

An S&OP Communication Plan: The Final Step in Support of Company Strategy

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PREVIEW *Over the past 30 years, S&OP has generally advanced beyond the goals of balancing supply and demand. In recent Foresight articles, Mark Moon and Pete Alle (Spring 2015) discussed the integration of finance and senior leadership into supply-chain planning, while Dean Sorensen (Winter 2016) detailed the ways in which S&OP can and should be broadened to encompass enterprise-wide planning and performance management.*

We are seeing that mature S&OP processes now support rolling forecasts, enterprise resource reallocation, and strategy execution. In this article, however, Niels van Hove argues that to keep employees informed, engaged, and focused on executing strategy, S&OP outcomes must be communicated properly. He calls for a variety of communication channels, both structured and informal.

INTRODUCTION

Most companies have a business “strategy,” but many struggle to execute it. According to a study by Kaplan and Norton (2005), the fundamental disconnect between strategy formulation and implementation has resulted in implementation failure rates of 60 to 90 percent. Smith and Ward (2005) found that while 80 percent of executives express satisfaction with their business strategy, only 14 percent are satisfied with the execution of the strategy.

The ultimate goal of S&OP is the generation of a plan to support an organization’s efforts to deploy and execute its strategy. In our busy day-to-day schedules, it’s easy to forget that communication is a key feature of these efforts. But to support strategy, communication must be an integral part of the S&OP process.

COMMUNICATIONS TO SUPPORT BUSINESS STRATEGY

In our fast-changing and volatile world, effective communication is a necessity for organizational success. In his groundbreaking work on leading organizational change, John Kotter identifies eight steps

for successful change, including clear and frequent communication of the vision (Kotter, 1995).

A McKinsey report (2015) considers communication to be one of the top three impact factors on business transformations, resulting in a four- to eightfold greater transformation success rate. Information flow is considered the strongest contributor to good strategy execution (Neilson & colleagues, 2008), and there is statistical evidence that poor communication and misaligned information flow are directly correlated with poor strategy execution and decreased profit (Radomska, 2014).

I believe practitioners do recognize that communication is an important part of S&OP. In my annual online questionnaire, the S&OP Pulse Check, practitioners suggest that the main reason to implement S&OP is to “improve cross-functional communication,” and the main cultural change driven by S&OP is “improved understanding and communication between business functions” (Van Hove, 2015).

All this makes sense in a classical, operationally focused S&OP environment, one where demand, supply, and inventory are kept in balance, and different functions

Key Points

- A corporate communication plan needs to address the right stakeholders with the right information, through the right channel, at the right time. Communication is central to successful strategy execution and improved business performance.
- An S&OP communication plan helps to structure the messages and conversations across different echelons and groups of employees. The message type and communication channel have to be chosen to reflect those different groups.
- To effectively support strategy execution, S&OP communication needs to do more than fix operational issues. Formal *horizontal communication*—information flow across functions at the same level in the business hierarchy—is no longer sufficient; S&OP has to support two-way vertical and informal communication in support of a strategy, not just to inform employees but to align, engage, energize, and refocus them.
- An S&OP communication plan should also reveal how and when the leadership team is going to listen to employee feedback. To develop a two-way conversation, executives must be open to receiving feedback and must respond to it productively.

need to communicate and coordinate to fix issues. To fix an inventory problem, for one example, S&OP participants can agree that a sales promotion or a product introduction will be delayed while operations gears up in capacity and procurement looks for alternative sources.

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To effectively support strategy execution, however, S&OP communication needs to do more than fix operational issues. As Kaplan and Norton (2005) argue, *horizontal communication* is not enough. Horizontal communication—information flow across functions—is often at the same hierarchy level, where it is useful

to solve business issues and run processes within an existing context. But there is also a need for *vertical communication* to create alignment throughout the organization in support of a strategy.

Vertical communication gives direction and context to the business. A new market or new business reality needs to cascade down to the lowest level of the organization to ensure that a critical mass of employees understands and supports the new direction. Beer and Eisenstate (2000) mention poor vertical communication as one of six strategy killers.

To become more effective in sharing information, executives also need to develop informal modes of communication. The days of top-down, formal, command-and-control communication, where top management simply tells employees what to do, have passed. Employee autonomy—one of the three major intrinsic human motivators (Pink, 2009)—is severely reduced by top-down communication; it's a management style that no longer fits how the millennial workforce expects to be treated. Additionally, it reduces the speed and agility of information sharing, a critical requirement in today's hyper-connected world. With globalization, mobility, flexible work places, and social networks, informal communication has become a significant factor in strategy implementation (Radomska, 2014).

