&L projection.

- **IT**: define maturity levels of the supporting IT systems, define the requirements and define a roadmap on how to get from current status to the desired one.

- **Behaviours**: lead in constructive and disciplined behaviours and provide well formulated feedback to peers and executives to run and improve effective IBP meetings where issues can be tabled and discussed to improve decision-making.

A long, but a true list of capabilities that an IBP leader needs to have to be really effective across all the different functions this role operates. Maybe the list is too long, too cross functional, has no focus and therefore IBP is seen as the general management or the babysitting of a business process.

Dr. Mathias Krichmer, executive director for Business Process Management (BPM) at Accenture and author of 'High Performance Through Process Excellence', defined the top 10 tips for success and top 10 mistakes for implementing BPM. Amongst other, treating BPM as a project or a technical exercise are common mistakes. You can find these lists at the end of this whitepaper: **Accenture_BPM_High_Performance_Through_Process_Excellence[1]**

To succeed, his top 10 tips for success does **not** mention '*involve experienced and capable business leaders that understand process, change, behaviours and systems'.* I think it definitely belongs in that list for success. Maybe I'm wrong or maybe Dr. Krichmer just assumed that hiring capable people was a given when implementing BPM!

About

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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. www.supplychaintrend.com