

# Getting ready for change



The third in a four-part series discusses the importance of skilling up your people for demand planning to become a lifeline in the recession

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**D**emand planning, often underutilized in the best of times as a means of improving cash flow and profitability, may become your company's lifeline in a recession. This four-part series discusses demand planning best practices in relation to surviving, and even thriving, in the downturn and emerging in the best possible financial health.

Part 1 explored the high benefit potential in cash and profit of demand planning and laid out the three fundamental moves you have to take to achieve it. Part 2 explained the first move, quickly designing best practices into your demand planning process to reach at least a "Capable Demand Planning" level. But having a best practice demand planning process, and even process discipline,

can turn a lifeline into a shipwreck if your crew is not equipped to handle them. In Part 3, the discussion turns to the second move, getting your people ready for change.

**Change management: all about people**

In my public and private demand planning seminars, I ask participants what obstacles they face as they attempt to improve their demand planning processes. Overwhelmingly, the obstacles are people-related: teamwork issues, failure to communicate, bias, lack of ownership, lack of willingness to work in a new way, and lack of leadership awareness or commitment are common themes.

In my experience coaching businesses to excellence in demand planning, I see the same pattern. One global pharmaceutical client requested help in redefining and



assessing competency, after realizing that the recouping of a massive technology investment was in jeopardy because people were not up to running the redesigned business processes that the technology was installed to support. Another client, a prestigious, fast-moving consumer goods company, requested best practice process and behavioral education for their commercial and demand planning organizations “up front” to prepare them for a major transformation of processes and supporting technology.

So it is that the second fundamental move to achieve the financial and positioning benefits of demand planning is all about people. Even the best process cannot stand on its own—it would be a beautiful but empty shell. Technology cannot force process, even with its magic potion of transactional rules. Neither process nor technology can transform people into savvy business professionals with the right competencies to fill the process with business-specific content and operate it at a level of process excellence. This is why people are the “A” item and must be the central focus of executive attention. For demand planning to be a lifeline in the recession, a skilled rescue squad must operate the lifeline. “Skilling up” requires communication, engagement, education, building new competencies, and learning to behave differently. Separately, but in direct support, organizational realignment and tweaking of roles may be in order.

I am talking about change management in this article, which is the specific purview of executive leadership.

#### **Demand planning competencies**

The word “competent” rolls easily off the businessperson’s tongue, but is often not fully understood. Competencies are the whole collection of knowledge,

skills, abilities, aptitudes, and characteristics that distinguish the superior from the average performer in a measurable way.

Too often I have seen demand planning relegated to underdeveloped or misfit people because executives do not understand the full connection of this process to business results. Perhaps this is because demand planning historically only meant forecasting a number to help supply

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planning to figure out what to make.

The focus of demand planning now has shifted to planning the high stakes: selling more, making more money, and beating the competition. It has become the tactical planning mechanism for delivering marketing and sales strategy. It includes assumption-based volume and revenue plans, resource plans, and action planning to achieve the demand, meet annual commitments, and more strategic goals and objectives. Product portfolio, pricing, placement, promotion, monitoring and prediction of customer/consumer trends and competitive actions all figure into demand planning.

Demand planners are key players needing a unique set of competencies that include 1) specific business understanding of markets, customers, product portfolio, the workings of pricing, promotion and placement of products, and marketing strategy, 2) an aptitude and ability for analytics, assimilation, judgment, and teamwork, 3) skill in analysis and problem-solving, communication, and facilitation, and 4) demand planning knowledge and skills such as

statistical forecasting and modeling.

These competencies ought to be defined, assessed, and developed in high caliber and high potential individuals because demand planning is an outstanding training ground for future executives. Models for this already exist, and because all competencies are behaviorally observable and measurable by definition, assessment and development become more science than art.

#### **Organizational implications**

Even the best demand planners will fail if their organizational environment is against them. Demand planning processes can be operated fairly effectively in a variety of organization structures, but one is better than the others. Whatever the structure, clarity surrounding roles, responsibilities/authorities, and accountabilities is essential. Finally, organizational behaviors can cause the most diligent professional to fail.

Roles and responsibilities: Who does what is very important. Accountability for the demand plan lies squarely with marketing or sales. It is their responsibility to create the activities and provide the resources that generate demand and then to sell according to that plan. Demand planning people (planners, analysts, managers) need to be analytical and facilitative agents of marketing and sales, responsible for assembling, assimilating, analyzing, questioning, communicating, and coordinating the coming to consensus between these two primarily accountable functions on the most likely, unbiased, estimate of future demand volumes and values.

Organizational placement: Increase your chances of success. The optimal placement of demand planning is within marketing and sales, as the demand plan is theirs to commit to and execute. Placement in other organizations can work but can obscure the accountability of marketing and sales for the plan and risk other sorts of bias. For the greatest likelihood of the success of demand planning in generating cash, maintaining margins, and gaining

exception, and learning.

#### **The role of executive leadership**

The role of the chief executive and marketing and sales leadership in the context of demand planning is to craft the vision and define the cultural shift, illustrate by example, and demonstrate by leading the change. As the head goes, the body will follow. This is not something that can be delegated. Marketing and sales leadership have accountability

puts it: “The executive must not only be in love with the outcome of the process, but love owning and leading the process.” Engage yourself and require the engagement of others. Reinforce behaviors. Do not accept non-compliance.

5. Incent behaviors that get desired results. When you start using the demand plan as a dynamic, agile way to shape future demand, you need to incorporate demand plan performance and related metrics into your incentive system.

Getting at the cash-rich benefits of high-performing demand planning is not difficult, given executive leadership and engagement, and a willing, capable organization. What can be more fundamental to executive leadership’s role than creating this organizational environment?

#### **Summary**

When demand planning is taken to the level of excellence needed to put you on top of your game and position your company for compounded success coming out of the recession, you must take a close look at the preparedness of your people and the suitability of the environment in which they work. Otherwise process excellence is an exercise in futility. Different competencies and behaviors will be required. Executives must create the vision, accept accountability, directly engage in and lead the change.

Part 4 will discuss the final fundamental move to regain the money trail: integration, and alignment of the demand planning process with other business processes. ■

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share, put it in marketing or sales.

Accountabilities: Holding people to their commitments is essential. How often I have heard the complaint, “People are not held accountable around here.” To run a process to its full performance capability, or said another way, to get people to their maximum capability, which is what skilling up is all about, organizational and personal accountabilities must be crystal clear, measured, and have consequences. This should not sound threatening to an organization in which competent people are in roles suited to them, with adequate tools and resources to do their work, and where measurements are used to understand and improve performance.

Behaviors: Culture shift may be necessary. Demand planning is a collaborative process, involving a variety of viewpoints, and dependent upon timely and accurate information for its effectiveness. Essential cultural behaviors for demand planning success include trust, openness and honesty, and secondarily, a cultural mentality that embraces and values flexibility, change, preparation, measurement for improvement, management by

for demand planning and must own and lead it.

Here is a five-point plan for executive leadership:

1. Set the vision challenge for demand planning. Define the expectations you have. Make them specific and real: revenue, net income, margin, earnings per share, working capital. Describe the cultural behaviors. Write the vision down. Post it on the walls.

2. Communicate, communicate, communicate. Speak directly to the people about your vision and expectations. Cascade the communication. Be careful not to sabotage yourself by your own actions, which will be watched closely.

3. Educate, educate, educate. Education is undervalued and underutilized today. Do not skimp on time and resources to develop understanding and competency. Your payback period will be a few short months.

4. Engage. I like the way a colleague

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