

Sales & Operations Planning at:

SPORT 24 BUSINESS

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This case about SPORT 24 BUSINESS gives a general description of the company's process as it participated in the project "Improved Competitiveness through Implementation of Sales & Operations Planning" implemented from 2017 to 2018 with funding from the Danish Industry Foundation (see www.salesandoperationsplanning.dk).

The case provides SPORT 24 BUSINESS's reason for participating in the Sales & Operations Planning project, the project approach, the performance earnings, and the learning achieved. It is important to note that the project was far more complex than is possible to reproduce in the present case. The case therefore concentrates on the central stage, reflection, and learning points of participants.²

¹For a full overview of the tools see: Stentoft, J., Freytag, P. V. & Mikkelsen, O. S. (2019), *Improved Competitiveness through Implementation of Sales & Operations Planning*, Department of Entrepreneurship and Relationship Management, University of Southern Denmark.

²A big thank you goes all the employees at SPORT 24 BUSINESS who participated in the project and for the positive approach in contributing to group processes, individual interviews, and readings of and commenting on written material.



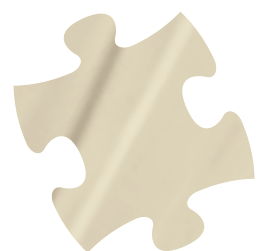
1. Introduction



The umbrella company SPORT 24 has a sales turnover of about 134 million Euros and is headquartered in Silkeborg, Denmark. SPORT 24 BUSINESS, the subject of this case, accounts for about 5% to 10% of overall sales turnover.

SPORT 24 BUSINESS helps companies expose their brands with services such as prints, unique embroidery, and laser engraving on gifts. The goal of SPORT 24 BUSINESS is thus to personalize products as customers choose. The main customer segments are clubs, schools, and businesses.

SPORT 24 BUSINESS cooperates with leading brand manufacturers to provide customers with the most desired goods and prices. Customer receive direct access to the best and latest in corporate clothing, sports gear, and promotional items. Primary segments are clubs, schools and business.







2. The starting point

2.1 RECOGNITION

SPORT 24 BUSINESS started as a merger/acquisition of several independent companies in the field of corporate clothing, sports gear, and promotional items. In early 2016, SPORT 24 BUSINESS consisted of nine independent departments under the SPORT 24 brand and with sport articles for clubs. Each department had sales subsidiaries that accounted for all tasks, including planning customer meetings, conducting sales meetings, ordering goods, and ensuring deliveries.

The company's logistics manager Jan Hansen had heard about the sales and operations planning (S&OP) project at The Danish Industry Foundation at a network meeting, and he contacted researchers at SDU to ask if SPORT 24 BUSINESS could participate. Jan Hansen wanted SPORT 24 BUSINESS to participate because the company had experienced challenges in the order flow from customer requests to physical deliveries.

2.2 ANALYSIS AND DIAGNOSIS OF THE CURRENT SITUATION

The operation of SPORT 24 BUSINESS required a large commitment from employees. Employees needed willingness to help each other and the ability to solve acute challenges in filling rush orders. Lack of coordinated, systematic approaches hindered the order flow. The goal was to create a coherent and common platform from which to act and thereby develop a more effective division of labor and specialization. Therefore, prior to the start of the S&OP project, an activity took place to create a common foundation for developing SPORT 24 BUSINESS.

