

## A CEO'S Perspective on S&OP and Forecasting: Interview with Phil Dolci



*Phil Dolci has been a business pioneer in the application of Sales and Operations Planning (S&OP), which seeks to unite the demand, supply, financial, and engineering personnel of an organization into consensus on its forecasts, demand plans, supply plans, and financial projections. He is scheduled to present a keynote address at the upcoming International Symposium on Forecasting in Boston, June 24-27, 2012.*

*Until recently, Phil led the Jarden Leisure & Entertainment Group, whose portfolio includes U.S. Playing Cards, Loew-Cornell Arts & Crafts, Pine Mountain Firelogs, Diamond Plastic Cutlery, and Ball Fresh Preserving & Storage. The company maintains nine production facilities in North America and Europe.*

### **When and how did you first learn of S&OP?**

I first encountered S&OP around 2005 while at Newell Rubbermaid, when I was running the marker (Sharpie) business. Our service levels were less than stellar despite having over 160 days of inventory on hand. As a primarily North American business with manufacturing in North America, this was unacceptable. We kept throwing more people at the problem, only to create more conflict without resolving the problem.

### **What were your challenges in the implementation of S&OP?**

They generally fell into two areas: information and people. We spent a lot of time gathering and validating data, which was time well spent. It was a Herculean effort to rebuild our entire sales history into a common, volumetric unit of measure – but that challenge was nothing compared to the people side of things. Not only were they skeptical, many were passive-aggressive while others waited in the weeds to pounce on every little “mistake” as proof that we were going about things the wrong way. Even after we got people past the “mix vs. volume” mind set, the most difficult part was driving discipline, rigor, and constructive conflict in the demand-alignment meetings. The supply side of things was comparatively easy. Those

folks were yearning to have one set of numbers that everyone agreed upon.

### **Is S&OP now a standard process in your companies?**

Yes, it is – except for a small piece (Loew-Cornell Arts & Crafts) that is 100% import. We haven't yet spent the time to adapt the S&OP process to the longer-lead-time, sourced/imported business.

### **What benefits, both measurable and intangible, has S&OP brought to your companies?**

The measurable benefits are easy: service levels are up, and inventory is down. For example, the two largest businesses in my portfolio today each have service levels above 99.5% with inventory that is 20% less than three years ago.

I could argue, however, that the intangible benefits are just as valuable. We have much better teamwork because of the engagement and constructive conflicts that are natural components of S&OP. This approach has extended to almost every process and function within the business, which is not something I anticipated as a benefit when implementing S&OP. Moreover, I feel much more in touch with the business without micromanaging it. I know that rigor is being applied to the business, and I can manage risk across the portfolio because every month we agree on how much inventory we are going to lean into and how we would recover if demand doesn't materialize.

### **Foresight S&OP Editor Bob Stahl likes to use the term “Executive S&OP” to describe what S&OP should be: an executive-led process. Do you see things this way?**

Absolutely. First, you must have buy-in and active, engaged leadership from the highest executive levels in the company. This sends a clear message to the entire organization: “Executive S&OP is how we are going to run this business...period.”

Second, Executive S&OP provides a total

view of the company that allows executive leadership to manage risk within a business as well as across a portfolio of businesses. It also clearly highlights where the issues are... there is no denying where the variances are each month, and there are always variances.

Third, it's crucial that executive leadership remain involved so that the process doesn't wane or become sacrificed on the flavor-of-the-month syndrome chopping block.

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**Where should the forecasting function fit within an organization? What background and personal attributes make for successful forecasters in a manufacturing organization?**

Personally, I don't believe there should be a forecasting function per se. Having a dedicated group with the title of "forecasting" gives the impression that everyone else is relieved of their responsibilities in this area. I believe that forecasting is a collaborative process for which many functions have a shared responsibility.

Normally, I prefer to have one person/function responsible for something, but demand is inherently variable. One cannot predict the variability, one can only manage through it. And it takes multiple functions to manage through it, including sales, customer service, logistics, manufacturing, procurement, planning, and executive leadership. While everyone may not agree, everyone needs to reach consensus and drive to the same number...and then react to the variability. The demand-alignment process within S&OP forces this.

All that being said, there is a role for people to facilitate the forecasting and decision-making processes within the group. The most successful people in this type of role are detail oriented, rigorous, have a bit of a cynical show-me-the-data streak, and have a broad view of the supply chain. Typically, sales personnel are not best for these roles.

**You have an MBA from the Kellogg School at Northwestern. Are B-schools paying attention to organizations' needs in the supply-chain field and, more precisely, in S&OP? How does an organization develop the talent and abilities needed?**

Kellogg has a great reputation, especially in the marketing/commercial side of business. However, I found that operations education undeservedly gets overlooked. I found my training in the area of supply chains, in particular, was exceptional. I cannot speak for all business schools, but one of the main tenets stressed by my operations professors at Kellogg was to keep things simple. They acknowledged the complex models that exist, but warned against relying on models without applying multidisciplinary judgment.

That is what Executive S&OP does. It simplifies things and forces people to look at the entire business. Perhaps the best way to develop the talent and skill set internally is to move people around to different jobs. This is easier said than done, especially with small to mid-sized companies with limited personnel. But one can start with weeklong assignments in another department, either directly upstream or directly downstream from one's function within the company, in order to provide a real-life appreciation for the implications of what one does and doesn't do.

**If S&OP is the current big thing in our field of interest, what's the next big thing? What can we expect, looking beyond S&OP?**

I don't know what the next big thing is – if I did, I would be writing about it now!

I believe that Executive S&OP still has a lot of runway, especially in the area of full financial integration. And as supply chains continue to evolve and become more complex, there is a great deal to be gained from full visibility throughout the entire supply chain. This should extend in multiple dimensions. Typically, people consider their supply chains to extend backwards to their first and sometimes second-tier suppliers and forward to their customers. But what about all those entities that are impacted along the way that aren't in that direct line, such as transportation carriers?