

Oliver Wight

OLIVER WIGHT



Customer Profile

Laminex Australia

Benefits at a glance

- Forecast accuracy improved overall 50% to 80%
- DIFOT improved at line-item level to first promise.
- Product range reduced from 29,000 lines to 11,000
- Improved Net Promoter Score including stock and delivery measures.
- Improved inventory
- Reduced obsolescence
- Airfreight reduced
- Improved EBIT
- 24-to-36-month horizon enabling focus on growth
- Improved communication, collaboration, trust and teamwork across the organisation
- Devolved decision-making and problem-solving
- Increased agility and responsiveness to significant world and local events
- Annual budgeting now completed in weeks rather than months



Background

Laminex was first established in a small shed in suburban Melbourne in 1934 when Bob Sykes began creating decorative laminates. Since then, the company has grown substantially. A subsidiary of Fletcher Building, the business has expanded over more than 85 years to become one of the largest employers in its sector. The product range now includes engineered stone, modern laminates, acrylic surfaces, timber panelling products and more.

Laminex Australia has a network of manufacturing plants in seven locations across four states. These sites collectively produce high pressure laminate, compact laminate, wet-area panelling, decorated MDF for cabinetry doors, raw particleboard and MDF. Other products are sourced from around the world.

The company has a proud history of innovation, with sustainable practices a fundamental part of its manufacturing capabilities.

The problem

In recent years, Laminex Australia has been working on key transformation initiatives to ensure it remains competitive in a global market.

In late 2019, the leadership team realised it needed to improve its business planning and execution processes. It was apparent there were multiple sets of numbers being used and that different parts of the business were not well synchronised. Forecasts were not regarded as credible, resulting in a lack of trust. These concerns were being manifested in high inventory, regular stock-outs, and an inability to effectively support new product introduction.

Oliver Wight was asked to conduct a diagnostic and to recommend a pathway for improvement. The diagnostic revealed several significant hurdles to overcome:

- Culture and alignment issues with silo behaviours, finger pointing and misalignment as to what the real problem was.
- Non-aligned and conflicting measures not driving the desired behaviours.
- Significant stress across the organization, with many people feeling overworked and frustrated.
- Insufficient understanding of best practice approaches.
- Intense focus on the short-term.
- Product/portfolio planning not well integrated.
- A demand review that didn't drive the business.



The journey

Based on the diagnostic feedback, Laminex Australia asked Oliver Wight to assist with a program to redesign and upgrade its existing monthly S&OP process to Integrated Business Planning (IBP), supported by Integrated Tactical Planning to improve short-term control and execution.

The program kicked off in January 2020 with a 'Leadership Vision' workshop. This enabled the leadership team to align behind its vision of what the business would look like, when it deployed IBP/ITP as 'a normal way of life', operationally, financially, and culturally. From the Vision workshop, the senior team realized it needed to commit resources to drive the program and a dedicated program leader was put in place, with a brief to focus on change management. Cross-functional design teams were set up, educated in best practice principles, and tasked with translating these to processes tailored for the Laminex Australia environment. A full-time IBP Leader was appointed, and the IBP process stood up in July 2020 – right at the height of the COVID lockdowns!

The challenges

People problems

Although there were some issues with systems integration and organizing data into a usable format, predictably, most of the hurdles the leadership team had to overcome were people-related, most never having worked in an IBP environment before.

"We only had a small number of people who had any experience with IBP" explains GM Supply Chain, Gerard Crosswell, "I was concerned that we might not have the capability, or the hours in the day to do the additional tasks. I was pleasantly surprised, we were able to work out what we could stop and what we needed to start. We became more efficient.

"There were some issues in the first three-to-six-months gaining trust in the numbers, but that started to go away. Our CFO drove that discipline in the finance team, which was key."



A full time IBP Leader

Having a full time IBP Process Leader proved crucial, explains MD Justin Burgess: “With the complexities of a major change program, you are trying to change the wheels on the bus while you are in motion. We took the decision, ‘if we’re going to do this, let’s do it properly’. You need to subordinate everything else and really focus on this. Having a full-time IBP leader was fundamental to our success.”