During the S&OP project, a brown-paper session was conducted to identify

Figure 1: Overall process flow at SPORT 24 BUSINESS

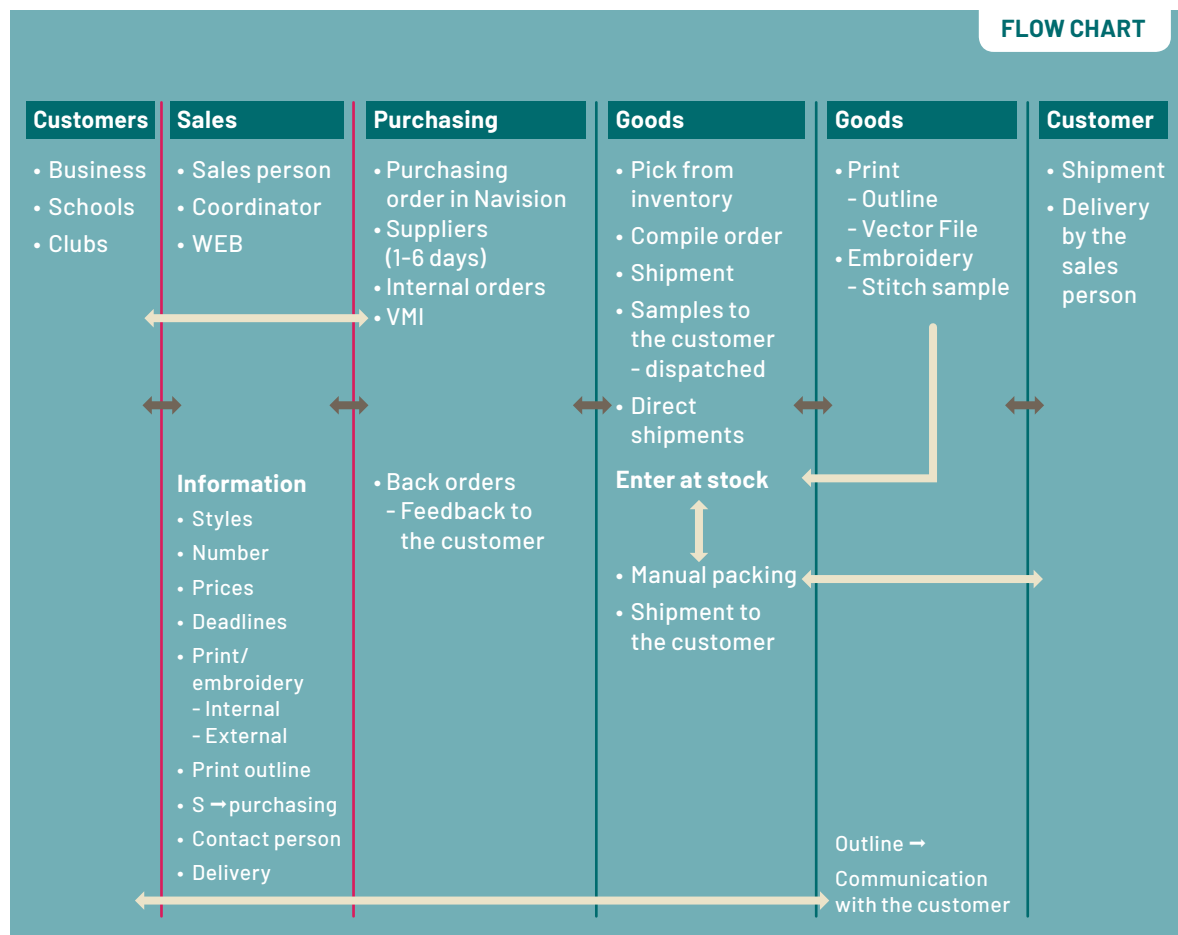


Table 1: Summary of challenges and perceived strengths

CHALLENGES (RED STICKY-NOTES)		PERCEIVED STRENGTHS (GREEN STICKY-NOTES)	
1.	Better handover in the flow is needed	1.	We would like to do our best—although there is room for working smarter and not harder
2.	Right placement of tasks in the work flow	2.	Good to follow-up on cases
3.	Information/communication	3.	All take responsibility
4.	Process descriptions	4.	The system (Navision) is in place
5.	Mutual agreements/procedures	5.	Dynamic team
6.	Closing IT purchasing requisition	6.	Enthusiastic team
7.	Better cross-functional understanding	7.	Service minded: The customer is in focus
8.	Necessary resources	8.	Good collaboration + respect across departments
9.	Ensure required training/education	9.	Good colleagues
10.	Prioritization/trust	10.	Good communication between sales people and their assistants => release time to sale

Source: SPORT 24 BUSINESS.

key processes in the company. The work processes are displayed in Figure 1. Twenty-four employees from sales, internal sales, purchasing, logistics, production, finance, and IT participated in the brown-paper session.

