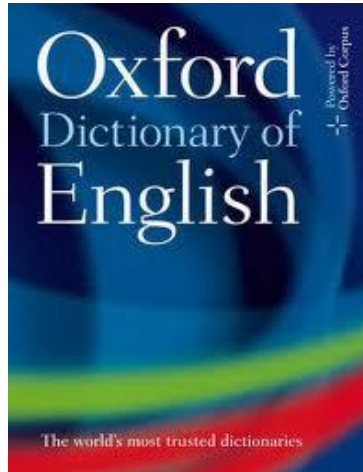


A perspective on collaboration and IBP

Australian S&OP planning forum, March 2014



The definition of collaboration



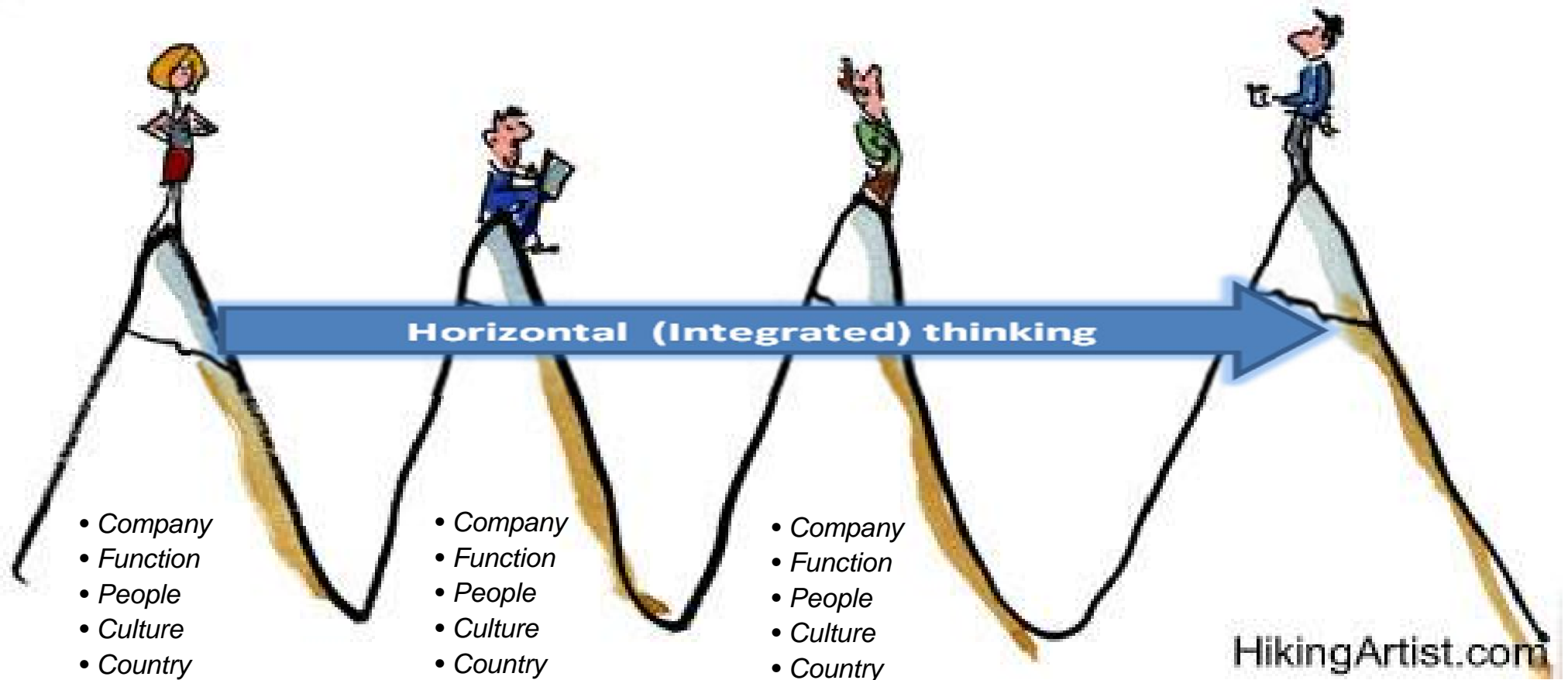
“The action of working with someone to produce something”



“The action of **proactively** crossing **boundaries** to work with someone over a **period of time** to produce something that has **mutual benefit**”

By instinct we think vertically rather than integrated

Collaboration requires proactive horizontal thinking with a little bit of empathy for the other silo in order to work towards mutual benefits

