



How to Shape a Company Culture with S&OP

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PREVIEW *In a 2010 Foresight article, S&OP Editor John Mello argued that successful execution of S&OP is inevitably linked to corporate culture. A culture based on silo mentality and lack of trust not only undermines S&OP effectiveness but also reduces employee engagement and well-being.*

In this article, Niels van Hove argues that while effective S&OP can thrive in the right company culture, the process itself can influence and shape that culture. He calls for S&OP leaders to articulate goals that include clear expectations on behaviors. Doing so will not only improve effectiveness but also enable S&OP to play an active role in improving employee attitudes and satisfaction.

INTRODUCTION

S&OP implementations require significant change, not the least being behavioral change. And change is hard. In his groundbreaking 1996 study *Leading Change*, John Kotter reports that change transformation is successful in only 30 percent of companies. A McKinsey study among 3,199 CEOs in 2008 confirmed that indeed only one in three transformations succeeds (Aiken & Keller, 2009). And of the failures, 70 percent are due to culture-related issues: employee resistance to change and unsupportive management behaviors (Aiken & Keller, 2011).

Despite these facts, only 26 percent of practitioners think that behaviors are adequately addressed in S&OP implementations (Van Hove, 2015). It is not

(Barrett & Uskert, 2010), with most stuck in stages 1 and 2 (Kinaxis, 2011). On top of this, 36% of companies' S&OP efforts are stalled or moving slowly (Cecere & Chase, 2012).

But rather than seeing behaviors and company culture as obstacles to implementing and developing S&OP, we should view S&OP as an opportunity to shape and improve company culture. Executives need to align themselves around what effective mind-set and behaviors to integrate into their company culture. If they should aspire to achieve high levels of S&OP maturity, S&OP can play a critical role in establishing this culture. First, executives need an understanding of what these effective mind-sets and behaviors are—and need to demonstrate these behaviors themselves.

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unlikely that a lack of attention to behaviors is a major reason why S&OP maturity stalls, regardless of the maturity model used. Sixty-seven percent of companies could not get further than stage 2 out of their four-stage S&OP maturity model

EFFECTIVE MIND-SETS

In an extensive review of S&OP literature, Tuomikangas and Kaipia (2014) list *culture and leadership* as one of six requirements to improve S&OP performance.

Key Points

- The organizational mind-set has a huge impact on S&OP performance. However, certain mind-sets have proven to be more effective for individual and corporate well-being and performance. Among them are positivity, a growth mind-set, and mental toughness.
- Many S&OP implementations fail, get stuck, or move slowly. It is likely that company culture and behavior are primary reasons behind this. However, only 26% of S&OP practitioners think that behaviors are adequately addressed in such implementations.
- Executives can't assume they have the right company culture to implement effective S&OP. Rather, they need to clearly define their expectation for participant behaviors. Trust is paramount, and behaviors that improve trust should be prioritized by executives.
- Culture-change efforts are most successful when fully integrated into a business initiative. The CEO is advised to use the S&OP cycle to actively display, manage, and nurture effective behaviors.

Here they include “the organizational mind-set and practices that facilitate and advance formal planning.” In terms of individual and organizational mind-set, psychology explains how some mind-sets are more effective than others.

Positivity

Martin Seligman (1998) shows that individuals with a *positive mind-set* are less depressed, live healthier, and perform better than people with a negative mind-set. In one study in an insurance company, the 10% most positive salespersons sold 88% more policies than the 10% most negative sales personnel. Positivity can be influenced: one of the most significant findings in psychology in the last 20 years is that individuals can choose the way they think.

Growth

Another superior trait is the *growth mind-set* versus the fixed mind-set. Carol Dweck has shown that people with a fixed mind-set believe their talent and capabilities in life are a given, and not a lot of things can be done about them. People with a growth mind-set believe that every skill can be trained and feel they are the master of their destiny. Dweck's decades of research and many experiments show two important things: first, people can be influenced to adopt a growth mind-set over a fixed mind-set before they take on a task; and second, individuals or groups having a growth mind-set almost always outperform those who do not (Dweck, 2006).