The brown-paper session provided a comprehensive overview of the order flow and locations of challenges. The brown-paper session revealed a number of challenges and strengths, as shown in Table 1.

A key challenge was a need for better interaction and handover of tasks in the order flow. In the absence of precise agreements, unclear communication could easily create unnecessary challenges in order flow. However, the employees demonstrated great commitment and a true interest in making improvements and following up on problems. Additionally, the employees also took responsibility, which was a good starting point for the new S&OP process.

However, leaders determined a need for a foundation project before the new S&OP process was developed. Huge differences in the way orders were handled during the order flow created issues. Leaders identified concerns regarding how the system was used. Thus, increased coordination and systematic controls were required before defining the S&OP process. A “16-point checklist” (Table 2) was developed for salespeople to fill out in order to obtain a better foundation for managing the process. The required master data were supported and provided through Navision.

Key Performance Indicators (KPIs) were developed to create clear targets for the process. The KPIs were developed within the following areas:

- Forecast accuracy in %.
- OTIF (on time in full).
- Lead-time measured in days.
- Expired goods.
- The perfect order flow in %.
- Efficiency - Stock.
- Ability to deliver from supplier.
- Turnover rate.
- Orders with sketches.
- Claims.
- Backorders from suppliers.
- Prints per hour.
- Flow of incoming goods.



Table 2: 16-point check list

Customer information	Delivery information
Seller code	Shipment
Location code	Desired sending date
Style, variant code & number	Confirmed shipping date
Product code – print per unit	Ship date
Possibly procurement code	Sketches (link)
Order printing	Comments (pencil)
Prices	Release date

Source: SPÖRT 24 BUSINESS.



3. Implementation process



It was important that SPORT 24 BUSINESS appointed an S&OP process owner, so the process got an ownership.

Jens Arvad Johansen, Senior Consultant, 4IMPROVE Consulting Group.

3.1 DEFINING NEW S&OP PROCESS

3.1.1 The technical part—"hard wiring"

In a typical S&OP process, before the executive meeting, three meetings take place: a demand meeting, a supply meeting, and a consolidation meeting. The demand meeting covers the sales forecasts and the deviations that may occur. The supply meeting is about the opportunities and challenges in delivering the products the forecast demands. The consolidation meeting is about aligning expectations based on the gathered data from the two previous meetings. Before the meetings, the S&OP process owner ensures that required data for the meetings are available. The overall new S&OP process appears in Table 3.

As of this writing, the monthly S&OP cycle has operated for three months, already producing some positive effects. The data have improved from month to month. Participants have achieved a better understanding of data relationships. Sales forecasts for the next one to two months have improved; salespeople will soon look ahead with more reliable forecasts for the next six to twelve months. This is an important objective for the new S&OP process. In addition, a high level of trust exists among participants, boosted by the S&OP process. A senior consultant from 4IMPROVE Consulting Group participated in meetings, helping ensure the process was implemented and the right points were on the agenda.

Table 3: The new S&OP process

Data foundation	The S&OP process owner collects the necessary data
Demand meeting	The S&OP process owner discusses with three participants from sales how the sales forecast develops for the coming two-month period.
Supply meeting	The S&OP process owner discusses with four participants from operations how the sales forecast can be met.
Consolidation meeting	A management group of four discusses and approves the presentation for the coming period.
Executive meeting	As of this writing, this meeting has not yet been completed, but the plan is to present the results of the prior period and the plan for the future period.