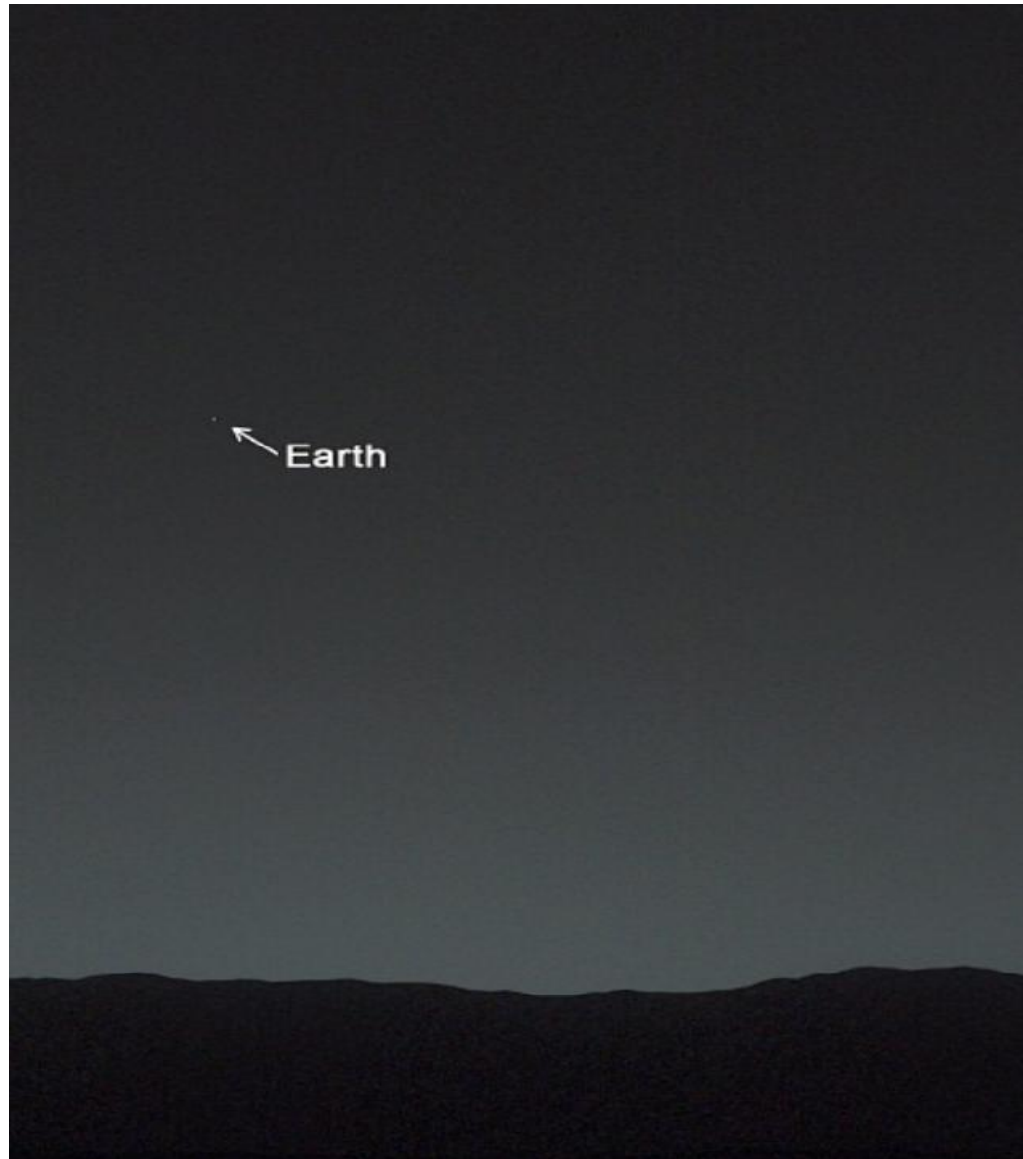


Collaboration

Examples

IBP

What would a Martian think?



Collaboration

Examples

IBP

What would a Martian think?

Do countries take action to work together to produce something?



What do you think?

Within a country, are we getting more productive in producing something?



SOURCE: WWW.TRADINGECONOMICS.COM | AUSTRALIAN BUREAU OF STATISTICS

The magic of collaboration in business...

We know that honest and intelligent collaboration can create magic and be a multiplier.

We just have to keep in mind that if we think vertically this all becomes..

Better information flows

Optimal asset usage

Leveraged team capabilities

Lower inventories

Outperform competitors

Cost savings

Kangaroos start jumping!

Sales increases

?

“Those who work alone, can only accumulate, but those who collaborate intelligently can multiply”

Joachim Milberg, chairman BMW

Collaboration

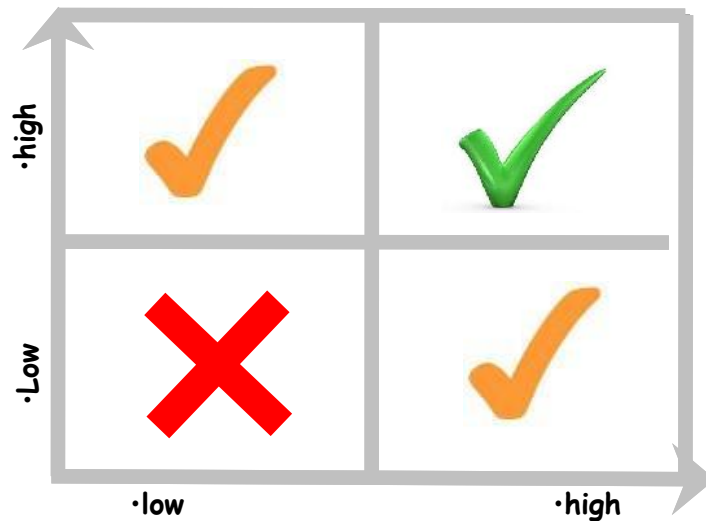
Examples

IBP

Collaboration does not always make sense...

Customer role

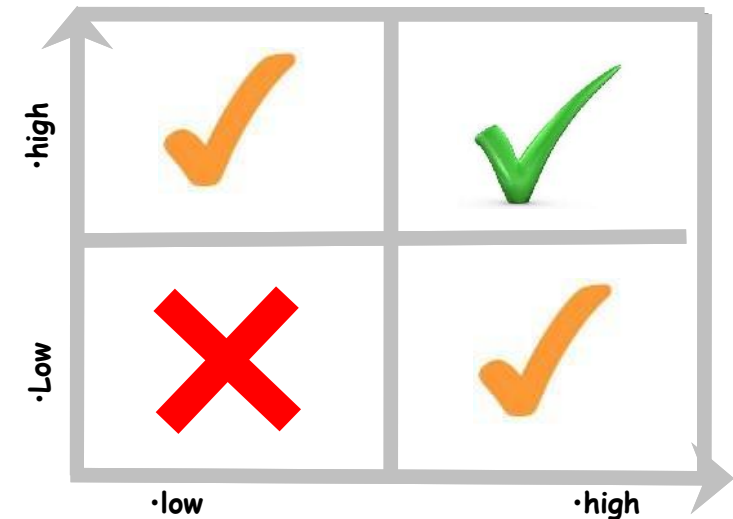
Criticality of relationship
for Supplier



Criticality of relationship
for Your Company

Supplier role

Criticality of relationship
for Customer



Criticality of relationship
for Your Company

Your
Business

Criticality measurements:

% of business, Brand strength, Available alternatives, Business knowledge (IP), complexity

...and 'Megaphone' * collaboration is not unusual...



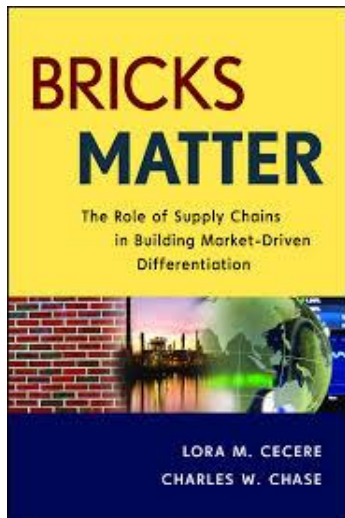
“If you pay me a fee, you are allowed to join my collaboration project”

“If you pay me a fee, I will share my data and you can figure out how we can collaborate”