Mental Toughness

The mind-set of elite athletes is often referred to as a differentiator between winning or losing. Performance psychologist and practitioner Jim Loehr (1995) called the mind-set of the winner *mental toughness*, a concept that has been successfully used in elite sport coaching for the last 30 years. Peter Clough identified control, commitment, challenge, and confidence as the underlying attributes of mental toughness. Research shows that mentally tough individuals are committed, proactive, open to change, physically and mentally healthier, and perform up to 25% better (Clough & Strycharczyk, 2012). In my annual online S&OP questionnaire, practitioners indicate that effective S&OP processes show more of the behaviors linked to these attributes of mental toughness (Van Hove, 2017).

All these mind-sets can be measured and supported in the S&OP cycle.

EFFECTIVE ORGANIZATIONAL BEHAVIORS

There can hardly be doubt that effective behaviors result in improved S&OP and company performance. These behaviors include commitment, trust, top management acting as a role model, a collaborative spirit, empowerment, constructive engagement, and competence in dealing with conflict (Tuomikangas & Kaipia, 2014).

Empirical evidence for effective behaviors was reported in a McKinsey survey of 189,000 people in 81 diverse organizations (Fesser, Mayol, & Srinivasan, 2015). That survey found that four leadership behaviors explain 89 percent of the variance between strong and weak organizations. These organizations differed significantly not only in terms of leadership effectiveness but also on McKinsey's organizational health index, which measures supportiveness, strength of the results orientation, the seeking of different perspectives, and the effectiveness of problem solving.

Four Main Constructive Behaviors

Even more significant empirical evidence is found by Robert A. Cooke and J. Clayton Lafferty (2014). Based on the survey of 1 million managers and 12,000 organizations worldwide, they conclude that there are four main constructive behaviors that support effective management across geographical boundaries: *achievement, self-actualization, humanistic*

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encouragement, and affiliation. These four behaviors not only help to better S&OP by improving motivation, work relationships, external adaptability, and interunit coordination but also give greater life satisfaction and well-being to the individuals who display them.

- **Achievement:** People with this behavior have a tendency to set challenging yet realistic goals. They link outcomes to their efforts, not to chance. They also think ahead, plan, and explore alternatives before acting, and learn from their mistakes.
- **Self-actualization:** Self-actualized people have a strong desire to learn and experience things. They are creative and at the same time realistic, with a balanced concern for people and tasks.
- **Humanistic Encouragement:** Individuals with this behavior have an interest in the growth and development of others and are sensitive to others' needs.

Further, they devote an extensive amount of their energy to coaching and counseling others. They are thoughtful and considerate and provide others with support and encouragement.

- **Affiliation:** People with a keen sense of affiliation have an interest in developing and sustaining good relationships with others. They share their thoughts and feelings, are friendly and cooperative, and make others feel a part of the team.

Trust Is Paramount

Although no single behavior is most effective for every business, trust seems to be a recurring and paramount theme. Trust is the first thing people seek when they meet someone new (Cuddy, 2015). Trustworthiness is not only a key contributor to S&OP effectiveness (Mello, 2010), but a team without trust fears conflict, lacks commitment, avoids accountability, and suffers from inattention to results (Lencioni, 2002).

Studies have reported that trust has a direct impact on strategy execution, is one of the most important predictors of positive organizational outcomes and positively affects psychological well-being. When leaders display trust behaviors, they increase psychological safety, a shared belief where team members feel accepted and respected, and a study by Google of over 180 organizations reported that psychological safety is by far the biggest contributor to team effectiveness (Rozovsky, 2015).

The latest research from neuroscientists focuses on eight measurable behaviors that most stimulate trust (Zak, 2017). Zak found that, compared to low-trust companies, people at high-trust companies report 74% less stress, 106% more energy at work, 50% higher productivity and 29% more satisfaction with their lives.

All of this shows that there are mind-sets and behaviors that are superior in terms of S&OP effectiveness, business performance, and employee well-being. Executives can use this knowledge to include behavioral change in their S&OP initiatives and would be wise to emphasize trust-building behaviors.

COMBINING S&OP AND BEHAVIORAL CHANGE

If executives wish S&OP to be successful and lasting while at the same time improving company culture, effective behaviors need to be embedded in an S&OP initiative. As Collins & Porras (1996) note, “Embedded company behaviors will drive a sustainable company culture, which will last over time.”

