



The game plan for aligning the organization

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Abstract Better-aligned operational and strategic plans and a better balance of supply and demand bring tangible benefits to firms. However, functional departments in firms often operate without vertical and horizontal alignment. The outcomes are delays and amplification of the information flow, suboptimal corporate plans, uncoordinated reactions within the business, insufficient operational flexibility, and discrepancies in supply and demand. Sales and operations planning (S&OP) can circumvent these negative consequences and align the organization. Our multi-method research develops a holistic S&OP maturity model that firms can use for the assessment of their internal S&OP processes and shows the pathway to an integrated S&OP approach for the achievement of a better-aligned organization. We present a case study of a medium-sized, Swiss-based pharmaceutical company that has recently implemented S&OP to highlight why companies implement S&OP, the prerequisites and roadblocks encountered during implementation, and the benefits envisioned and achieved. Finally, we reveal the great relevance of the topic by means of a questionnaire survey which shows that organizations' current S&OP performance is underdeveloped and that many improvements are indispensable to enjoy all benefits associated with the alignment process.

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1. Introduction

Nothing is more important for a product-based firm than the ability to deliver the right quantities of the right product to the right customer at the right time without stockpiling unnecessary inventory. This

requires a continuous and balanced matching of product supply and demand.

Supplying products entails the sourcing of raw materials or components on the market and manufacturing or assembling the final product for shipment to the customers. Given frequent shortages or the increased volatility on the supply market, supply is by no means predictable and stable (Christopher & Holweg, 2011). At the same time, business cycles, changes in customer demand, and product launches create uncertainty on the sales market and challenge the demand forecasts that are

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used for supply planning (Makridakis, Hogarth, & Gaba, 2010; Navarro, 2005).

Better-aligned operational and strategic plans and a better balance of supply and demand would benefit firms in the forms of smaller inventories, higher utilization, lower costs, and happier customers. It would also increase firms' competitive advantage. However, even today many organizations still operate under central control through functional departments. The linkage between sales and operations especially requires better integration and collaboration across operational silos. The outcomes of this disjointedness are delays and amplification of the information flow, suboptimal corporate plans, uncoordinated reactions within the business, insufficient operational flexibility, and discrepancies in supply and demand (Kaplan & Norton, 2001).

Insights from our case study exemplify the challenges to firms. The 150-year-old, family-owned Swiss firm Geistlich Pharma is a manufacturer of medical products, an innovator in orthopedics, and a world market leader in regenerative dentistry. The firm has a worldwide sales network with six subsidiaries, more than 50 sales partners, and years of steady growth.

When there was no economic pressure on the company to compel changes in prevailing behaviors and attitudes, it established a legacy corporate structure—with conventional functional departments—and bypassed opportunities for optimization. The sales department saw that a product was selling well, but their colleagues in production did not. Meanwhile, the sales teams had no inkling that no goods were ready on the production floor. Eleventh-hour efforts could prevent stockouts, but this was not the most efficient way to work. For its part, the production department worked according to a budget plan, but after only 2 weeks, the budget figures were outdated and there were real orders to fill. This led to stockouts of raw materials.

Things worsened when the economic challenges of the global markets increased. Planners at Geistlich Pharma had to cope with long delivery lead times for its raw materials to guarantee product availability internationally. This pressure was accompanied by increased time pressure for perishable medical products with strict expiration dates. At the same time, production aimed for the highest possible utilization of both its infrastructure and its workers. These local targets drove up inventories. As it turned out, each department was capable of undermining the company's business results by pursuing its own interests. The cost-driving effect was unintentional, even though everyone fully knew that a plan made just once a year would never fit

reality. When the operations teams delivered the goods by holding coordination meetings, fire-fighting, and taking corrective actions under high pressure, Geistlich Pharma's CEO realized that a new game plan was needed: the S&OP implementation project.

Since companies continually struggle with misaligned organizational plans and costly discrepancies between supply and demand in volatile and uncertain times, organizational changes are inevitable. However, many do not reap the full benefits of S&OP when it has been implemented half-heartedly. At the same time, S&OP is not an all-or-nothing approach. Firms should continually improve the alignment process. In order to help with these endeavors, we present a holistic S&OP maturity model that firms can use for assessment. Additionally, the model shows the pathway to an integrated S&OP approach and a better-aligned organization.

2. About the research

Following recent recommendations, the work presented herein draws on multiple methodologies—in order to compensate for the limitations of using a single method—to develop a complete understanding of S&OP as our phenomenon of study and generate novel insights contributing to the S&OP literature (Sanders & Wagner, 2011). First, we conducted an in-depth case study of a Swiss-based pharmaceutical company to arrive at an initial understanding of S&OP, why companies implement S&OP, the prerequisites and roadblocks encountered during implementation, and the benefits envisioned and achieved (Wagner, Zanon, & Thakur-Weigold, 2010). The company was chosen because it had recently implemented S&OP; plus, it is medium-sized, which allowed us to get a good overview of the entire firm and better understand the interrelationships among departments. Second, we performed a literature review on S&OP by searching databases such as Emerald, EBSCO, and ScienceDirect. The literature was screened for relevance and either integrated in the background section of this article or utilized as the foundation for our maturity model. Third, we conducted 20 semi-structured interviews—based on the suggestions of Fontana and Frey (1994)—with seven supply chain and operations management experts from an international management and technology consultancy well known for S&OP implementation and optimization projects. The purpose of the interviews was to develop and detail various dimensions and sub-dimensions of the maturity model. To identify these, the data collected was subjected to an iterative

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