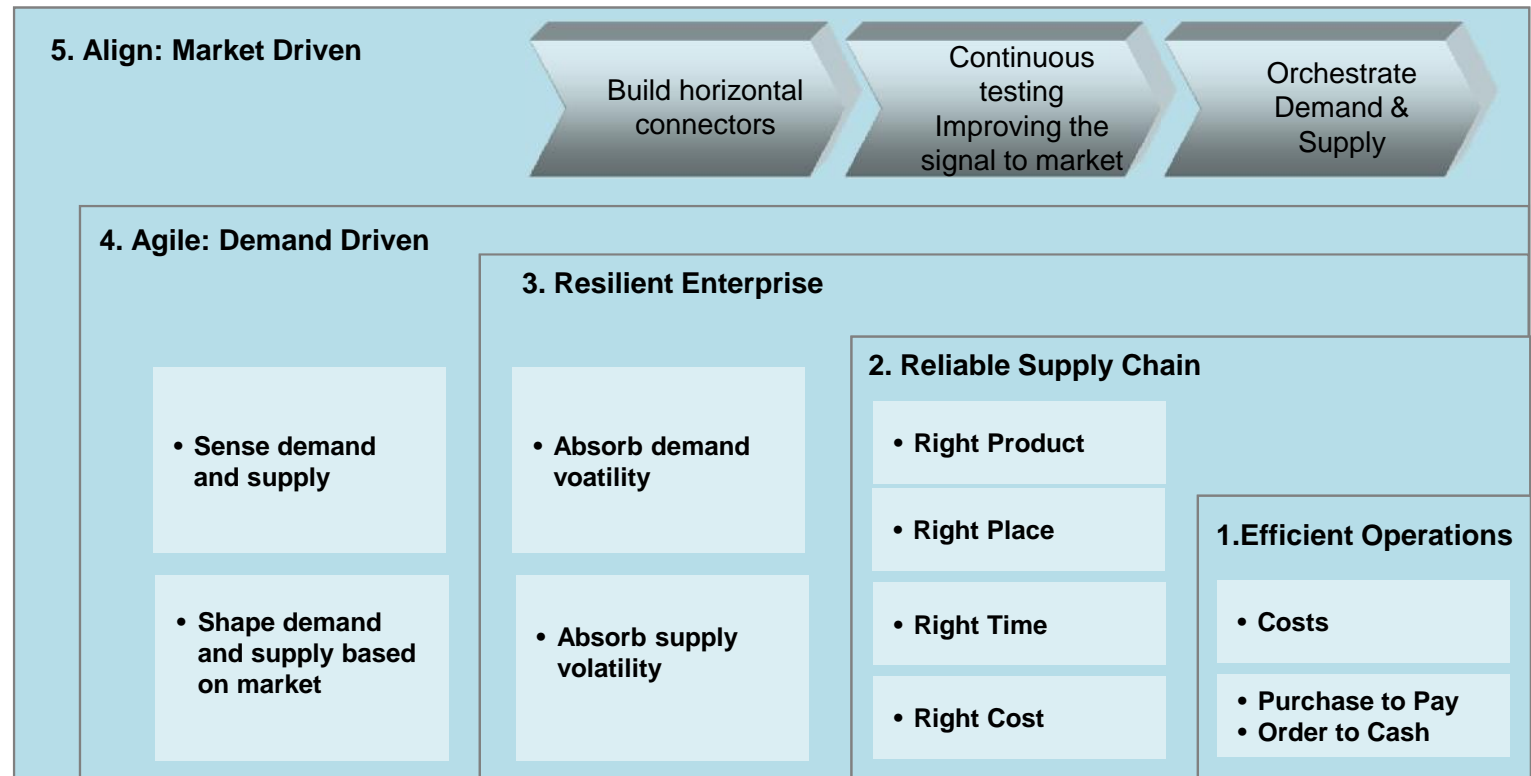
“If you deliver me JIT, I will not charge you a fee”

...still the Supply Chain evolution is in a collaborative phase

*In the last 30 years we've gone through 5 stages of supply chain maturity.
of which the Market Driven phase needs Collaboration**



*Lora Cecere, 'Bricks Matter'



On inter-company level collaboration can work...

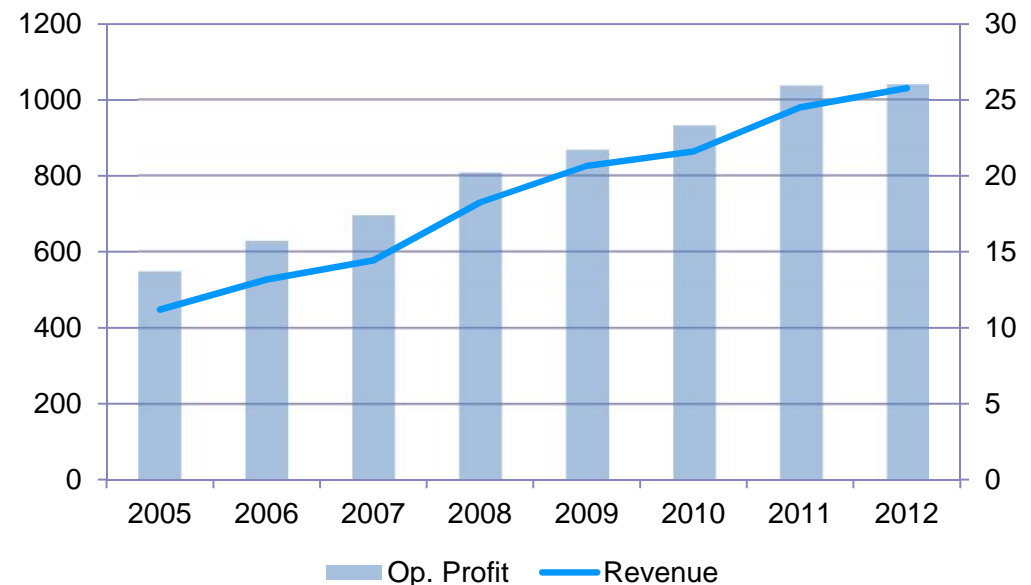
Having long term partnerships included in your strategy can pay back

- **Collaborative situation:**

- One plant, with 8 production lines, producing 400 sku's
- Short term daily replenishment forecasting based on weather
- Every 2 hours updated retailer POS data from 650 stores on meat sales
- Afternoon and evening shift based on this morning POS data
- Next day delivery of products produced in afternoon shift