Source: Sport 24 BUSINESS.



For SPORT 24 BUSINESS, it was necessary to break the project into two subprojects: an operational S&OP [foundation] and a tactical S&OP, which became evident during the AS-IS phase, as their order management process did not work properly.

Jens Arvad Johansen, Senior Consultant, 4IMPROVE Consulting Group.

Thus, after only a short time in the operation phase, the new S&OP process has led to a number of clear advantages for the organization. Salespeople have become better at forecasting sales, evaluating forecasts, and correcting them. A more effective dialogue has emerged across the organization. In particular, the dialogue among sales and operations personnel has improved, whereas before, these departments held two different worldviews that did not interact effectively.

Leaders have chosen not to make a “big bang” implementation of S&OP by launching throughout the whole organization at once. Instead, the process was implemented by four salespeople who followed the entire process. This approach has produced good results. For example, salespeople have become better at avoiding rush orders. Nevertheless, ten to twelve vendors remain to enroll in the new S&OP process. During the spring of 2019, company leaders plan to enroll the remaining vendors—the goal is to have the process fully implemented by July 1, 2019.

It is important to correct errors before S&OP is implemented throughout an entire organization. Experience with the rollout of S&OP has shown the importance of remembering that employees need time to familiarize themselves with the S&OP, to understand it, and to accept it. This means implementation should occur in several rounds with the involvement of staff.

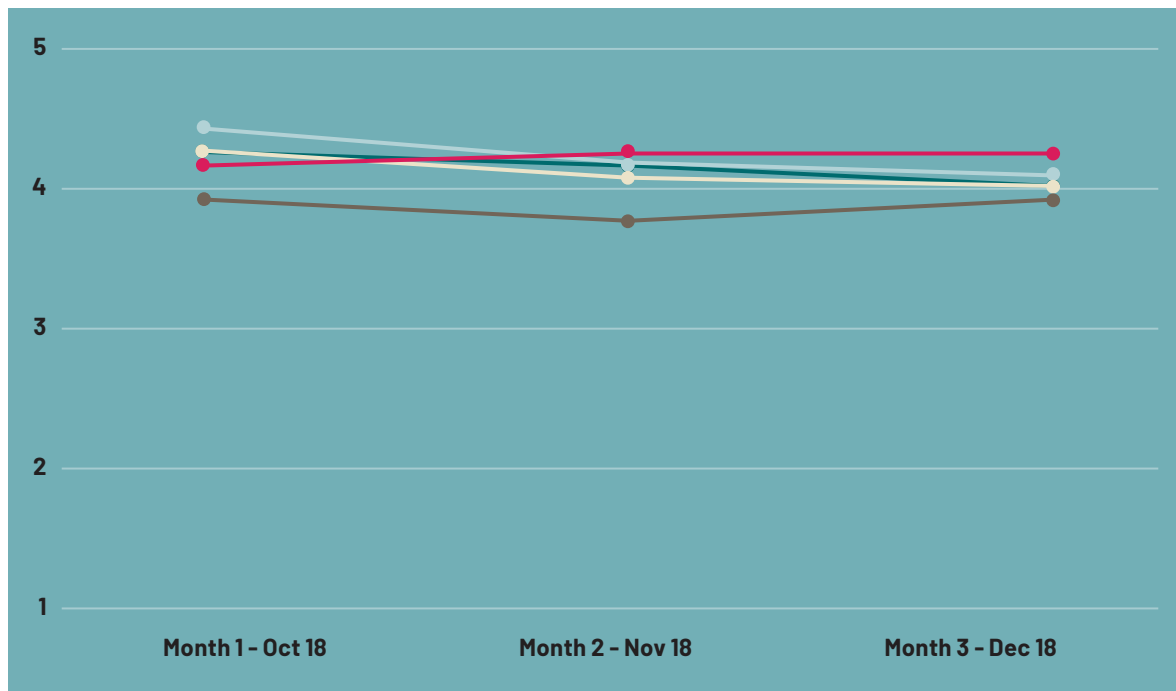
3.1.2 The behavioral part—“soft wiring”

