OLIVER WIGHTPAPER series

Avoid Being a 'One Dimensional' Business

How Concepts Have Matured and Improved in our Expert Hands and Why You Must Apply Multiple Concepts to Ensure Success

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

Why read this white paper?

- Introduce the new book ‘Supercharged Supply Chains’ and Business Excellence Planning.
- To explain business cannot be ‘One Dimensional’, there are multiple time horizons, challenges and teams that need to be integrated and managed.
- To show our Thought Leadership heritage.
- To challenge the misnomer that Oliver Wight is just IBP.

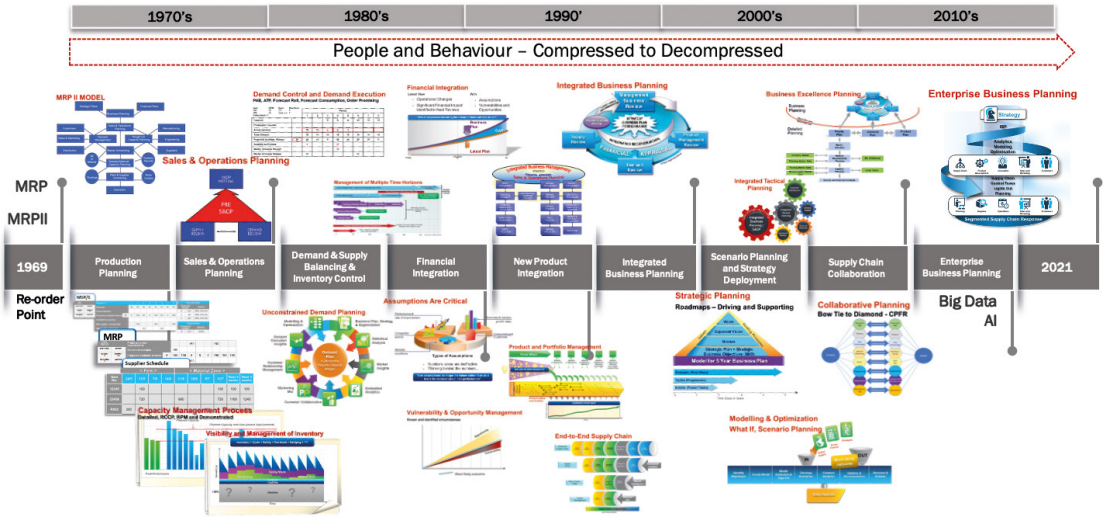
Background

Since 1969 Oliver Wight has been building its global capability to support businesses with their challenges and opportunities through its three region approach - EAME, Americas and Asia Pacific. Accredited with putting MRP and MRPII on Leadership agendas, Oliver Wight has grown its ‘Thought Leadership’ offering (a library of processes that can be selected, as required, to meet the requirements of clients) and global reach to support all aspects of business from strategy to delivery. The overall aim? To develop and execute a valid set of plans that are accurate and achievable. Then, and most importantly, the often more difficult aspect, people and behavior change to establish a positive, aligned, and progressive business environment. Those companies that follow the Oliver Wight processes in full have reported sustainable results.

By way of some examples, please see the Oliver Wight brochure, 'Why be good, when you can be great?' which lists a range of client issues, and the benefits received from Integrated Business Planning.

The Evolution of the Oliver Wight Process Library

Figure 1: Oliver Wight's Process Evolution

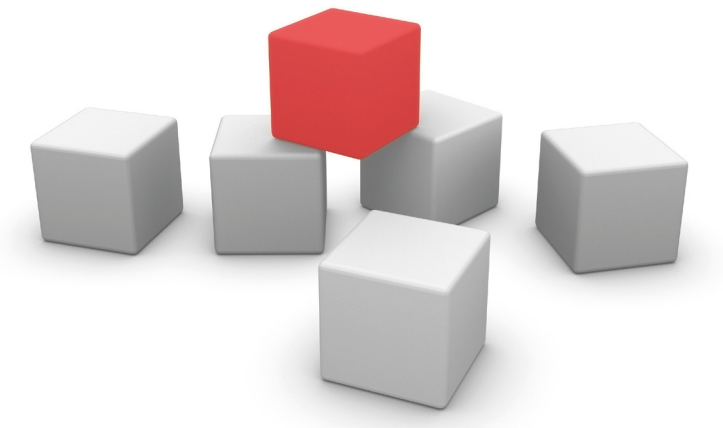


Oliver Wight's substantial library of materials to support business planning and execution across all the business time horizons.