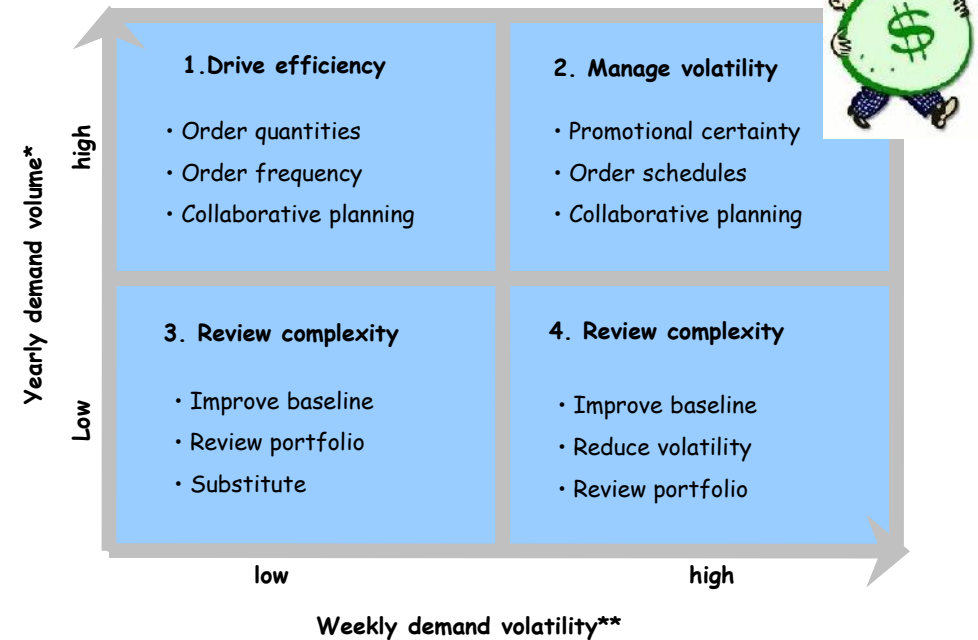
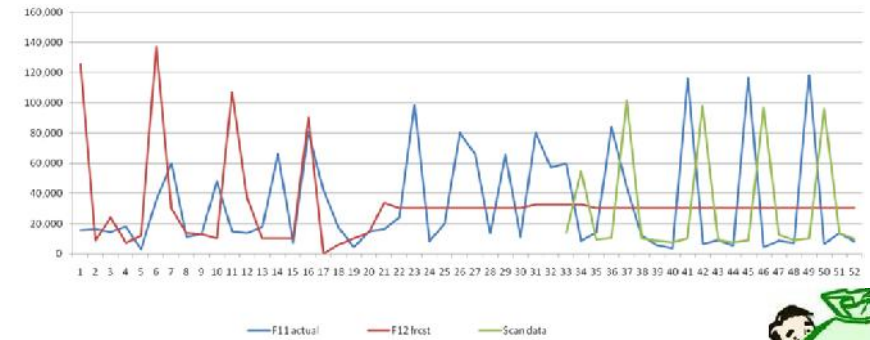
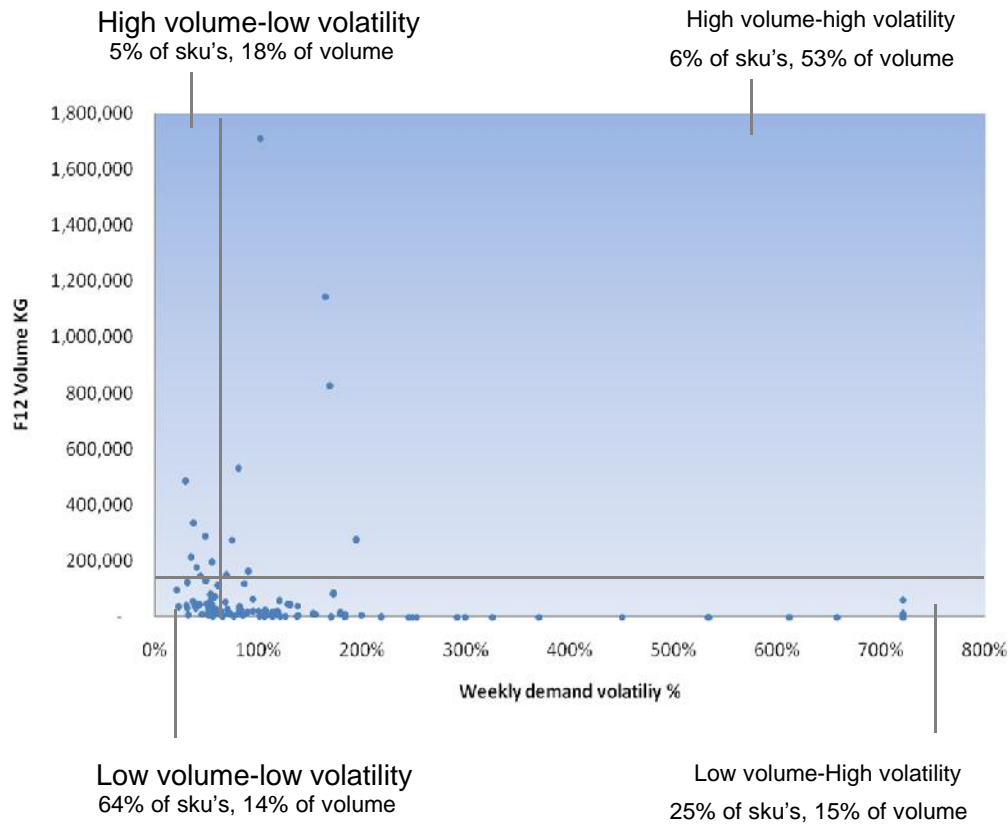
“The strength of these long term partnerships has been a key driver of our growth since the Group was formed and will continue to underpin the Group's strategy.”

HFG annual report 2012



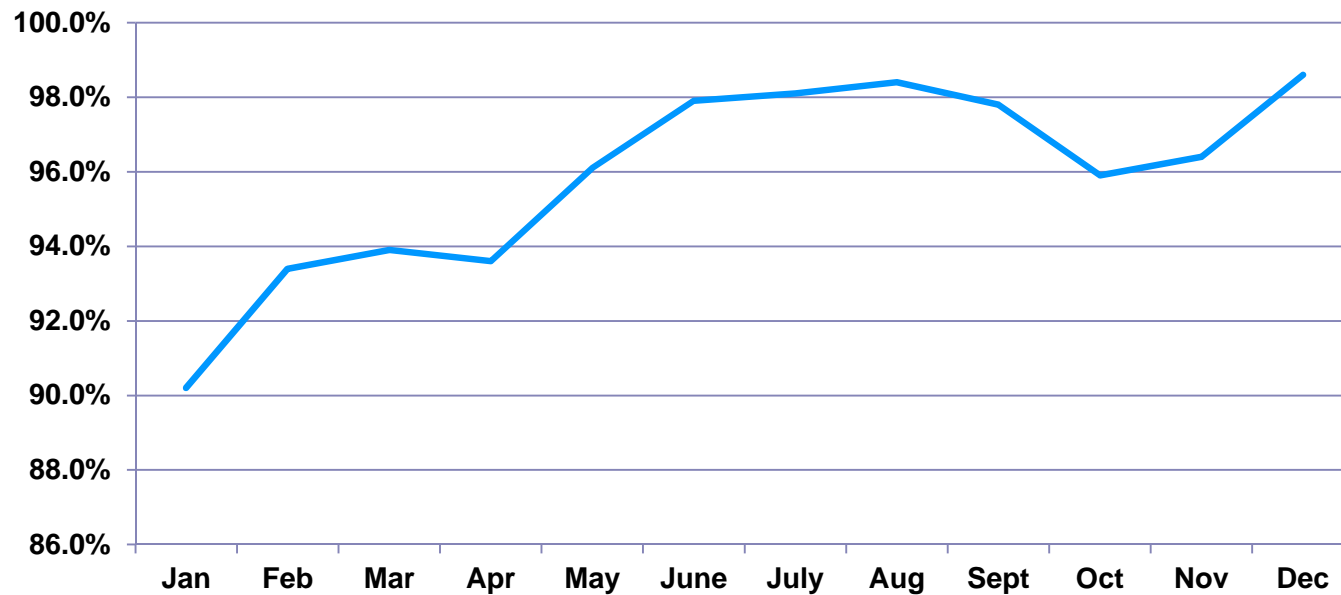
...and sometimes it doesn't...

