
Implementing Real Sustainable Change

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Implementing Real Sustainable Change

Designing and implementing a new business process is tough. But, done properly, it's also quite fun and extremely rewarding. This paper outlines a proven approach to designing and implementing world-class supply chain planning processes for retailers and sustaining the cycle of change. It's based on practical, grassroots experience that can only be gained from working with front line employees: the people who will actually execute the new processes day in and day out.

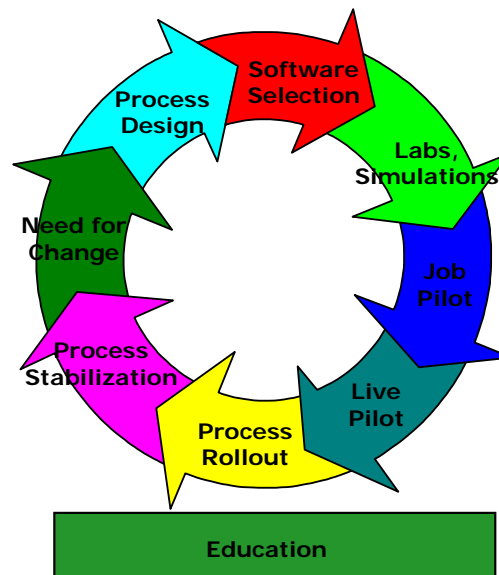
Ideas and Principles:

Important ideas and principles shape the approach:

- Consumer Driven** The design must put the needs of your consumers first. As a retailer, you know better than anyone that meeting the needs of consumers benefits everyone in the supply chain.
- End-to-end** The approach encompasses the entire supply chain. Unless an holistic approach is taken, you may find that you are really shifting costs among supply chain partners, rather than delivering true savings. Consumers love it when you can decrease the TOTAL cost to the shelf.
- Sustainable** You have a choice. You can focus on “quick wins” or you can take an approach that, while perhaps not as fast, will deliver significant benefit in for the long term. This can only happen if you change the mindsets of your *people* – with education, training and coaching. This is a long-term investment but very worthwhile for the future of your organization.

Overview:

Pictorially, here's how it works:



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While every project is different, the basic steps outlined above represent the major activities for most retailers undergoing a supply chain change effort.

Education

Decades of research and practice in the study of successful change management can be expressed in a single word: education. It begins when you make the decision to change, it happens constantly throughout the change effort and then it never stops (because neither does the change).

Get the education machine in high gear during the Process Design stage. You should start by figuring out who will need to be educated (the project team, senior management, end users, operations people, and suppliers). From there, determine how much time and effort will be required for education. Once you think you have it figured out, double it! If you're ever forced to skimp, don't do it on education!

What do we mean by education?

It is:

- Corporate-wide, conceptual education of key elements of the new processes;
- Designed to provide a high-level understanding of key concepts of the new processes;
- Meant to be a facilitated discussion between peers who work to understand how new business processes will work and deal with any issues that arise.

It is not:

- Software training with navigation tips, set-up, Help screens, etc.;
- Meant to make you an expert in any particular concept such as statistical forecasting, transportation planning, etc.;
- Designed to be a teacher/student classroom relationship;
- Exclusively for the people who will be working in the new processes.

So how can you quickly and effectively get the message to everyone in your organization?

Start from the top and "cascade" the education down through the organization. The President or CEO gets the ball rolling by educating the senior management team (with help from the project team experts, of course!). From there, the senior managers educate their folks, and so on, right through to the person who moves boxes in the store. Everyone in the organization goes through all the same sessions using the same materials to ensure that a consistent message is delivered.

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The content of the materials will inform and build understanding, but the cascading approach achieves the most critical goal of education: building ownership. People are more highly motivated to embrace change if they see commitment from management. What better way to demonstrate commitment than to pitch in on the education effort?

The internal education forms a base of core ideas that can be used to also educate external process participants, such as suppliers, carriers and third party service providers.

The Need for Change

As a retailer, you already understand this one. In today's challenging retail environment competition is fierce and customer expectations move in only one direction – up. The need to innovate is constant. The need for change becomes Section One of the education program. It answers the question “Why?” for everyone in your organization, whether or not they favour change.

Process Design

Without a doubt, process design is the most critical activity in your change effort.

When designing and documenting a business process, you are trying to represent, in a simple illustration, the way things *should* be. You generally start with high level processes and continue to drill down and add detail to the sub-processes (for example, Creating a Promotional Forecast for an Item is a sub-process of the overall Forecasting process).

The key to creating a good process design is keeping things simple. Think about it this way: If you're having a hard time drawing it out on paper, how the heck are you ever going to implement it? Having a well thought out, easy to grasp process design is critical because it's the foundation for all of the activity in the implementation.

Last but not least, remember that you're trying to map out the way things *should* be. You'll need a lot of creativity and some new ideas (although there's no shame in swiping someone else's good idea and adopting it as your own). A team with a lot of diversity – different educational disciplines, different cultural backgrounds, different ages, people new to the company and seasoned veterans – is usually the best recipe for coming up with great ideas.