In their article "Leadership Is a Conversation," Groysberg and Slind (2012) argue that traditional corporate

communication must give way to a process that is more dynamic and sophisticated. It must be more conversational in tone. As they put it, "Smart leaders today engage with employees in a way that resembles an ordinary person-to-person conversation more than it does a series of commands from on high."

In short, to become more effective in supporting strategy execution and more influential in the overall business, S&OP must move beyond the traditional focus on horizontal, operational, issue-focused communication. S&OP has to advance

be well executed. The S&OP communication plan can keep employees periodically informed on the strategy progress and, as a result, increase the strategic knowledge and understanding of the average employee.

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two-way vertical and informal communication in support of a strategy – not just to inform employees, but to align, engage, energize, motivate, and refocus them. S&OP output has to become an integral part of overall corporate communication.

S&OP and STRATEGY EXECUTION

To add value to strategy execution, the S&OP process needs to encompass at least the following three elements.

An Integrated Strategy Plan

According to Mankins and Steele (2005), strategy planning tends to be done once a year, while strategic decisions are not bound by a calendar. Their research shows that less than 10 percent of companies have any sort of disciplined process for adapting to changes in the external environment. They find that companies with a more dynamic strategic-plan review make twice as many important strategic decisions each year than those that follow the traditional planning model.

Through periodic review of strategic projects within the budget year and beyond, S&OP should promote visibility into the strategic planning progress. Strategic goals, measurements, and targets such as a balanced scorecard (Kaplan & Norton, 1992) should be integrated into the S&OP cycle to further support the execution of the strategic plan.

Kaplan and Norton also note (2005) that 95 percent of the typical workforce doesn't understand the firm's strategy. Without proper communication of the strategy to a critical mass of employees, it seems unlikely a company strategy can

A Rolling Forecast

The annual plan or budget is the first phase of the strategic plan and therefore critical to the plan's execution. However, according to Kaplan and Norton (2005), 60 percent of companies do not have strategic initiatives in the budget. To improve strategy alignment and execution, they suggest an Office of Strategy Management (OSM) to focus on the creation, deployment, and execution of the strategic plan. One of the important elements to incorporate is the provision of a periodic rolling forecast, a task that should fit well within the scope of an S&OP process.

Rolling forecasts as part of S&OP are not a new proposition. Dougherty and Gray (2013) describe in detail how S&OP interacts with the development of annual plans and budgets, decisions about capital investments, and the management of cash flow.

A periodic rolling forecast as part of an S&OP process provides the opportunity for leaders to review gaps versus budget. However, without employee understanding of what the *gaps to budget* are and what to do about them, a company will not effectively coordinate progress in returning to budget. With an S&OP communication plan, executives can communicate these gaps to their employees, with a call for action and with guidance on how to close them.

Resource Reallocation

Tangible and intangible resources are one of the five most mentioned *strategy-to-execution* factors (Ivancic, 2013), and early resource allocation is mentioned as

a key contributor to strategy execution (Mankins & Steele, 2005). Unfortunately, business and resource plans are usually updated and aligned only yearly: “Ninety percent of resource allocation doesn’t change year on year, but companies that do reallocate resources improve their shareholder value by 30 percent” (Birshan & colleagues, 2012).

In their recent *Foresight* article, Mark Moon and Pete Alle (2015) correctly observe that, in most companies, S&OP focuses upon production resources but does not address *all* enterprise resources. An advanced S&OP process, with strategy integration and a rolling budget, can deal with resource allocation more holistically. Insights in gaps to budget in any P&L line can trigger resource reallocation.

As S&OP manager, I managed the status of more than 75 new-product-development projects as well as several dozen continuous improvement projects. In these projects, our priorities could change during an S&OP cycle, but resources were not always reallocated and employees not properly informed about the new priorities. I realized that an S&OP communication plan was needed to bring structure to our communications and to refocus our employees as needed to attend to the most important projects.

If these three efforts are embedded, S&OP will play an important role in the execution of the business strategy. S&OP outcomes and decisions can then be communicated to employees in support of the strategy. In the end, S&OP and strategy execution should be all about decision making and follow-up actions.

THE S&OP COMMUNICATION PLAN

A corporate communication plan needs to address the right stakeholders with the right information, through the right channels, at the right time. It has a powerful impact on keeping employees informed and engaged. The output of an advanced S&OP process provides an ongoing opportunity to support corporate communication on gaps to budget, status

of strategic initiatives, resource reallocation, and a call to action to solve critical business issues.

Communication Structure

An S&OP communication plan helps to structure the messages and conversations across different echelons and groups of employees. The message type and communication channel have to be chosen to reflect those different groups.