To strengthen awareness of and involvement in the S&OP project, personal profiles analyses using the Myers-Briggs Type Indicator (MBTI) were carried out. These analyses provided a good understanding of differences and similarities among employees and showed why they behaved as they did. The identification of the personal profiles had a positive impact on how communication among different types of employees takes place. In continuation of the profile analyses, several Key Behavioral Indicators (KBIs) were developed:

- **Good communication** (listening actively, communicating accurately, speaking properly, communicating concretely whenever needed, avoid using cc in e-mails, decreasing response times on queries).
A KBI under development: Answering within 24 hours. Using cc e-mails means that those on the cc list not should react (contact the source directly).
- **Prioritization of S&OP** (yes and no). Attending meetings with the right attitude, handing over tasks, respecting facts, explaining lead-time matrix to customers, preparing well for meetings, holding meetings on time, referring to the KPI board.



Figure 2: Perceived relevance of KBIs



KBI established: Meeting on time and delivering as agreed in the S&OP process.

- **Make demands for ourselves and others** (aligning expectations, writing the perfect order, making attendance compulsory, making realistic and fair demands, noting how to follow up).

KBI established: People should only take responsibility for the part of the order they are responsible for and react on deviations within four hours.

Management consultants from Mercuri Urval assisted with the S&OP project and affirmed the importance of establishing KBIs. In particular, the consultants helped the team develop the ability to listen and be aware that people are different. The consultants supported the process and clarified the need for better communication. The employees have welcomed this part of the process. It has helped the team gain a better understanding of the need to work together as a team.

Figure 2 shows participants' perceptions of several KBIs indicating high interest, commitment, and willingness to engage in the S&OP process during the period they worked with the S&OP. The KBIs show mean values between 3.5 and 4.5 on a 5-point Likert scale ranging from 1 (very low relevance) to 5 (very high relevance).

- Perceived relevance of KBIs
- The necessary openness exists between the meetings participants
- Dialogue takes place at a constructive listened level 2
- Debates and discussions are primarily based on facts and not feelings
- There is a reflection about the process and whether the debated themes really grasp the core challenges (listened level 3)

“The project has given both operation and sales opportunity to work from the same world view.

Jan Hansen, Logistical Manager, SPORT 24 BUSINESS.