Sometimes even a \$3 million price tag can't spark further collaboration



...within a company it can work too...

What happened with the monthly Customer Service Levels and the Low Code?



So what changed?

- 1. The Process?***
- 2. Aligned KPI's?***
- 3. Forecast accuracy?***
- 4. Bom/Routing accuracy?***
- 5. Attainment?***
- 6. Stock levels?***
- 7. Organisation?***
- 8. Internal Collaboration?***



There are 4 key organizational efforts to drive collaboration*

S&OP as a horizontal enabler can be a key contributor to organizational collaboration



*Paul Adler and others, 2011

1

A shared purpose

2

Ethic of contribution

3

Horizontal processes

4

Value and reward

But something is missing!

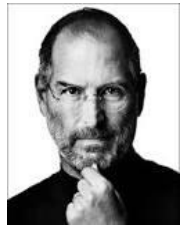
S&OP

A shared purpose: something bigger than yourself

Leaders who provide a shared purpose, can spark an **ethic of contribution** and **collaboration**



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



'I want to put a dent in the Universe'



'We don't build services to make money, we make money to build better services'



'We believe that through inspiring our people through education and by creating an environment where they love to be we can generate more ideas, higher productivity and foremost – happiness'

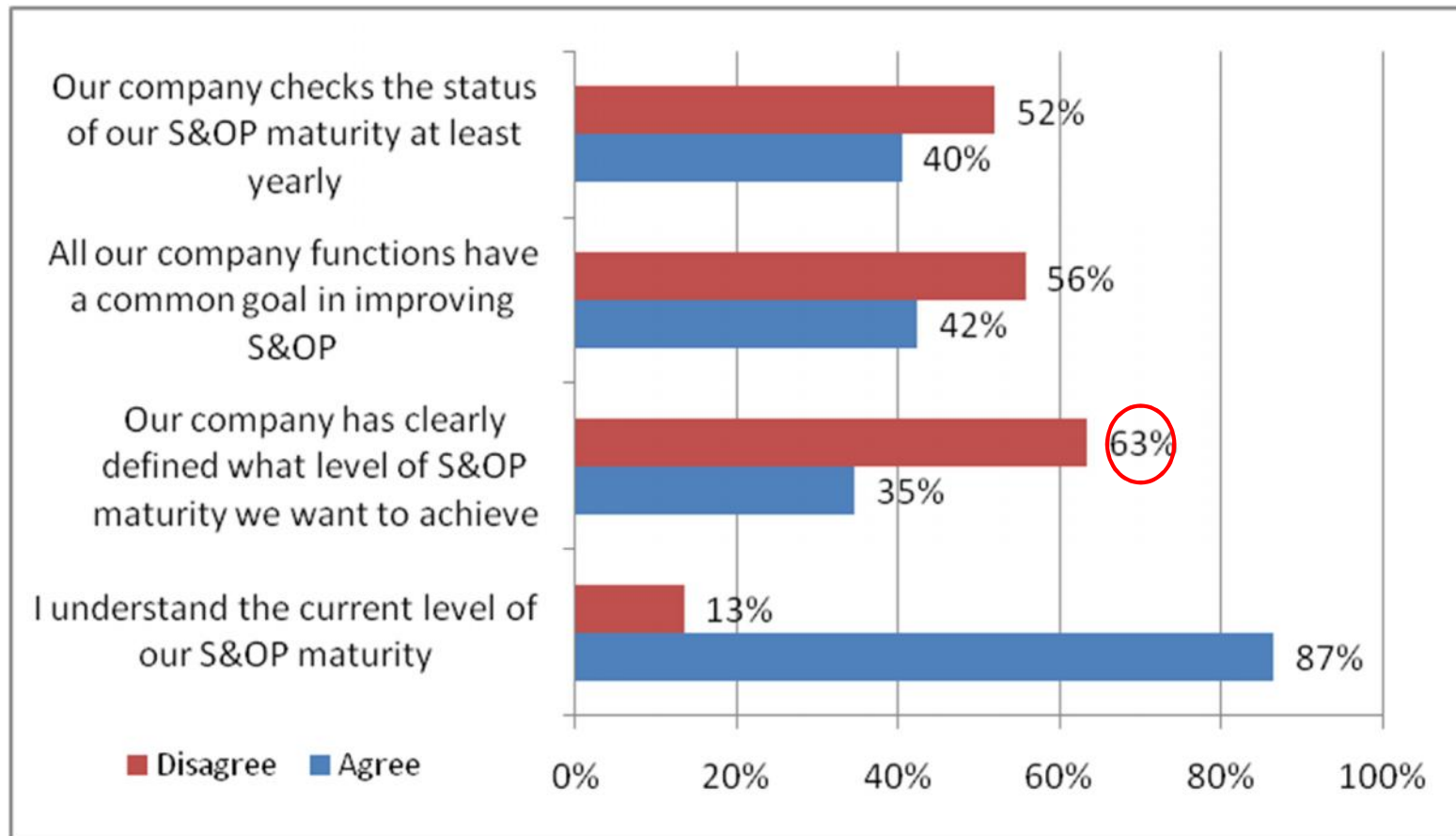


'S&OP is a key enabler to create competitive advantage for our business and it is the only way we run our business'

Your MD?

S&OP lacks common goals and purpose...

Many companies don't even define what level of S&OP maturity they want to achieve



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

Collaboration

Examples

IBP

...this impacts the state of S&OP maturity

Whatever S&OP maturity model we use, S&OP maturity stalls

*'Most companies get stuck between stage 2 and 3',
from a 4 stage model
Oliver Wight whitepaper*

*36% of companies' S&OP
process are stalled or are
moving slowly
Bricks Matter, 2013*

2010

2011

2012

2013

?