“We would have failed without someone responsible for the process,” agrees CFO, Joe Nicolazzo. “IBP is a pragmatic tool, where you can quickly see the benefits. Breaking bad habits was important in the early stages. Now, nobody goes off independently to try and solve problems. This required an almost military approach at the start. Getting people to accept that this is the way we run the business and trusting the process was the biggest challenge in the first six months.”

With hindsight, the senior team also recognizes it could have done more to get people engaged early on. Crosswell believes they could have made a better job of selling into the teams that ‘this is part of their job’. “More process mapping and coaching, and understanding how the various supply team members’ roles affect each other, would have been helpful.”

The results

Overall though, none of the challenges greatly impeded the rapid roll out of the process and results have been impressive. By early 2022, Laminex Australia was nearly two years into the implementation, and this was achieved during COVID, when supply chain issues and business pressures were at their most intense for years. But it wasn’t just COVID, the organization has had to deal with, it has had to successfully navigate the impact of floods in New South Wales and the failure of the Western Australia rail link.

Thriving in a difficult period

Graham Andrew, GM Operations, says: “If we didn’t have IBP in place, managing the various one-in-100-year events that we have had lately would be far more difficult! We have been able to deal with changes much better.”

IBP Process Leader, Caterina Enters, agrees, “IBP has enabled the business to do longer-term scenario planning and, when things change in the short-term, we can quickly pivot and come up with solutions. We can see the impact of major unforeseen events and then fill in the gaps around them as a

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– Gerard Crosswell, GM Supply Chain

separate activity. An example was the impact of COVID-driven increased costs of resin, a major raw material that comes from overseas. We were able to find gap-closure actions to cover all those considerable cost increases.”

Indeed, despite more than two years of exceptional events and challenges, CFO Joe Nicolazzo says results have improved. “We had a great year last year and are forecasting to do even better this year. That will be an amazing result given everything that has happened. We have been able to minimise the negative impact by being able to react and make the right decisions at the right time.”

One set of numbers

Improvement in the quality of information across the business has proved fundamental to the uplift in the company’s fortunes. The organization now runs to a single set of plans and numbers, whereas previously, there were three or four sets of numbers, that nobody believed in. Graham Andrew, GM of Operations, points to the demand side of the business in particular:

“We are receiving much better data, which is helping us plan more effectively,” he explains. “In the past, we would only have four months of information at this time of the year. Now we are seeing out three years. We are not just seeing numbers, but also the assumptions behind the numbers, which is enabling us to understand what has changed and, more importantly, why there has been a change.”

It’s a view shared by Gerard Crosswell, (significant given his role as GM of Supply Chain): “I think if anything, [demand management] is the process that is ahead of the game. The demand team is focused on forecast accuracy and the cadence of the Demand Review cycle. Forecast accuracy is now starting to lift, especially for the Stars and A class items. That is a really positive sign, which will drive a lift in DIFOT as we work on improving supply plan accuracy. People understand that you don’t challenge the numbers, you challenge the assumptions, which drives confidence.”

It comes as great comfort to the CFO. “We had all sorts of numbers in the business, which made trying to get an accurate financial forecast difficult. Everyone had their own view. Our forecast accuracy has grown to a strong level and our ‘one source of the truth’ has undoubtedly helped that.”



“We have more time and more control. Without IBP we would be drowning, it has enabled us to make the right choices, driven by a clear decision matrix.”

– Justin Burgess, **Managing Director**

Improved outlook

Crucially, this one source of truth now allows the business to look out over a two-to-three-year period, where previously, Crosswell says, “we had a three-month horizon at best.”

Sacha Leagh-Murray, GM Sales and Marketing: “The number one thing is we are talking about the future, not just about the next month. When I first came to Laminex, the discussions in the SLT were very tactical, very reactive – a lot of firefighting. We are now talking about things six-to-12 months down the line and planning for events, rather than just reacting to them.

“We are seeing gaps early in the Demand Review and identifying opportunities we can exploit. We are giving supply a thorough, longer-range forecast that they can plan to. It’s not a ‘forecast-for-production’ meeting, it’s a ‘how can we grow our business’ meeting. The sales team is challenging its own perceptions of what is possible.”

