



#### The Problem

Imagine the scenario where Sales teams are incentivised with bonuses for sales contracts based on the initial order, but the contract allows changes of product and quantity with 48h of delivery. Imagine how thrilled the Operations teams are to have those changes be made, with some long lead time materials taking 6 months to get! Bring on the fireworks!

#### You get what you measure

Many businesses set up their teams with goals and measures that feel like they make sense. In this case, bring in more sales. Increase the top line; revenue is king!

The measure for Operations, though, is reduce cost. On a unit cost level, the cost of materials sitting unused adds up quickly as these are attempted to be recovered; essentially as the *Cost of Goods Sold (GOGS)* or as an apportioned overhead. The tension then exists as a battle between the top line of revenue and the bottom line of profit.

Sales argued that by their measures they were successful. They were correct.

Operations argued that they were forced to increase the unit cost to recover their operating expenses. They were correct.

The challenge for a business is that it is a business. It is not the simple sum of team successes. It is a combined effort to achieve total goals. This business was not working that way and the fiefdom battles were ultimately resulting in bad results for the organisation, and worse results for customers!



Without shared goals the teams would continue to battle for supremacy. Nobody wins that war

#### Our Conclusion

It is not enough to have measures. Those measures need to drive behaviours and results that make a difference to everyone. A focus on team success rather than contribution to customer value typically creates subcultures of unhealthy competition in organisations. In order to make strategic changes that have a cultural benefit it can take bold leadership, of the kind showed by this CEO. Sometimes for the success of everyone, if you can't change the person, you need to change the person.

#### Share the measures



To create shared goals a major cultural change would be required. This can only be created from the top.

The CEO agreed with my assessment that *Sales Operations Planning (SOP)*, the process of aligning the *Value Stream* of the organisation based on customer needs, would be an ideal way to bring the balance to the force that was needed.

We created a simple *process map* from order to fulfillment and demonstrated the difficulties in getting things done using *Theory of Constraints (ToC)*. It was this straightforward visual representation that created the lightbulb moment.

Senior people from Operations and Finance attended a brief meeting every morning to compare production, revenue, sales forecasts, and known demand. It took the CEO removing the Head of Sales, but Sales eventually had their decisionmakers in the room as well. Sharing of information became routine, proactive, and flexible to support each other's part of the process.

The group agreed on a *driver tree* approach to create measures they could see that they could each influence and that brought them to the common goals of meeting customer demands. Those Sales contracts were changed in collaboration with their customers.

After a time they started to work together to find better ways to exceed customer requirements, and make their own process easier. *Continuous Improvement* became a shared way of life, rather than just that thing Operations did!