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integrating organisations



Business Integration & Sales & Operations Planning

A Powerful Decision-Making Discipline



Business Integration/S&OP - a powerful business management and integration framework. In this article we will describe the evolution of early and advanced staged Business Integration/S&OP and the associated benefits.

Those companies that have stayed the course and continued to refine and improve their Business Integration processes, have come to realise that this discipline is more than just balancing sales, supply and inventory. It is now a fundamental discipline that enables organisations to delivery strategy and their business plans, unlocking tremendous value and increasing competitive advantage.

Many companies have the basic elements of Business Integration/S&OP in place but have failed to understand the full integrating potential of the process, and are destined to remain in what we call Stage One evolution (Basic Business Integration/S&OP). The one common element that Stage One companies share is that Business Integration/S&OP is not seen as the business management and decision-making framework in the business. Typical observations of a Stage One Business Integration/S&OP process are:



- Focus on the short-term, e.g. next month
- It is a demand-supply balancing forum
- Rudimentary financials may be visible
- Induction and refresher education is rare
- New product, strategic initiatives and people are not included
- The value chain is not considered¹
- Data is presented but poorly converted to information
- There may be rudimentary operational KPIs but they are not directly connected to strategy deployment

¹ Refer to Michael Porter's description of the value chain. Competitive Strategy: Techniques for Analysing Industries and Competitors by Michael E. Porter (Hardcover - Jun 1, 1998)

Sales and Operations Planning continues to evolve. Over the years, our experience working with many organisations has shown that some have reached an advanced stage of sophistication. Studying these companies has shown that they evolved in three distinct stages.

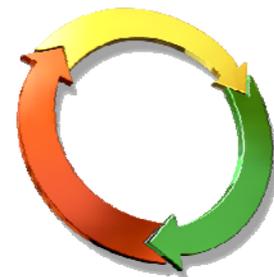
Taking Control of the Tactical Zone is the first step. As one company executive said, *“My customers are screaming for on-time delivery, unplanned overtime is going through the roof, the corporation wants the numbers delivered every quarter, and you’re talking about strategy and the next 24 months? I just need the next three months fixed and then we can talk about the longer term.”* He was right.



Only once there is stability in the short term, can focus be lifted to create and deliver a valid annual plan, which is known as Stage Two (Operational Business Integration/S&OP).

Stage Three, is where the management team spend more time “living in the future”. One study² showed that 86% of executive teams spend less than one hour per month discussing strategy. It is understandable that without an advanced form of Business Integration/S&OP, it will be a challenge for executives to lift their sights from the near term.

What are the differences? Core disciplines – strategy, people, and operating processes – are fundamental to business success. If any one separates, effectiveness of the business will be compromised. Without an integrating mechanism bonding them together, such as Business Integration/Business Integration/S&OP, they will drift



² Balanced Scorecard Collaborative

apart. Symptoms of drift are:

- Disengagement
- Functional silos
- Missed strategic and business targets
- Short-termism
- Multiple decision-making forums and plans

Business Integration/Business Integration/S&OP therefore re-aligns and re-optimises strategy, people and operating processes through a disciplined monthly management process.

Competitiveness comes from understanding business assumptions Planning is a fundamental business activity; re-planning however is not well done in many businesses. Peter Drucker³ commented that the theory [assumptions] of the business has to be tested constantly, i.e. when unanticipated change occurs, the underlying business assumptions must be reviewed⁴, understood, and plans then re-aligned to the new knowledge. A key driver of Business Integration/Business Integration/S&OP is overt assumption management. Numbers without assumptions are not plans; they're still just numbers. With this discipline comes understanding; with understanding comes preparedness; with preparedness comes significantly improved competitiveness.

Core elements Each element noted below needs to be considered each month to ensure the total business is represented in the Executive Review.

- Strategic Initiative Review (New Products and New Activities)
- Commercial & Demand Review
- Resource Review
- Organisational Readiness Review

³ "Peter Drucker: the Great Pioneer of Management Theory and Practice", Robert Heller 2001.

⁴ Out to the 24-month horizon

- Active Planning and Integration

Each step needs to be formally designed, identifying key elements such as:

- Chair and facilitator
- Inputs, agenda and outputs
- Scorecard and corrective action process
- Formats for publishing a 24-month view
- Integration with strategy and execution
- Formal meeting etiquette mechanisms

Executive Review is the decision-making forum in the business, the quality of which is a direct reflection of the quality of the previous steps and underlying processes. The characteristics of a robust process are:



- Engagement – people see it as their jobs, not as an “add on”
- Strategy – 70% of the time is spent on months four to 24
- Exception managed – focus is on understanding what’s changed since last month, the impact and the corrective action plans
- Information vs. data – graphical interface to quickly identify issues rather than a data dump
- Anticipation – what-if simulations to understand the impact of uncertainty
- Preparedness – contingencies approved and ready for execution
- Performance – a scorecard directly linked to the strategic goals and initiatives of the business

One size doesn’t fit all As with the evolution of Business Integration/S&OP, implementation takes time. Furthermore, steps can not be skipped or purchased through acquiring a state-of-the-art system. What is needed is a deliberate and well-planned implementation approach. Once in place the Business Integration/S&OP process needs to be continually

reviewed, challenged and improved until the whole business is managed through the Business Integration/Business Integration/S&OP monthly portal. Important elements that need to be considered in implementation:

- Leadership – Executives need to take ownership and lead the design and implementation
- Built for purpose – a “cookie cutter” approach is likely to be less successful
- Knowledge and process design – invest in these areas before making investment decisions about systems
- Education and training – induction and refresher education and training is a must – people can’t be held accountable, if they don’t understand what they are supposed to do
- Systems – need to support the process with information, automating as knowledge and stability increases
- Simplification – the Business Integration/Business Integration/S&OP process is **the** management process – all other decision-making forums need to be formally integrated or systematically removed

Conclusion Achieving a strong Business Integration/S&OP framework takes time and a deliberate plan. Those companies that have stayed the course have realised that Business Integration/S&OP is a holistic management framework, which integrates all aspects of the business. The resultant business environment is where the day to day is managed effectively, business plans are delivered routinely, key measures are on target, strategic initiatives and new products are delivered on time, people are engaged and focused, and the executive spend most of their time on strategy – “living in the future”.



As one CEO commented, *“How can you run a successful business without it?”*

To see how Integratos can create a competitive advantage for your business by creating a powerful decision-making framework, contact us via:

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