*'Most companies are stuck in
step 1 and 2 in
Larry Lapide's model'
Kinaxis ebook, 2012*

*'67% of companies could
not get to the **collaborating** stage of
our 4 stage S&OP maturity model'
Gartner, 2010*

*57% of companies,
don't get further then stage
2 of a 5 stage maturity model
Supply Chain insights, 2013*

In 2012 I suggested 4 maturity phases of IBP



If every one makes their own IBP maturity model, why not create my own?

IBP phase

Description

1. Integrated planning

Integrated planning happens between functions, but not enough to make a monthly EBIT projection with gap analysis

2. Dynamic budget planning

A monthly projected P&L on EBIT level with integrated risks and opportunity scenario's. Cash flow forecasting

3. Dynamic strategy and capability planning

A pulse check on strategic goals, targets, measurements and capabilities. Strategy guides decisions in budget horizon

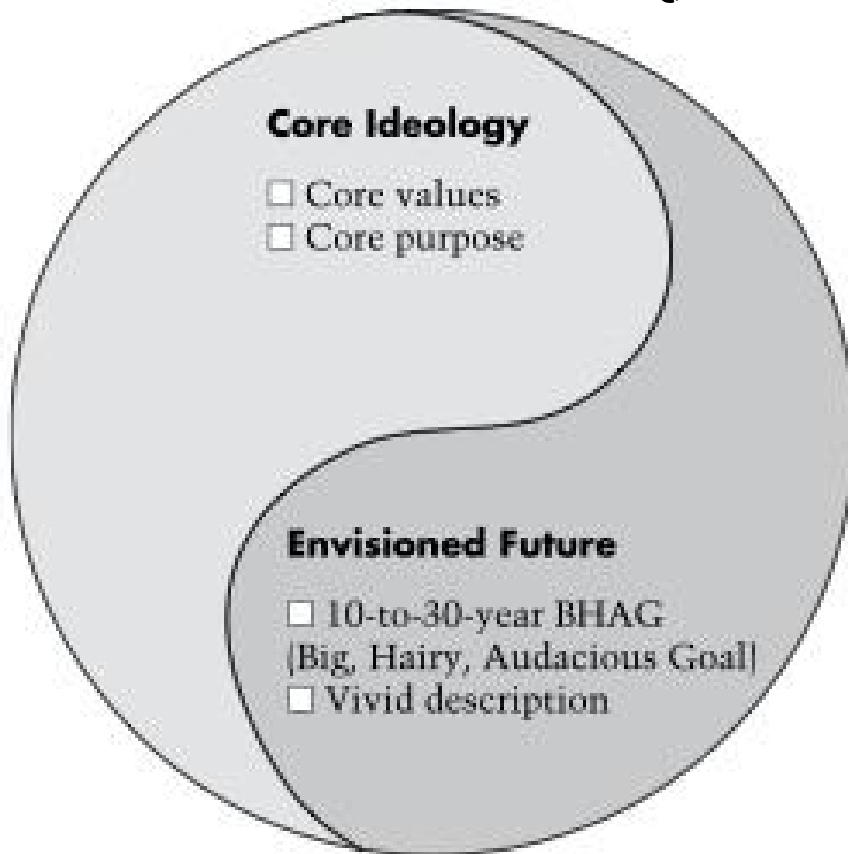
4. Integrated vision And purpose

A shared vision and purpose guides decisions in the budget and strategic horizon. Emotional attachment created

But something is missing!

We know behaviors drive sustainable company cultures...

Company culture



Collins and Porras, 'Build to Last'

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

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

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

...we know behaviors are key to implement S&OP...

Integrated Business Planning

PROCESS

- 5 element process
- Integration with the detail processes
- Matrix Structure
- Aligned to strategy



PEOPLE & BEHAVIOURS

- Information not data
- Team not functional
- Identify solutions not problems
- Believe and trust in others
- Truth is a given!
- Constructive challenge
- Make decisions
- Leadership – use it
- Intense Customer focus



TOOLS

- Integrated planning tool detail
- Financialisation tools throughout
- Modelling
- Assumption database
- Performance measures database

...yet we assume that S&OP will create magic by itself!

S&OP needs some help beyond process and system to become successful

Successful S&OP = Better team work?

*'Cross -functional collaboration is
not a pre-requisite for
successful S&OP; it's a result
Tom Wallace, 2010*



Successful S&OP needs *great* team work!

Great team work needs *behavioural capability!*

Collaboration

Examples

IBP

I therefore suggest a 5th maturity phase for IBP

To become great in S&OP we need to be more explicit about behavioral competency

'People control themselves and stay constructive when under pressure'

'People pro actively develop and maintain relations with the other silos'

5. Emotionally competent

A critical mass of leaders have emotional self-awareness, self control and display constructive behaviors

