

Integratos

integrating organisations



Active Planning & Integration (API)

Gaining Control of the Tactical Horizon



Over the years we have come across many companies that attempt to implement a Business Integration processes (Sales and Operations Planning - S&OP), but unfortunately fail. Unfortunate because they fail to release the inherent value of this mission critical business management process.



One of the most significant reasons for failure is the instability of the tactical planning zone (TPZ¹). If the tactical end of the business is out of control and highly unstable, people are not going to be too interested in the longer-range Business Integration horizons.

It's a must to gain control of the TPZ in order to create a strong foundation for building a capable and effective Business Integration process². That's the reason we designed a set of processes and disciplines that we call Active Planning & Integration (API) to actively manage the tactical horizon to keep management focussed on delivering the longer range plans.

Volatility and Instability We first came across this type of situation whilst consulting for a fast moving consumer goods (FMCG) company that made, distributed and sold, fresh food products, with a very short shelf life. The situation was compounded because of the volatility in both supply and demand. The business experienced (and inadvertently contributed to), high fluctuations in demand and supply – with hyper-promotional activity,



¹ The tactical zone is the period of time between now and the planning time fence (PTF). The PTF is set by the cumulative lead time from purchase of raw materials to the products being manufactured. Generally, and for many industries, the PTF extends from 6 to 12 weeks. However there are many variations on a theme, and the PTF and TPZ needs to be carefully considered before being set.

² The Integratos Business Integration process goes beyond foundation principles of S&OP. Its scope now reaches across the Value Chain (including organisational readiness) and spans strategic planning horizons.

and high supply volatility (lack of control processes internally and poor supplier quality and delivery performance).

The CEO of this particular company was very keen to implement Business Integration to gain control of the business – especially the strategic and business plan integration aspects. From his perspective (and quite rightly), there was a significant prize in creating a robust business-wide integration process to engage and focus the organisation. Importantly, the business could use this critical management process to respond to the market and their customers, whilst delivering stakeholder value in an optimal manner.

However, creating an effective Business Integration process on a highly variable and unstable tactical zone would have been a waste of money and valuable effort. And when Business Integration fails the first time, it is twice as hard to implement again – “*once bitten, twice shy*”. That’s why we recommended designing and building an API process first, alongside other important planning foundation disciplines.

What Causes Tactical Instability? The primary causes of instability can be described as follows:

1. continual, uncontrolled and sub-optimal changes to the demand forecast, creating waves of noise through the organisation;
2. unrealistic measures that create aberrant behaviour;
3. failure to properly plan and execute the operations schedules;
4. breakdowns, quality issues, and insufficient resources to achieve the plan;
5. supplier delivery and quality failures which impact on the operations;
6. inappropriate data or planning parameters. For instance:
 - a. unrealistic demonstrated capacity data, erroneous planning data such as bills of materials, etc.



At the end of the day, all of these causes conspire to suck the management team into the tactical zone, consuming much of their time. Moreover, this creates a condition of short-termism, with a culture that rewards and supports fire-fighting and fire-fighters. So much so, that management believe it is their primary role to continually put out fires.

How to Gain Control? To gain control of the TPZ we need to ensure the fidelity of three important aspects:

1. Data Integrity

- a. There need to be processes which confirm the integrity and accuracy of key data such as bills of materials, inventory records and master data. This data is vital because most organisations today use systems to create and drive their plans. And systems rely on the integrity of the data to produce reasonable outcomes. If the data is inaccurate (beyond a certain degree) then the system will spit out plans that are essentially unrealistic. It really doesn't matter what type of system you use, advanced or otherwise - it will still produce unrealistic plans.



2. Accountability and Responsibility

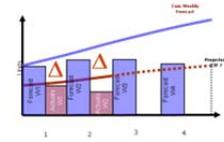
- a. There needs to be clarity around who does what and when for operational planning and control. In particular who is responsible for facilitating changes to the plans, be they changes in new products, demand or supply. Typically we would need an information conduit (housed by demand, supply and development managers), to ensure that the best decision is made for the business, and to manage escalation.

3. Tactical Planning and Control

a. The tactical planning process needs to be well thought out and robust. It needs to create stability, but needs to be balanced against the desired level of flexibility.



Active issues/imbalance identification
Integrated solutions
Tactical balancing
Manage escalation
Options/simulations
Financial assessment



b. The tactical process needs be mapped by experts – that is, people from your organisation. They know the business better than any consultant; they are the best people to design the new one. With some knowledge they can design the new processes to support the uniqueness of your business. Issues that need to be considered are:

- i. systems functionality for integrated planning and execution;
- ii. time-fences, safety stocks and other planning parameters;
- iii. visual reporting and exceptions-based messaging to trigger a response to abnormal supply and demand control conditions;
- iv. a few good measures to monitor performance;

c. Once tested and validated, process needs to be followed in a very formal and disciplined manner. And, it needs leadership support to succeed – remember *“what interests the boss – fascinates me”*.

Conclusions: It is vital that a business has a strong, supportive and capable tactical planning process such as API. This is a given, no matter whether a business is planning to implement Business Integration or not.



With a strong API process, controlling the tactical zones, the design, planning and construction of Business Integration can proceed with a greater level of confidence.

There are other reasons why Business Integration programmes fail (and we will discuss them in the next series). However, having the right tactical planning and control process, like API, is a mission critical element.

At Integratos we believe in unlocking value by helping you build strong business integration processes. Call us and discuss how Integratos and Business Integration can create a competitive advantage for your business.

www.integratos.com.au,

information@integratos.com.au

twitter #integratos

call us on +612-9907-6046

Clontarf Marina
Suite 2, Sandy Bay Road
Clontarf, NSW, 2093
Australia