4. Effect and learning

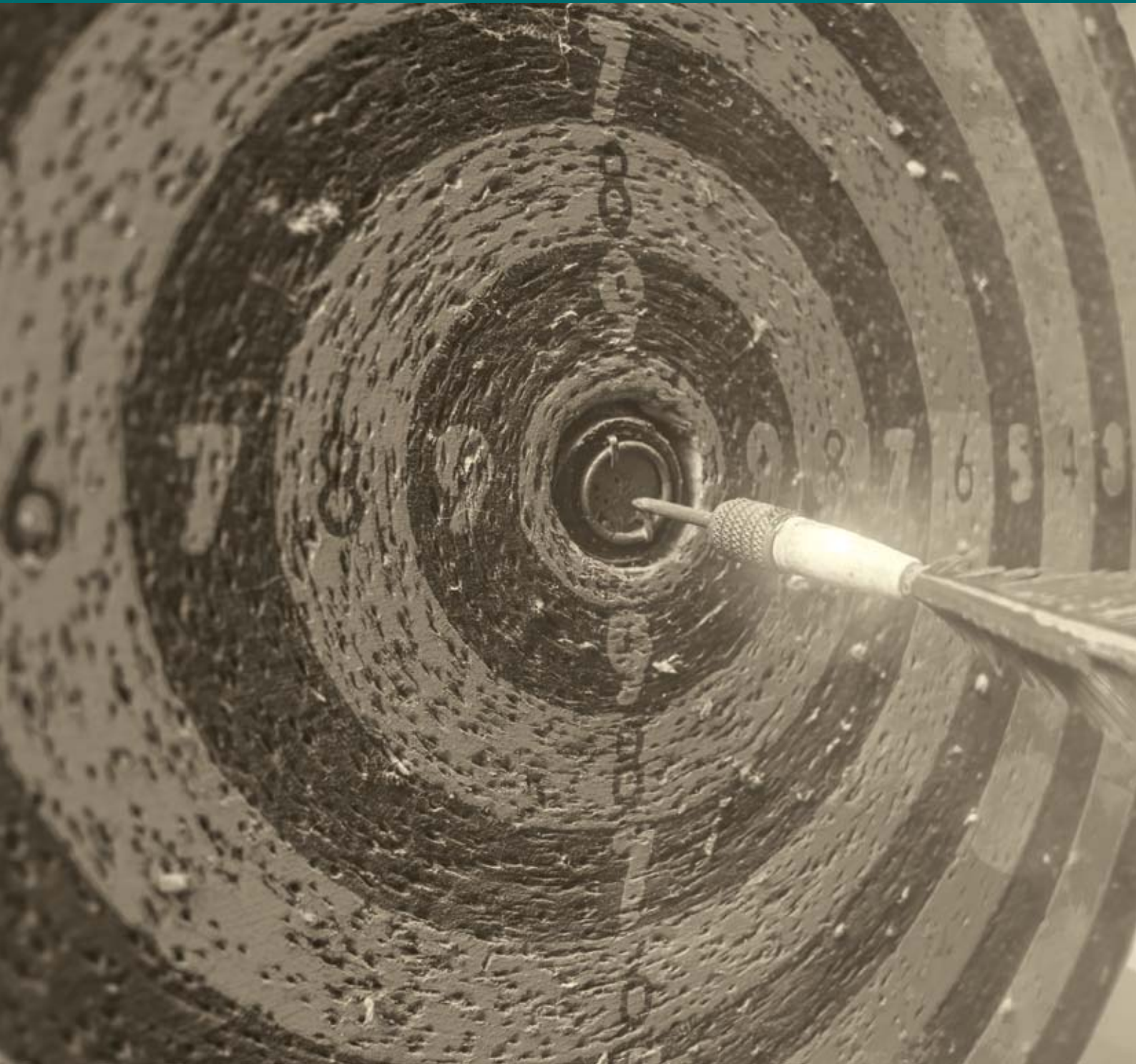
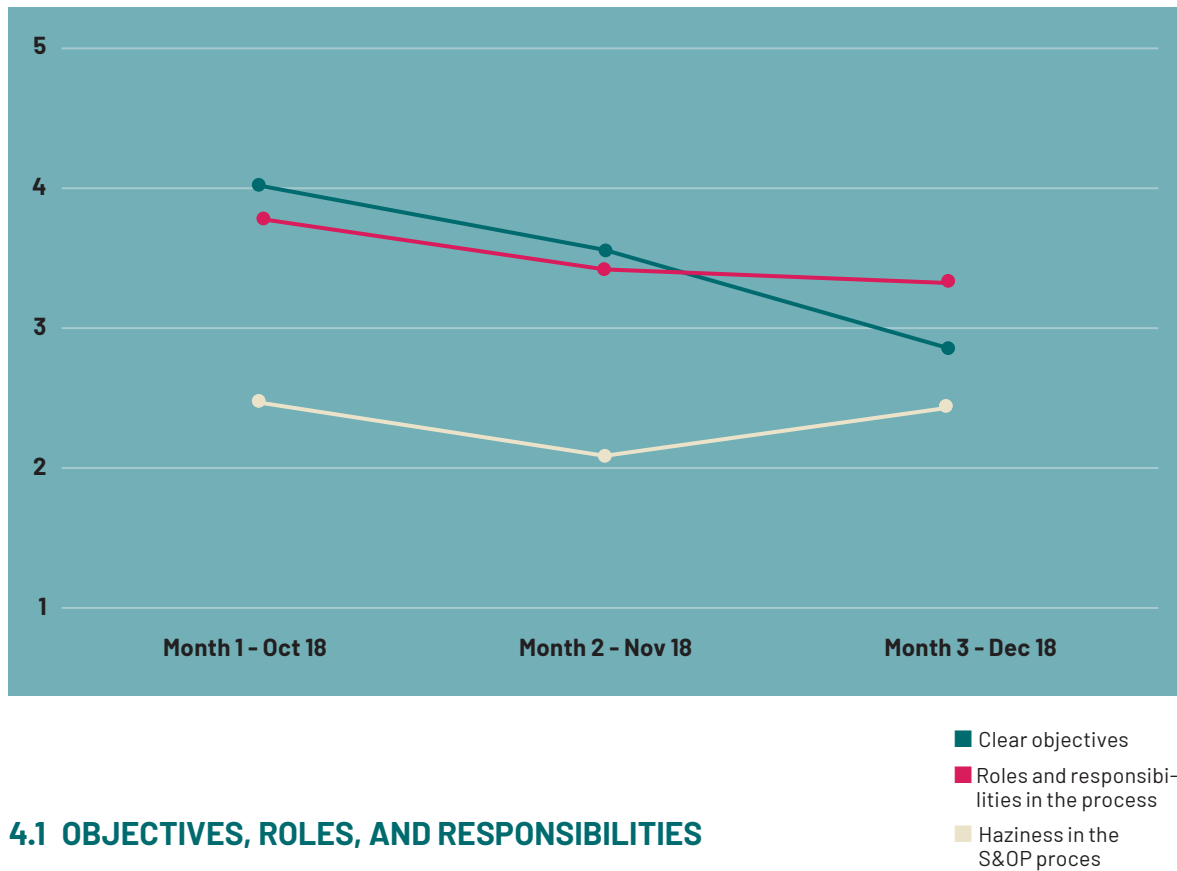