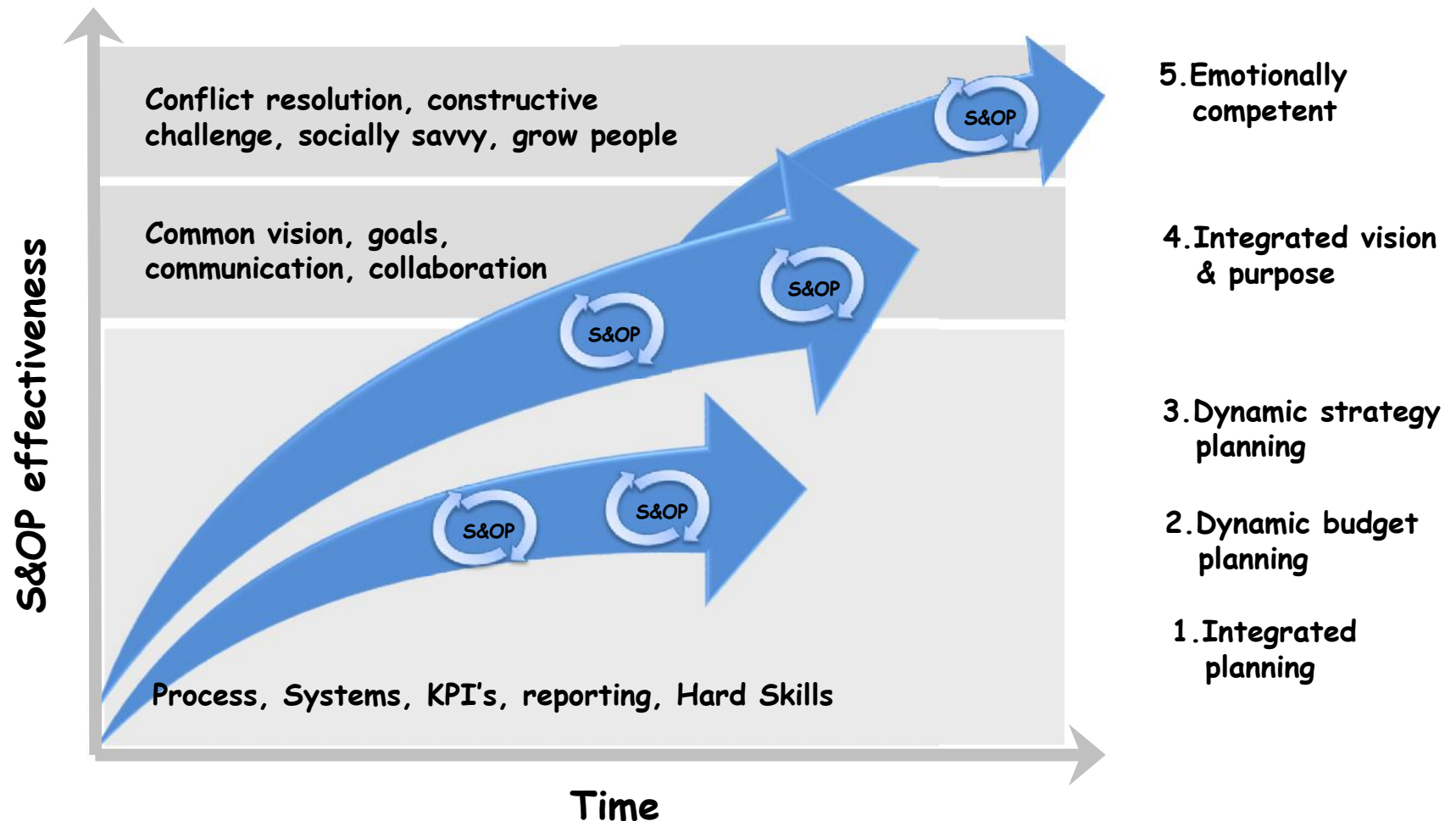
'People actually enjoy settling disputes, because it will make the outcome better'

'People give and receive constructive feedback and show interest in growing each other'

'In every IBP meeting conflict is managed to get the best value out of cross functional discussions'

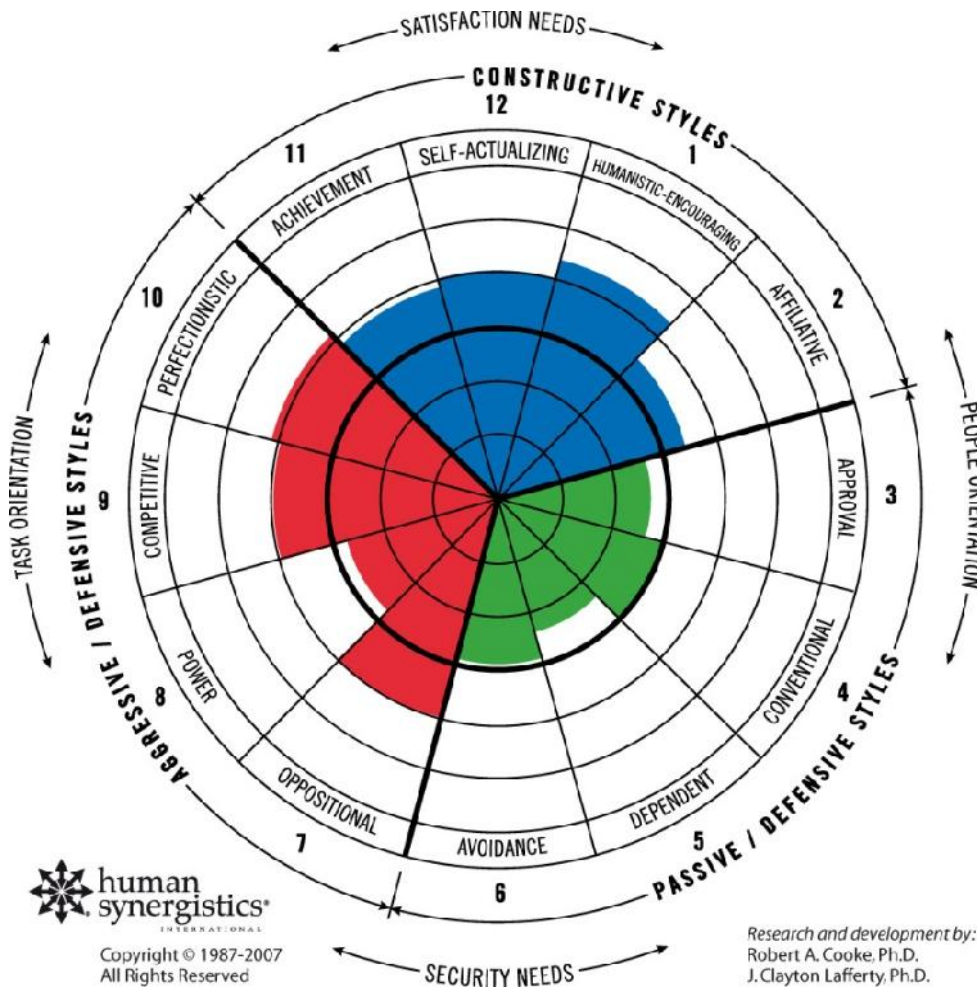
The 5th phase of IBP; emotionally competent

