The Power of Alignment and Its Effect on Corporate Culture

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International Symposium on Forecasting, June 26, 2012
Jarden: The brands of everyday life
Functional Structure - 5 Business Units

- Fresh Preserving
- Arts & Crafts
- Casual Entertaining
- Firelogs
- Cards & Games
OUR CULTURE PRIOR TO ES&OP

Jan 2009 - ES&OP Implementation begins

2008 2009 2010
Before ES&OP – Functional Silos
Disconnected Dials

Business Financial Commitments

Underscored

Final Forecast

Production Plan

Working Capital Projection
Horizontal Silos

- Sr. Management
- Middle Managers and their teams
- Finance
- Units

$’s
Pre-S&OP Gaps...

- No consensus on the data inputs being used to make decisions
  - Develop your perspective, then go find data to support it
  - Lack of focused understanding about our category (what we know, what we don’t know)

- No forum or process to support/reduce disagreement or the reconciliation of different perspectives
  - Lots of dis-agreement, just no reconciliation
  - Fertile Ground for Passive Resistance

- No alignment on optimization points – each silo pleas its case and manages around their objectives...not the businesses
  - Sand bagging, Hedging

- No control and therefore, no opportunity to optimize
Commonality within Pre-S&OP Cultures:

1. Executive Teams Lacked of Involvement in Forecasting
   "Executives wouldn’t have been involved; for example, the CFO or the general manager would not have been involved...they really didn’t participate in the makeup and the commitment to the schedule.”

2. Acceptance of Poor Data
   "Lack of attention to data detail caused the acceptance of questionable data sources, which created subsequent problems.”

3. Silo Mentality
   "The goals and objectives weren’t particularly aligned. Both groups knew that, but there was no process to help those two groups stop doing what they knew they shouldn’t be doing to each other.”

4. Reactive Decision Making
THE 2008 SHIFT
2003-2007: Family Level Demand

- Normal Mfg Capacity
- Max Mfg Capacity
Surprise another year...

2008

2nd Lowest JUN in 6 Yrs
The Results...
Executive S&OP Objectives

1. Balance Demand and Supply
2. Fully Integrate with Financial Planning
3. Connect the Dials (Cross Functionally and Vertically)
Energy Alignment - December 1\textsuperscript{st}, 2008
ES&OP Cross Functional Design Team...

Executive Team

S&OP Champion

S&OP Expert/Coach

Project Manager/Design Team Lead

Demand

Design Team Members (Sales)

Design Team Members (Marketing)

Supply

Design Team Members (Sourcing)

Design Team Members (Mfg)

Finance

Design Team Members (Finance)

Executive Team Project Manager/Design Team Lead

S&OP Champion Design Team Members (Sales)

Design Team Members (Marketing) Design Team Members (Sourcing)

Design Team Members (Mfg)

Design Team Members (Finance)

S&OP Expert/Coach
KEY DRIVERS OF ALIGNMENT
Four Key Drivers of Alignment...

1. Establish and Maintain a Regular Cross Functional Monthly Process
   - Executive Involvement
   - Mandatory Cross Functional Participation (both in design and practice)
   - Process and subsequent process changes have to be confirmed by the executive team
2. Establish a consensus around what data/information is going to be used at each step in the cycle
   - Demand Models (and Model changes) must be confirmed
   - Supply Capacities are based on demonstrated data
   - Marketing has to have an opinion that is data driven
4. Learn to Disagree without being Disagreeable

- **Open** disagreement through the process is not only acceptable...it's required
- Everything can be challenged, except the process that has been confirmed
- Opinions have to be backed by data (Data Driven, not Personality)
- When consensus can’t be reached, those debates need to escalate to the Executive meeting
- Once decisions are made...everyone must support it
Executive S&OP and The Cycle of Resolution: Resolving Conflict to Align Human Energy
Robert A. Stahl
Stewart Levine, J.D.

Failing to Gain Reconciliation
“Executive S&OP is a powerful tool for defining problems and eliciting differences of opinion, putting the “ugly moose” of diversified views and perspectives on the table, supported by hard data. This exposes an organization to the intrinsic conflict about a problem and the best solution to that problem. If not properly addressed, that conflict produces negative energy and becomes destructive.”
Four Key Drivers of Alignment...

4. Focus on how wrong you could be (risk mitigation)
   - Because we are never going to right, its important to understand how wrong we’ll likely be
   - The right number becomes less important when you know you have the margin for error covered
   - Drive scenario planning
   - Develop easy, quick ‘what if’ modeling tools
A CULTURAL SHIFT OCCURS
Cultural Shift – How do you know its happening

- S&OP Meeting attendance is high because people know that’s where decisions are going to be made
- Constructive, Data Driven Debates are occurring within your S&OP meetings
- A significant amount of time shifts from focusing on the right number, to scenario planning to ensure you have the likely error covered
- You have control of the business...not the other way around
Commonality within POST-S&OP Cultures:
1. Inter-functional collaboration, with openness and trust between departments replacing the silo mentality
2. Data-driven decision making
3. Higher levels of accountability
4. Proactive approaches to demand and supply issues
Questions?