Devolved decision making

Speed is also a huge benefit of the IBP process. A key element of this, is the empowerment of people within the organization to make decisions and solve problems at all levels.

“IBP has also provided the opportunity for people to lift in capability,” says Gerard Crosswell. “We have people making decisions and bringing solutions, then executing them. This is great for the business and is driving better outcomes.

“With ITP, we have far better exception management, which has been our Achilles heel previously. Every time we deal with an issue, we learn from it. There is a framework to drive a standard approach to prompt the thinking. In the past, if we gave sales a response in one or two weeks, we would have done really well. Now with ITP, it is within 48 hours.”

This extended horizon has also made the annual budgeting process much simpler, since it can now be largely drawn directly from the IBP process. “We are a lot clearer on our planning horizon,” says Crosswell, “now we are out three years with financials. This will be the second budget where we haven’t had to do a bottom-up build. We can turn it around in three weeks, whereas before it took two months.”

Managing Director, Justin Burgess: “Now we have embedded [IBP] and are looking out [at least] 18-to-24 months, the process is very much proactive. We have more time and more control. Without IBP we would be drowning, it has enabled



“We have maximised profitability, and this has been reflected in our financial performance.”

– Sacha Leagh-Murray, **GM Sales and Marketing**

us to make the right choices, driven by a clear decision matrix. We have exhausted the options, so by the time an issue hits the management business review, the choice and recommendations are quite clear. In my view, the tactical people are the true decision makers in the business.”

Communication, collaboration and integration

All members of the leadership team agree that people have been fundamental to the success of the implementation. The company is now seeing communication, collaboration and integration in unprecedented levels right across the business.

CFO, Joe Nicolazzo, remembers how things used to be: “I saw little fiefdoms – sales, demand planning and so on. They never talked to each other. They had a sales and operations process, but it wasn’t brought forward into the senior leadership team. People were still acting on their own.

“These days the collaboration is at a level I haven’t seen in any other organization. We now have a process to run our business that includes everyone. Our ability to react and process a new problem has gone from zero to one hundred. People have control and influence and can drive decision-making – whereas previously, they were just doing what they were told. It’s better for the organization and it’s better for the individuals in terms of job satisfaction.”

Graham Andrew, GM of Operations, explains that this integration and cohesion goes directly to the bottom line: “We are far better connected across the various parts of the company. Not just supply with demand, but also with finance. It has enabled us to better plan around the many crises we have had to deal with. We would not be in our current good EBIT position if we did not have IBP.”

Qualitative benefits

- Proactivity. A 24-to-36-month planning horizon, means early identification and resolution of issues.
- Simplification of the budgeting process; now turned around in a matter of weeks rather than several months.
- Improved communication, collaboration, trust and teamwork across the organisation with more people engaged in problem-solving.
- An emphasis on assumptions underpinning plans driving better accountability and forecast accuracy
- Greater confidence about the future.
- Increased agility and responsiveness, running regular scenarios in IBP and ITP to construct contingency plans for ‘alternative futures’.

“Thank God we have IBP! This is a practical process that delivers outcomes, and makes us a better business, as well as making us more collaborative.”

– Joe Nicolazzo, CFO

KPI uplift

Of course, the real measure of success is improving the company’s key business metrics. Having lifted performance, despite local challenges, as well as those resulting from COVID, the business is thriving.

“It has been a funny year or so with lockdowns and major one-off events,” reflects Caterina Enters, “but forecast accuracy has improved overall from 50% to 80%, DIFOT has improved at line-item level to first promise. Inventory has improved, especially obsolescence, and airfreight has also come down significantly.”

“We have maximized profitability, and this has been reflected in our financial performance,” says GM Sales and Marketing, Sacha Leigh-Murray.

Whereas the focus previously was on EBIT, balancing plants and product availability, inventory is now ‘front and centre’. Inventory reduction initiatives are now part of the company’s planning, improving the understanding of inventory buckets. This, says GM Supply Chain, Gerard Crosswell, has “really opened people’s eyes to how it all works”.