S&OP effectiveness will always plateau unless soft skills take it beyond



Effective behavioral styles and emotional competence

There are tools to measure and deploy emotional intelligence to support S&OP

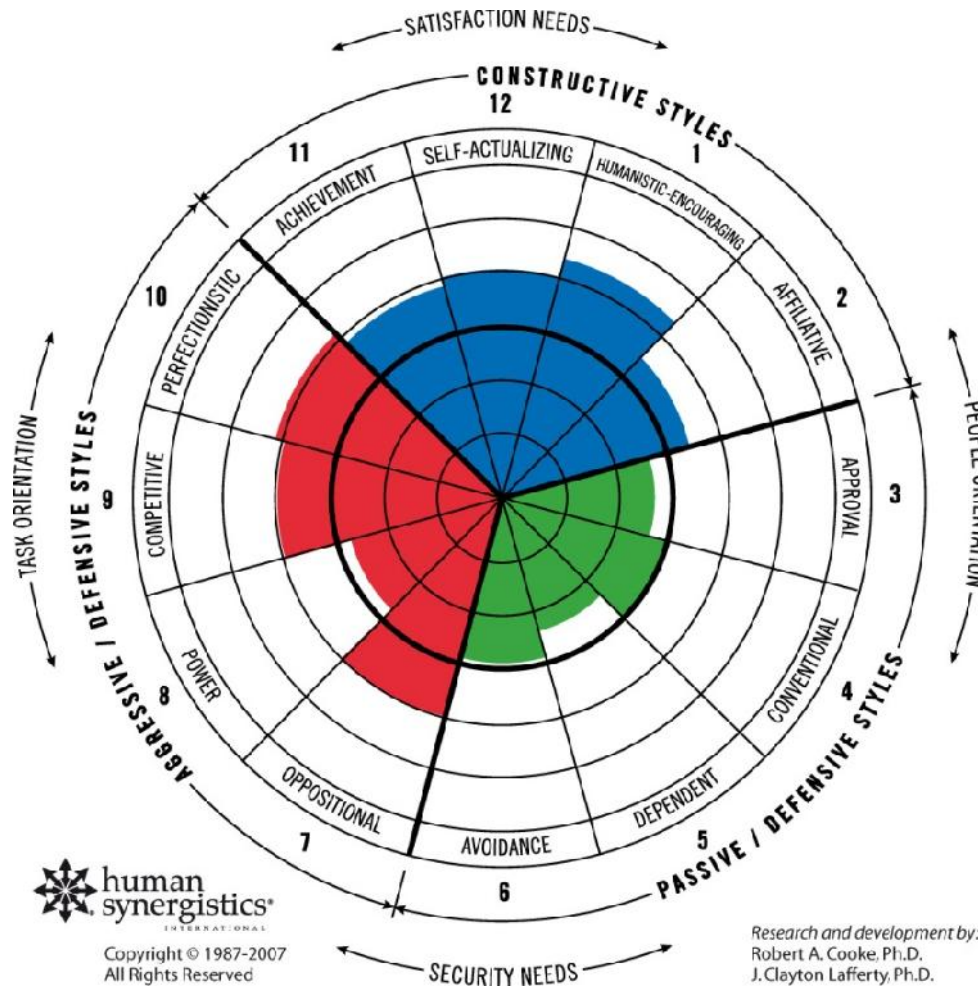


Effective behavioral styles

These tools can create emotionally competent businesses and take S&OP beyond

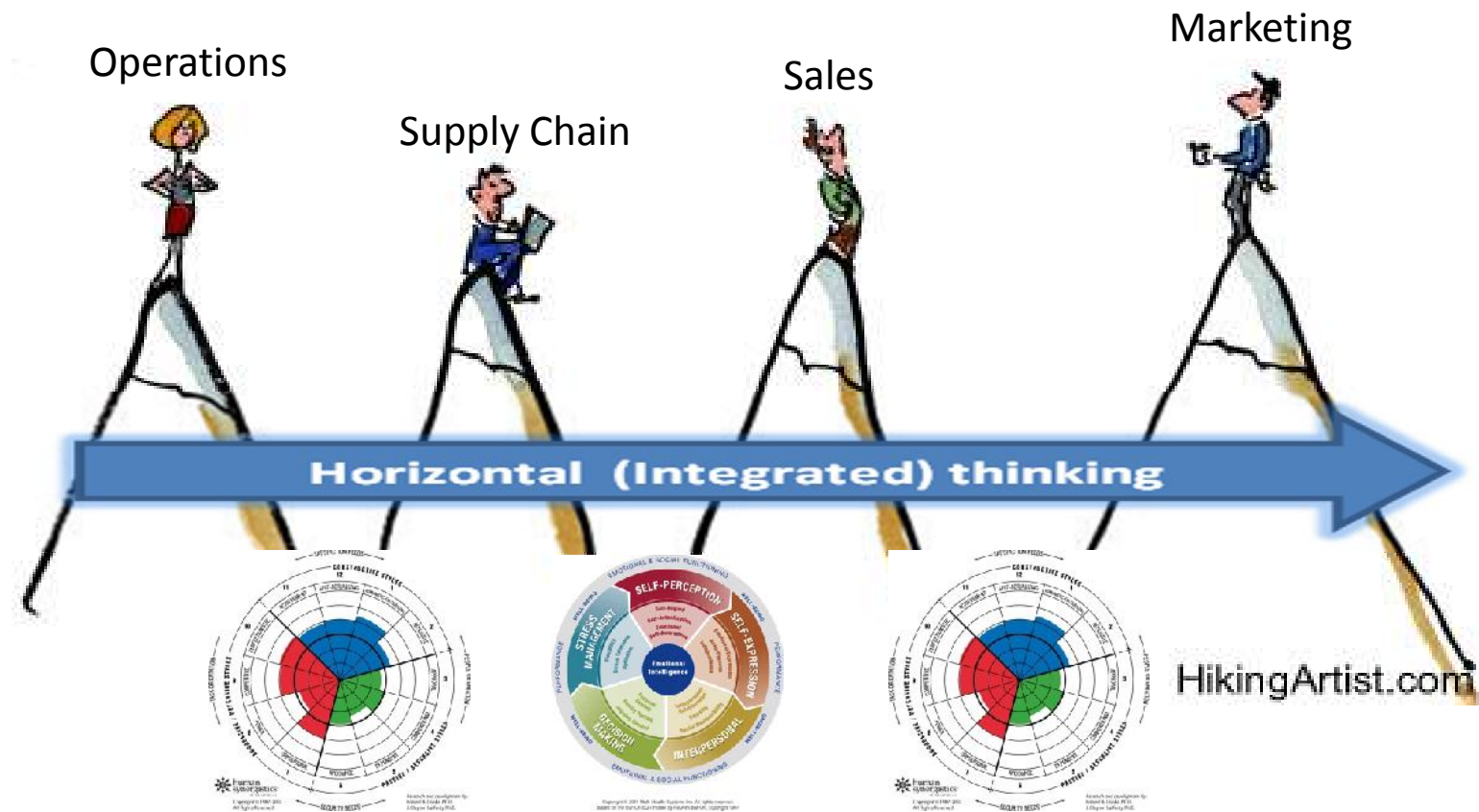
*Constructive **styles** are most effective and create sustainable cultures and improved S&OP discussions*

*Aggressive & defensive **styles** limit personal and group effectiveness, do not create sustainable cultures and reduce S&OP effectiveness*



Effective behavioral styles improves horizontal thinking...

They can create a critical mass off people that pro actively break down the silo's



...so that S&OP magic can happen

*S&OP magic can happen when common vision, purpose
and emotional competence multiplies S&OP effectiveness*

Successful S&OP =

S&OP processes, systems & KPI's

+

Common vision and purpose

+

Emotional competence



Collaboration

Examples

IBP

Thank you!

About Niels



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

Social



Publications



**AFP
Exchange**

March 2012



**Journal of
Business
Forecasting**

December 2012



**Supply Chain
Movement**

February 2013



**FP&A
Newsletter**

March 2013