Executives can’t simply assume their company has the right mind-set and behaviors to implement effective and sustainable S&OP. Neither can they assume behaviors will automatically change for the better because of the implementation of S&OP. Although the process can indeed support improved teamwork, to state that “better teamwork follows S&OP, just as night follows day” (Wallace) seems to underestimate the complexity of individual behavioral preferences and company culture. An employee who has developed distrust or other defensive behaviors over a whole lifetime will not simply shed these behaviors when S&OP is implemented. Similarly, a company culture of distrust, fear, or lack of psychological safety will not change without a significant cultural change effort on top of an S&OP implementation.

Combine Business Initiatives

There is evidence that cultural change efforts are most successful when fully integrated into a business initiative (Dewar & Kellar, 2012). This is a very important notion; it means executives can define what effective organizational mind-set and behaviors they want to pursue and use S&OP to carry some of the weight of this cultural change.

A CEO will often delegate change management for the cultural initiative to Human

Resources. HR will develop a change program; define the cultural baseline, measurements, and goals; provide training or coaching; and develop internal communication about the initiative. HR could further update job descriptions, recruitment and induction policies, training and development materials, and reward and recognition schemes. However, the cultural initiative is more likely to succeed if it is integrated *with* another business initiative, S&OP being a good example. A CEO can take a direct lead in both the S&OP and the cultural business initiative and use the S&OP cycle to display, monitor, measure, improve, and nurture preferred behaviors.

In a well-established process, the S&OP meetings should be the only management gathering where important future decisions will be formed about the annual operation plan, strategy, and resource allocation. These decisions will sometimes be made under time pressure and stress, and it is during these moments when individuals fall back on their default behaviors, becoming defensive or aggressive.

Kotter (1995) and others argue that change is best established when executive leaders “walk the walk and talk the talk.” A CEO should use the executive S&OP meeting to set a behavioral example as well as clear expectations to his team, all the more so during stressful moments. I’ve facilitated executive S&OP meetings where the CEO would stop the meeting if emotions got out of hand. The language used in the meeting was not aligned with “show respect” or “provide constructive feedback.” Following time to reflect, the meeting would continue and, afterward, a roundtable of feedback would include comments about behaviors displayed.

The S&OP cycle contains multiple meetings per month as well as the executive meeting and includes many senior stakeholders from most business functions. The influence of the S&OP cycle can go across business units, countries, and even be global. A CEO can set the expectation that every S&OP meeting in every

business unit or country takes the time to reflect on agreed behaviors and provide feedback during the executive meeting. In this way, a CEO can utilize S&OP across echelons, functions, business units, and countries to drive preferred behaviors—behaviors that, over time, become part of company culture.

Increase Executive Engagement

Executive engagement in S&OP is critical and beneficial to effective S&OP (Swaim and colleagues, 2016). S&OP provides support to an organization to deploy and execute its strategy. If outcomes of the cycle are clearly communicated, executives continually update strategy, business goals are better understood, and employees get a clear understanding of how their job contributes to strategy. These three S&OP outcomes are among the most impactful employee-engagement drivers (HBR, 2013). The argument that S&OP improves strategy execution and employee engagement can be a strong case to make executives become S&OP change agents.

However, by making the S&OP cycle include a cultural change initiative, a CEO can increase the status of the program and create more executive engagement. It's likely that HR in turn will show increased engagement with S&OP through its role. On top of this, when a CEO drives the right behaviors through S&OP, the cycle over time becomes more effective and more valuable for all executives. If the behaviors include increase trust levels, additional benefits will accrue in terms of increased earnings, reduced employee stress, more energy, higher productivity, and increased life satisfaction.

In my earlier *Foresight* article (Van Hove, 2016), I suggest that the ultimate goal of S&OP is the generation of a plan to support an organization's efforts to deploy and execute its strategy. With a combined S&OP and cultural business initiative, we can say that S&OP improves not only strategy execution, but also employee engagement and psychological well-being. For all these compelling reasons, there is no excuse for an executive not to be engaged with S&OP.

SUMMARY

To be most effective, S&OP requires a positive, growth-oriented, mentally tough mind-set as well as constructive behaviors. It is unlikely that a critical mass of effective behaviors is present in every company. Where it is not, S&OP implementations also require that executives endorse behavioral change.

Once S&OP reaches a certain maturity and level of integration, it can be used to support or instill appropriate behaviors in company culture. Rather than being dependent on the company culture for its implementation, S&OP offers a CEO the means to influence company culture with the result of improved employee engagement and psychological well-being.

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