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What's Happening in this Stage

- You're discovering and using as many catalysts for creative thought as possible: kicking around ideas in front of a whiteboard, visiting other companies not necessarily in your industry, sharing experiences among each other, and reading everything you can get your hands on.
- You're also organizing your thoughts and mapping out, at a high level, exactly what things need to happen to keep those consumers happy, forgetting about functional groups or silos and focusing on processes, steps and activities.
- To get the ball rolling on education, Senior Management is educating the entire organization about the case for change.
- At the end of this stage, process education kicks into high gear for all affected stakeholders.

Why it Works

- Because of you. You're involved in setting the future direction of your company. Involvement creates pride in ownership and ownership sustains change. A concept this simple will never win a Nobel Prize, but it's very effective in getting people to take charge.

Software Selection

You'll notice that we put the Software Selection step after Process Design. There's a simple reason for that. The process is what defines what you want the future to look like. If you don't evaluate software in that context, you risk selecting the wrong package or, even worse, building software in house that serves no purpose to your customers. This will inevitably lead to an implementation that will not produce the results you're after.

In spite of this fact, many change efforts naturally tend to focus almost solely on the technology. To a certain extent, that's only natural. Software is tangible – you can touch it, see it, point-and-click it. But the bare fact is that it's only an enabler for a good process, not a replacement for it. You can buy the best golf clubs in the world, but if you don't work on your swing, then any improvement in your score will be minimal.

So how do you evaluate technology to ensure that your new process will be supported?

Since you already have the process designed in detail, it's quite straightforward. You buy software the same way you buy a car:

1. Make a list of what options you need and which ones are nice to have
2. Narrow down the list of dealerships you're going to visit
3. Take some test drives.

List the options

Your business process tells you what functionality you need to look for. By writing scripts based on your process, you can mock up a step-by-step “day in the life” of how the process will be executed in the future. You can even rank functionality – for example, if you run a lot of promotions, then the ability to enter a promotion forecast override and automatically re-plan supply is absolutely critical (i.e. without this functionality, the process simply can’t work). It would also be very helpful to have reports that help you analyze promotional activity and improve the forecasting process. This functionality is extremely useful, but it can be sacrificed (or worked around) if necessary and the process will still function. It can serve as a “tie-breaker” between competing packages that already have the critical functionality.

Narrow down the list of dealerships

Once you’ve figured out what the technology must do and what you’d like it to do, you can start looking into who can provide it. Your I.T. people, industry publications, surveys and the Internet (a.k.a. the most valuable research tool in the history of mankind) are all valuable resources.

Take some test drives

After you’ve figured out who might be able to supply the technology you need, invite them to come to your site and help you to simulate your future state. You can test your process with your scripts, your data, your people and their system. By scoring each script, you have a basis to determine the degree of fit with what your process requires. You want to have an accurate, unbiased evaluation of how well your *people* can interact with their software to run your business, so your team must be involved in the actual simulation. Testing the ability of software suppliers to demonstrate their own products doesn’t really help you at all. Is this a big up-front investment for your company and the software vendor? You bet. The time is more than recouped during the implementation, as you know exactly what you’re buying. It will drastically improve your chances of a successful implementation – one that pays big dividends, in perpetuity, for everyone involved.

It is also possible to use these scripts to build your own software internally. You have to ask yourself a serious question: Are you in the business of building (and testing and supporting and upgrading) software or are you in the business of moving product to consumers? Experience has shown that if the business process makes sense, there are usually at least two or three packages out there that can support it. A little effort up front finding these companies can potentially save you a heap of effort and money later on. This effort and money can go where it really belongs: satisfying those consumers!

What’s Happening in this Stage

- Scripts are written to test the software’s ability to support the process.
- Potential software suppliers are researched, contacted and short-listed.

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- The scripts and data are sent to the short-listed software suppliers to populate their system in order to execute a simulation of the process.
- Working together with the software suppliers, the scripts are executed and scored.
- If required, criteria that are not directly related to functionality are scored – reference visits with current clients, architecture considerations, etc.

Why it Works

- Consensus on the scripts, ranking and scoring criteria is done before any package is shown. After all the scores are tallied, you have an unbiased, apples-to-apples evaluation of each package.
- The software selected is the one that best supports your process.
- Having a canned demonstration of each software package is like having the car salesman take a test drive and tell you how great the car is. By test-driving the software yourself, you can often go straight to implementation with little or no modifications – this is music to everyone’s ears – your team, the I.T. department and the software vendor selected.

Labs, Simulations

Making change real and sustainable is simple: all the world’s a lab! Labs and detailed simulations are used by the project team to through various process flows and see how they’ll actually work. It’s the first detailed integration of process and the chosen technology.

The labs and simulations are usually executed by the design team. The purpose is to learn every detailed aspect of the software, refine the design and confirm any places where the software will not support the process. Given that you’re starting with the best possible technology fit, a process work-around can usually be found to fill most gaps and avoid costly software modifications.

They also allow the design team to test the impact of a number of alternative parameter settings. The data used is real, and is a small but representative sample of your business. This will allow you to test all of your challenges (e.g. highly promoted items, seasonal items, slow movers, short life-cycle items, etc.) and determine initial parameter settings for future pilots and live implementation.