Figure 3: Development of the challenges with the clarity and perception of roles and responsibilities of the objectives



4.1 OBJECTIVES, ROLES, AND RESPONSIBILITIES

In general, perceptions of objectives, roles, and responsibilities and haziness in the S&OP process improved during the project period, as illustrated in Figure 3. On a 5-point Likert scale, 1 meant challenges had become much worse and 5 meant challenges had lessened. The findings indicate that continuous improvement took place as more experience was gained. Both managers and employees were engaged and committed to the process. For example, participants consciously sought to identify and correct any inconvenience before the S&OP process was rolled out to the rest of the organization.

The readiness ratings remained relatively constant; however, the data reflect the willingness to implement S&OP at SPORT 24 BUSINESS. Average values of perceived change readiness for the different variables ranged from 3.3 to 3.9 on a 5-point Likert (1 = very low degree; 5 = very high degree). In the future, these data may remind participants to focus on their willingness to change.

4.2 Achieved results

Specifically, the first phase has shown some positive results. For example, participants have become more skilled at handling challenges such as the Christmas season. Participants have begun to understand the relationships that exist and can identify where challenges may arise. Now that they more aware of the challenges, this new understanding has helped them succeed. At the same time, they have improved delivery performance in the areas in which S&OP was applied. Overall, participants now have a more solid data

foundation and better cross-functional dialogue. Thus, they find it easier to spot the origins of the challenges, whether these challenges originate from suppliers, sales, or distributors. In this context, it is vitally important that the order process is under control; employees should know its status and their ability to deliver. Another direct effect of S&OP was measured directly in the print shop, where efficiency increased 40% to 60%.