Information shared with higher echelons might contain more sensitive information and use different language than communication with lower echelons. Millennials would rather have a short, 140-character news bite than a presentation or newsletter, formats that older employees might prefer.

So we should make use of different types of communication channels to share the messages that emerge from the S&OP meetings. Formal channels like newsletters, roadshows, and presentations can be complemented by more informal channels like blogs, videos, and instant messaging. Senior leaders can provide personalized commentary on business status through blogs or video messages. Further intimacy and inclusion can be created by direct messages or Q&A sessions through internal social-network and collaboration platforms like Yammer – and, of course, direct one-to-one conversations.

As shown in **Table 1**, an S&OP communication plan synthesizes the various channels of communication.

You can quickly see that an S&OP communication plan gives structure to the flow of information across the organization.

An S&OP newsletter, CEO blog, or news bite can inform employees whether the business is on track to meet its budget as well as regarding the status of its strategic initiatives. These communications can also serve to motivate employees by highlighting project success stories, announcing the launch of a new product or celebrating the achievement of a major milestone. S&OP minutes can be more directive and used to refocus S&OP

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stakeholders when priorities change, or make a call for action to close budget gaps or solve operational problems. More formalized communication on quarterly business results and outlook can be done through a CEO email, presentations at roadshows, and video messages.

Listening to Feedback

The S&OP communication plan should reveal how and when the leadership team is going to listen to employee feedback. To develop a two-way conversation, executives must be open to receive feedback and must respond to it productively.

The communication plan can support feedback and conversation through organized formal roundtables, or more informal online Q&A sessions with a small group of employees. A CEO blog with an option for readers to comment creates another opportunity to listen.

The S&OP cycle itself can support feedback and conversation. After every product review, demand review, and supply review, the leading chair can ask meeting participants for an open round of feedback on meeting effectiveness and displayed behaviours. As S&OP manager and executive S&OP meeting facilitator,

at the end of a meeting I made sure some of the following questions got airtime: Were we all listening actively? Did we take the time to understand each other's point of view? Did we follow through on our actions? Did we stay constructive while discussing opposing views? After a while, these questions become common and habitual.

In the end, however, it is up to executives to listen to feedback and act on it. Rather than ignoring others or listening inactively, executives should demonstrate higher forms of listening skills: attentive listening and listening with empathy (Covey, 1989). To drive real engagement in a conversation, employees need to feel that what they say has an impact. Therefore, executives need to listen with the *intention of being influenced*: you shouldn't act as if your mind has already been made up.

Listening is a skill that executives can, and indeed must, develop to achieve genuine two-way conversation with employees. And to improve company communication, listening is a valuable skill that should be part of the communication toolbox of every employee.

Table 1. S&OP Communication Plan

Audience	Type	Channel	Objective	Frequency
S&OP Meeting Participants	S&OP Feedback	S&OP Meeting	An informal roundtable feedback after every S&OP cycle meeting. Opportunity for participants to share thoughts.	Weekly
All S&OP Stakeholders	S&OP Minutes	Email	A call to action to follow up on decisions being made or actions agreed upon in the executive S&OP meeting.	Monthly
Whole Business	Newsletter	Email, Intranet	Inform on all decisions taken in the S&OP cycle, gaps to budget, status of strategy plans and business focus.	Monthly
Whole Business Gen Y	News Bites	Intranet, messaging system (Yammer)	Headlines, with max 140 characters, summarizing the S&OP output information in the newsletter.	Monthly
Whole Business	CEO Blog	Intranet	A thought from the CEO on current business status, the market, progress against budget and strategy.	Quarterly
Whole Business Gen Y	Executive Q&A	Internal Messaging System (Yammer)	Informal short 30 min. conversation with employees on questions regarding priorities, focus, budget.	Quarterly
Whole Business	Video Message	Intranet	An energizing message from the leadership team to celebrate successes during the year.	Quarterly
Business Unit or Division	Roadshow	Presentation	Formal presentation on H1 results, H2 outlook, market conditions and overall business status.	Half-yearly
Group of Chosen Employees	Roundtable	Face-To-Face Meeting With Leadership	Formal meeting with employees after the roadshow to listen to concerns and understand engagement.	Half-yearly

SUMMARY

Once the strategy plan, a rolling forecast, and enterprise resource reallocation are integrated, the S&OP process can provide valuable input to a corporate communication plan. With an S&OP communication plan in place and through the facilitation of feedback, S&OP will more effectively support the communications—horizontal and vertical, formal and informal, one-way and two-way—that inform, motivate, and refocus employees, all of which are essential to the execution of company strategy.

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