What’s Happening in this Stage

- The design team is becoming intimately familiar with the new software.
- Detailed simulations are run, gaps are uncovered and required process changes are documented.
- Initial parameter settings are identified.
- Ideas for training are being documented for the Job Pilot.

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Why it Works

- The process is being refined so that the full solution (process and software) is implementable

Job Pilot

This is where things really start to get interesting. Everything you've learned as a design team up until now gets put to the test in front of actual end users. You'll be giving them a glimpse of what you think their future "day in the life" will look like. And, most importantly, you'll be getting feedback about some important things that you have surely missed.

You'll use some of the same scripts as before. The process and software will be tailored based on what you learned from the previous lab. You will have populated the system with real data that the Job Pilot participants own and recognize.

The chosen end users for the Job Pilot are given some basic training in navigation and they will execute the scripts. The role of the design team is to guide them through, keep their mouths shut as much as possible and document feedback and suggestions. This feedback will be as valuable as gold bullion for building ownership in the new world as you go live. Why? Because you'll be using it to build further changes into the process and system set-up. When these people become live users, they actually see their suggestions put into practice and feel a sense of obligation to make the process work. It's change management at it's best.

What's Happening in this Stage

- Operational people are selected and educated on the future state. Their calendars are cleared by their managers to allow them time to participate in addition to doing their current job. Rudimentary software training is delivered so that they get the hang of the "look and feel" of the new system.
- "Day in the life" scripts are executed with a number of people who will inherit the future state process. The design team guides the pilot and helps out when people get stuck.
- Ideas, suggestions and feedback are gathered.
- The results of the pilot are shared with the participants – refinements that will be made as a result of their feedback and why certain things can't be incorporated right away.
- Concurrently, the I.T. people are doing volume testing and hardware tuning, if required.

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Why it Works

- New ideas can (and do!) come from anywhere.
- The people who'll execute the new process are the ones helping to shape it.
- No tremendous I.T. effort to write interfaces, as data imports are ad-hoc.

Live Pilot

This is where the rubber hits the road. People, process and systems are now working in a fully live environment and running a piece of the business. There are two main areas of work: interface design and pilot preparation.

An important output of the Job Pilot is information requirements. These requirements form the basis of interface design, which is performed by the design team with help from I.T.

When the designs are complete, I.T. constructs and tests required interfaces between the new system and current systems. Sometimes this is referred to as an Integration Test.

While this is happening, the piece of the business that will go live is selected. In Live Pilot a small, controllable portion of the business goes live. The main goal for the selection is to avoid having a person "living in two worlds". Data is cleaned up, people are fully educated and trained (in understanding the goals of the process, using the software and doing the job).

When all this is done, it's time to jump in the pool. The process goes "live" for the first time with a chunk of the business. The Live Pilot can run anywhere from 4 to 12 weeks, depending on the requirements for your business.

What's Happening in this Stage

- Data interfaces are designs are finalized, constructed, tested and put into production.
- Data errors are uncovered and cleaned up.
- All people whose jobs will be changing within the scope of the pilot are educated and trained (users, suppliers, support staff, etc.).
- Business goes live (including suppliers) and the new process is executed for the selected items.
- Users are heavily coached and supported by the design team as they become accustomed to their new environment.
- You continue to collect feedback to be built into process improvements for future rollout waves.

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Why it Works

- People have been involved, they are trained and coaching occurs once they go live.
- During Live Pilot, problems are solved as a team, making the most of the user's experience and the design team's intimate knowledge of the new process and systems.

Rollout

You can get some of your best feedback from the Live Pilot, now that things are no longer theoretical. Depending on the amount and quality of feedback received, it can often be beneficial to schedule a "maintenance release" prior to full-scale rollout. This can give you a chance to implement as many improvements as possible.

Regardless of whether a maintenance release is scheduled, decisions are made about rolling out the process to the remainder of the business. Once you figure out the sequence and timing, you repeat the same steps as Live Pilot for the next "chunk" of the business going live, looping back as often as necessary until the entire business is in the new world.

Process Stabilization

Changing the way people work doesn't happen overnight. Full adoption of the new standard can often take 6 months or more, depending on how much needs to be "un-learned" first. You need to be patient and keep your eye on the ultimate prize: significant long-term performance improvements.

As people are adjusting and the process is becoming more stable, the results of the process are measured and analyzed. Opportunities to continually improve the process are determined and implemented. And the cycle of change begins again.

Summary

The concepts described in this paper serve as an outline of a proven approach for designing and implementing supply chain planning processes.

Of course, each situation is different. The number of labs and pilots may change, as well as the size of the pilots and the rollout approach.

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What doesn't change is the basic philosophy. It's focused on people and process first, technology second. The majority of the effort is spent working as a team, developing ideas together, sharing knowledge and having fun.[†]

[†] About Demand Clarity: Demand Clarity Inc. is a focused consulting firm whose mandate is to simplify supply chain planning. For more information on this topic or others, please phone us toll free at 1-877-877-9769, send an email to info@demandclarity.com, or visit us on the web at www.demandclarity.com.