Managing Change In CPG Manufacturing

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According to new research published by the Economist Intelligence Unit and sponsored by Celerant Consulting, senior executives are shifting their priorities towards growth and the future as the economy slowly recovers. *Food Manufacturing* spoke with Doug Newman of Celerant Consulting about the most important changes CPG manufacturers can make in these crucial times.

Q: Now that the recession is ending, what specific changes are companies making?

A: We are seeing a lot of interest in investment for the future. This is taking many forms including technology upgrades, capital investments in supply operations and innovation investment. We are also seeing companies look very much to shift to growth while maintaining the efficiency and effectiveness strides they have made over the past few years, such as ramped up production without restarting lines or plants that have been shut and ensuring that sales funds and trade dollars are delivering expected returns.

According to our research, the top five specific changes that global organizations are undertaking to better prepare for growth and the future are Sales and Marketing (41 percent of respondents); Supply Chain/Procurement (26 percent); Information

Technology (24 percent); R&D/Innovation (22 percent); and Finance (20 percent).

Q: What are the main causes for this change for CPG manufacturers?

A: While most people believe that 2011 is going to continue to be tough, particularly given the commodity crunch and the maintenance of the "trade down" attitude that many consumers took during the last 2 years, there seems to be a growing confidence that we are through the worst and will not experience a double dip recession.

CPG companies are increasingly turning to change management initiatives to stay ahead of external pressures and challenges. The majority of survey respondents stated that the main forces driving change at their companies were competitive and cost pressures (60 percent) and customer demands for better quality and service or different products (36 percent).

Q: How can companies, especially CPG manufacturers, successfully implement this shift in focus?

A: While it may be tempting to breathe a big sigh of relief that the worst is over and that the day-to-day operation may start to shift back to the more "fun" area of managing growth, it is important to understand that we are not entering a period of unconstrained growth. CPG manufacturers need to ensure that they are making considered bets on the types of growth in which they will invest while continuing to mind the gap between branded goods and private label goods.

According to the research and our own experiences, successful implementation involves primarily three core disciplines. First, leadership and communication are needed to create a sense of urgency. Successful change requires a widespread belief within the organization that action is necessary. This requires a consistent message from senior executives—otherwise employees will assume that the issue is not important within the business. Second, building support for particular initiatives. A sense of urgency must be converted into willingness for the company to provide resources to any given program. And third, planning is crucial. Effective change requires a good roadmap, including clear delineations of responsibility and steps, preferably with initial easy wins to boost morale and momentum.

Q: How will these changes impact the CPG industry overall?

A: CPG companies are investing resources in ongoing change initiatives at higher levels compared to overall respondents. In fact, only 5 percent of CPG executives stated that their companies have decreased the amount of resources spent on change management initiatives in the past 12 months, compared to 11 percent of overall respondents. Additionally, more than half (54 percent) of CPG respondents stated that resources dedicated to change programs have increased in the past 12 months, compared to 48 percent of overall respondents.

Another impact is the volume and frequency of similar change management initiatives. While 25 percent of overall respondents stated that they plan to launch five or more change initiatives in the next 12 months, only 20 percent of CPG executives responded that their companies plan to do the same.

Q: What are the most important items companies should remember when managing change?

A: As this year's study shows, getting the most out of change initiatives requires going beyond the basics of *leadership commitment, good planning,* and *communication.* Today's CPG companies should keep several key principles top-of-mind as 2011 unfolds.

Treat change programs as a key, but limit strategic resource. In practice there are limits to how much change a company can absorb—on average survey companies make just 3.6 change initiatives annually. Competitors will be looking at other areas than just cost cutting, including trying to grab some of your market share. Aligning the focus of change with the most pressing strategic priorities has thus become more important than before.

In preparing for the future, consider whether your sales function needs an overhaul or you need to address an overarching company-wide issue. The most popular area for change programs over the past year has been sales and marketing. Other businesses, meanwhile, are making a strategic choice to look at company-wide change such as complexity reduction. The key consideration is where change will best prepare the firm for the new competitive environment being shaped by the multispeed global recovery.

Sweat the details. The broad principles of change management may vary little, but the details will in ways that matter. As executives opt for new goals and locations for change programs, they will need to understand the resulting specific requirements of success. These will likely differ from the requirements of changes in the depths of the downturn. Cutting costs, encouraging growth and promoting sustainability need distinct play books.

Treat bottlenecks as a symptom, not a disease. If middle management is a difficult bottleneck to change, then leadership needs to improve. Bring middle managers into the change process earlier, have them work on the planning and use them as change champions. Leadership is not about telling people what to do, but getting them to do it. If more senior employees are the problem, then leadership is dysfunctional and needs to address its conflicts quickly.

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