“Our target as a business this year at order level is 85%,” he adds. “Order lines are now about 91% – 92%. We are starting to see an improvement in our Net Promoter Score (NPS), which includes both stock and delivery measures.”

Looking to the future – strategy, sustainability and succession

The business isn’t resting on its laurels however, and, as well as continuing to improve the gaps in the process, finalising procedures and ensuring education is ongoing, the team is also looking at what else it can do, learning from its experiences so far. Strategy, sustainability and succession are the key words. There is consensus that the way of working IBP and ITP has brought has already become the DNA of the organization. This needs to be retained going forward.

“I don’t know how we ran our business prior to this,” says MD, Justin Burgess. “As an operational tool, it has certainly changed our world, there’s no question.”

“We need to do deeper thinking around succession planning,” says Gerard Crosswell. “The next stage is how do we get that sustainable improvement. We are still maturing in risks and opportunities.”



Quantitative benefits			
	Benefit area	From	To
	Customer service (DIFOT)	Not measured correctly. Numbers not matching sales and customers reporting. DIFOT misses not coded or acted on consistently.	Correct measures in place. Hit squad to analyze misses and drive improvement. DIFOT improved by 10% (based on correct measures).
	Product range	29,000 line items with ~ 60% making zero profit, or less than the prior 12 months.	11,000 line items with 30% now designated as make-to-order only.
	On-range product priority	No understanding of which products really drove the business. Sales team chose which SKUs to focus on based on perceived rather than financial importance.	Star, A, B, C status implemented to enabling the focus in ITP forums to become targeted on the most important products (the top 80% of gross profit).
	Off-range obsolescence process	SKU obsolescence undertaken ad-hoc. No clear ownership of redundant stock or process for deactivation of SKUs.	Off-range stock management integrated in IBP. SKUs monitored for stock rundown with issues highlighted and actioned in IBP. Old codes deactivated monthly.
	Product data management	No way to see what was on-range through system coding and no clear lines of ownership.	Coding to reflect the lifecycle of product, from NPD through life on-range, to all stages of obsolescence and owners at every stage.
	Product hierarchy	Two hierarchies with inconsistent usage across the business.	A single hierarchy, using system fields and linked to budgets. A consistent language and removal of manual work at the end of FY.



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– Justin Burgess, **Managing Director**

“We are working on better understanding inventory and have created a dedicated dashboard and inventory meeting that feeds the supply review.

“We are on track now to start the systems upgrade. It will also elevate trust by eliminating the disconnects and separate systems such as spreadsheets.”

IBP Process Leader, Caterina Enters, is optimistic about the future: “We are now very close to achieving the Oliver Wight Class A milestone,” she says. “Process-wise, we are there. We still have a small way to go on some of the KPIs but are now very close and expect to get there quite soon. It took us a while to sort out some of the process issues on the supply side, especially the use of demonstrated capacity. We are understanding this much better and are confident that our supply plans are valid. This will enable us to close out on performance targets for KPIs, such as DIFOT and supply plan performance, soon.”

IBP is fun

As well as the business success, the process has obviously been a fulfilling one for the team:

“I love working with IBP at Laminex” says Enters. “The lead team support plus the enthusiasm across the organization has made the implementation so much easier.”

Supply Chain GM, Gerard Crosswell, has a similar view, “I actually enjoy it. I come from an S&OP background. The framework is fine but applying it and driving effectiveness at a business level is very difficult. Whereas this approach, which is external and able to financialize and bring it to life – that’s the difference. IBP drives the business and connects to our strategy. We are not lost in the weeds. It’s a way of work – and it’s enjoyable and rewarding.

For CFO, Nicolazzo, it’s a revelation: “Thank God we have IBP! I am a big convert. This is a practical process that delivers outcomes, and makes us a better business, as well as making us more collaborative. For finance, it’s all about influencing, being part of the business and not just the bean-counter. My finance business partners are critical to the process and part of the journey and decision-making.”

The last word goes to MD, Justin Burgess: “If I was to move into another business, this would be the first thing I would look at, particularly for any manufacturing business, and especially for a complex one in terms of products and customers.”





Imagine the **possibilities**,
realize the **potential**.®

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