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The final article in this four-part series explains how integration and alignment combine to make demand planning your lifeline in the recession

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Demand 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. Part 3 addressed the second move, equipping people to run at best practice process capability. The final article in this series examines the third fundamental move, integration and alignment.

If you have been following this series, you know that the demand planning lifeline has been thrown, a strong line snaking out, guided by capable hands. There was the pitch and now there has to be the catch.

Winning with demand planning

Remember that the demand plan we have been talking about contains the business's revenue projections based on planned marketing and selling activities to achieve them. Marketing and sales reached consensus on a plan, and now marketing and sales have to execute the plan — "the pitch and the catch." This is the third fundamental move: integrating and aligning the upgraded demand planning process with other commercial execution processes and also with product development, supply chain, and finance. Winning with demand planning takes the engagement and synchronization of the entire business in the catch.

Given a portfolio of desirable products and services and adequate financing, it is marketing that is the leading link in the chain of events that ends with a satisfied customer. The demand plan sets the drive chain in motion. A tug on the chain and the rest of the linkage follows: money is spent and resources are consumed. This is not to downplay the importance of any one function, but actually to emphasize the equal importance of all in the success—or failure—of customer delight, that sweet result that leads to more sales, more profitably delivered. Without follow-through, demand planning is a waste of time.

Execution

In customer-facing business organizations, demand plan follow-through is spelled "execution." In the altered dynamics of a recession, customer and consumer behaviors change in unexpected ways. The norm is no longer the norm, and in executing the demand plan we discover where our assumptions were "off." Explicitly defined actions to create or shape demand may need to be fine-tuned or drastically altered as the reality of customer orders and consumer sales unfolds. Mining this mother lode of learning opportunity is often mistakenly left purely to the puny pickaxe of human memory. Unfortunately, people come and go with greater frequency than recessions, and often because of them (especially the old guys with the longest memories and biggest paychecks).

Follow-through starts with timely execution of the demand plan. One company I was working with as the recession hit developed a demand plan that incorporated price increases to compensate for radically escalating commodity prices. Sales had participated in and committed to the consensus demand plan, yet delayed in communicating increases to customers for fear they would take their business elsewhere. Time told the truth, that customers did not appreciably reduce orders, but meanwhile revenues were lost and margins went "under water." Had the sales force been incented purely in revenues instead of on both revenues and gross margin, the damage would have been far greater.

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Formally documented assumptions guide execution and are managed to improve results in future plans. Earlier in this article series, I explained the importance of clearly documented (and communicated) assumptions upon which the demand plan and alternate scenarios of risk and opportunity are based and execution actions are formulated. Now, as reality unfolds, quick follow-up on assumptions is important to learn what is working (or not) and why and how to adjust course. In a recession, "quick" follow-up often means daily. It is the purview of the marketing and selling functions and their analytical support arms, market intelligence and demand planning.

As part of demand plan follow-through, assumption effects should be tracked, analyzed, and revised by those responsible for executing the actions related to them and accountable for their results. Thus, influences of trade spend on customer behavior need to be analyzed and interpreted by field sales or account managers. Marketing needs to analyze and record the actual impact of marketing activities. Consumer information, including competitive analysis, particularly in fast-moving consumer goods companies, comes from internal and/or external intelligence groups. All together, a shared historical knowledge develops that informs the future. This is assumption management, a crucial outgrowth of execution and a powerful tool for improving assumption validity. I have worked with companies where its longevity spans multiple recessions. It is the perfect antidote for imperfect human memory.

Measurement provides the pulse check on the demand plan. Keep your finger on the pulse at all times. Measure execution of specific marketing and sales activities, for they lead the plan. Monitor orders versus plan compared to the expected pattern of orders throughout the period, typically a month (in this recession, many companies have moved to daily monitoring to give themselves the most time to shape demand). Assumption performance ought also to be measured and personal accountability established for the measurable results of those assumptions. All measures should include causal analysis and action taking with projected impact on future performance.

Discipline is actually liberating. Marketers often confide in me their fear that establishing execution disciplines will stifle their creativity. In fact, what these disciplines prevent are unilateral decisions that sub-optimize the business. For example, one client of mine habitually ignored execution checkpoints in product launches for "creative reasons," only to achieve unprofitable results time after time. In another, individual brand managers cut deals with production facilities, undermining carefully planned resource use that led to customer service issues and decreased margins. Having pre-defined rules/guidelines, timelines, and decision-making authorities greatly increases the probability of successful demand plan execution.

Anchoring the catch

Anchoring the catch in supply and product management takes integration and alignment of planning and execution. In the not-too-distant past, a volume forecast, often inflated "just in case," was heaved over the wall by marketing and sales to manufacturing, who then became a convenient whipping boy for all customer service and inventory issues. It was politically useful to have a disjoint, but any executive who condones this behavior in today's vastly changed climate is a dinosaur deserving of extinction. Commercial's accountability for the demand plan and their engagement in execution does not end where manufacturing begins.

Demand planning follow-through in the supply-side organizations requires the active participation of marketing, sales, and their support functions with supply planning, production, and logistics to build trust, collaborate in defining customer service and inventory policies, respect each other's capabilities, and devise performance measures that find and correct cause, not assign blame.

Both demand and supply need to be well integrated and aligned with product management to eliminate the many "I didn't know that!" exclamations that often accompany product development and launch activities, if tight linkage has not been established. Tight linkage requires clear and formal lines of communication, checkpoints, and reviews.

Each of the primary functional areas has its own pacing that dictates integration and alignment points with the others. The need for speed and flexibility increases with the uncertainties of the recession and may warrant more frequent calibration.

The insurance policy: Integrated business planning. How can marketing and sales leadership be sure that the demand planning pitch is caught and the lifeline holds? Integrated business planning is the process being used by leading companies to ensure cross-functional process integration and full organizational engagement in coordinated planning and execution of demand, supply, product, and financial plans. Integrated business planning summarizes on a monthly basis the business performance, issues, and actions to navigate through rough recession waters, meeting changing customer/consumer demands in the most profitable, cash-rich way. A mainstay of the process is business modeling to have ready contingency scenarios to call immediately into play as conditions change.

Summary

Why does it seem that we just flog away at execution, getting surprised over and over, making poor choices even knowingly sometimes, and coming up a day late or a dollar short on resources to execute at the right time, in the right place? The issues that plague integration and alignment are again human: failure to communicate, lack of formal policies and procedures, unclear roles and responsibilities, lack of accountability for follow-through, inattentiveness to the underlying causes of poor performance, organizational politics, refusal to tell or hear the truth, closed minds. Common sense?

I hope you found this entire series to be nothing but common sense, because if you did, I know you are mentally ready to put demand planning high on your list of recessionary opportunities. Get positioned to use demand planning to find and set course on the new money trail. The formula is simple: best practice processes, run by competently skilled and knowledgeable business people, with adequate resourcing and tools provided by executives who own and lead the change and demand integrated and aligned execution. Just do it!

Susan L. Storch is a principal with Oliver Wight Americas. She is recognized as a leading expert in demand planning and change management, the two going very much hand in hand. Susan's experience spans thirteen years with Oliver Wight and twenty years of executive management positions in industrial, CPG, and service sectors. Susan has led and coached many businesses to *Class A* business excellence certification.