4.3 LEARNING

People are different, and it is necessary for managers to take this into account in optimizing processes in an S&OP project. In particular, SPORT 24 BUSINESS has become more efficient at removing some of the differences between sales and operations. The mission is not yet fully complete, but the journey is started, and participants are fully aware that progress requires continued awareness.

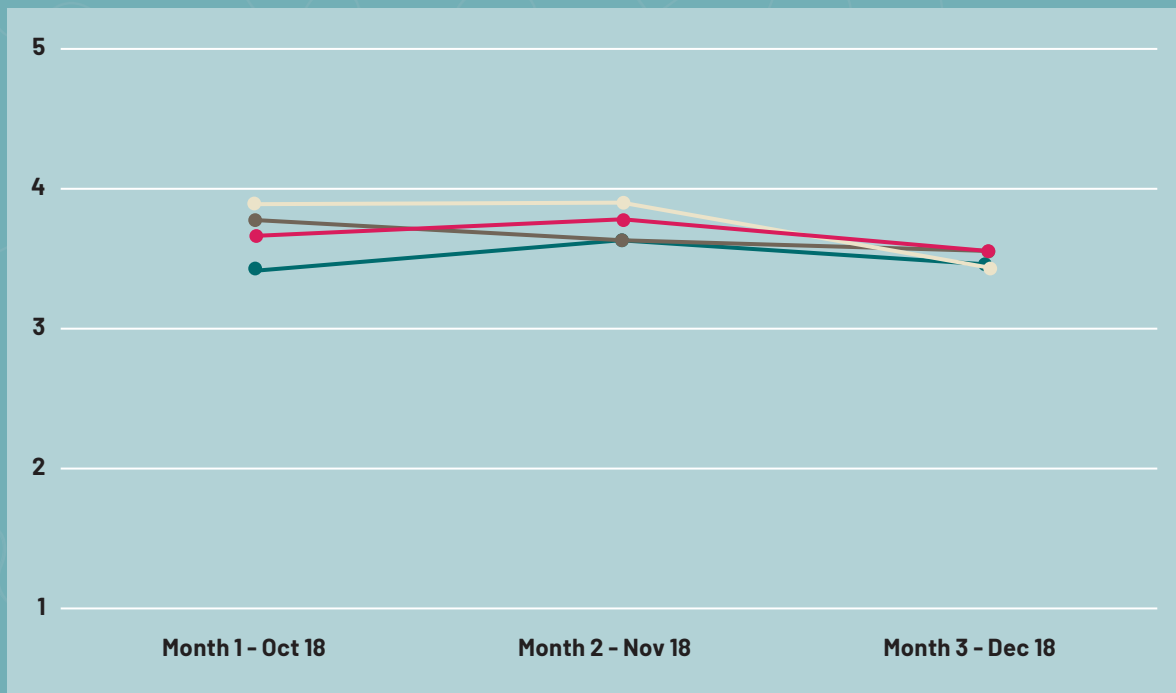
It is also important to address employees' readiness regarding insights needed to understand and accept what S&OP means for the organization and for employees. It takes time and much communication, starting with identifying personal differences among employees. The process at SPORT 24 BUSINESS has led participants to accept the dependence and connectedness among the different parts of the organization.

In addition, participants have developed a procedure for handling situations that formerly motivated SPORT 24 BUSINESS to choose to accept rush orders. Situations may still arise in which it is important to accept rush orders that must be individually handled; however, these cases must be rare. In other words, participants now have increased ability to identify how much flexibility is necessary. In this process, a new delivery matrix helps salespeople understand the frames and constraints.

Finally, the order handling process at SPORT 24 BUSINESS will affect SPORT 24's retail business. Although they are two divisions, certain touch points require alignment. Thus, it is expected that the positive effects achieved within 24 SPORT BUSINESS will have positive effects in the retail area in the long term.



Figure 4: Development of perceived readiness for change



- Change readiness of top management
- Change readiness of operations/supply chain
- Change readiness of sale
- Change readiness of S&OP process manager