Business improvement is not about a 'one size fits all' approach. Sustained transformation is about the application of improved processes against a specific business need, whilst at the same time ensuring all horizons are integrated enabling empowered people to make informed decisions.

More than just re-packaging, Oliver Wight has progressively developed processes and expanded the capability from Production Planning to Business Planning. From the original 'latest and greatest' toolkit in 1969 many are still best practice, adopted into software to take advantage of advances in technology and in part to try and cope with the diversity of behaviors, some good, some bad, depending on your level of Business Maturity.

For this reason, Oliver Wight, through its transformation capability, ensured the focus is on People, Behavior Change, and Process Design/Re-design based on unparalleled business planning and execution practices. Whilst others around focused on tools to drive changes to processes that were often not owned by the people needing to use them.

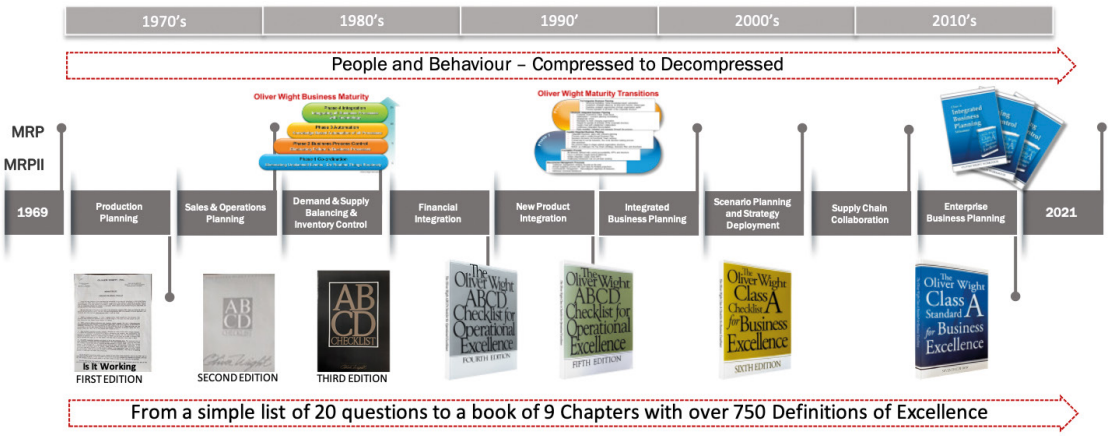


Application of this Process Library

The intention is to encourage and support businesses with the implementation of Business Excellence Planning in full. To cherry pick elements and just focus on that one aspect has proven to be ineffective because all aspects of a business and its time horizons need to be integrated. The Oliver Wight book 'Supercharged Supply Chains' builds on this theme and explains how the process library should be applied to avoid being one dimensional. Sure, transformation is a journey, and it is not feasible to do everything all at once, so a strategy is needed to go from your current level of Business Maturity to one that achieves excellence, Oliver Wight Class A, which is a globally recognized standard for business excellence. This includes the evolution of the organization structure and boundaries to empower people across all business time horizons.

Evolution of Business Maturity

Figure 2: Business Maturity and the Class A Timeline



Understanding your current challenges is relatively easy. They are hitting you in the face daily. Understanding why they are happening and what needs to be done to stop them is not normally so easy because too much time is spent dealing with churn and firefighting symptoms, affording little time to finding and fixing the root causes.

Understanding your Business Maturity and how this compares to Business Excellence (Class A) gives an explanation about the cause(s) and what needs to be fixed. This is often a journey, which is transformational, leading to sustainable business and customer service improvement.

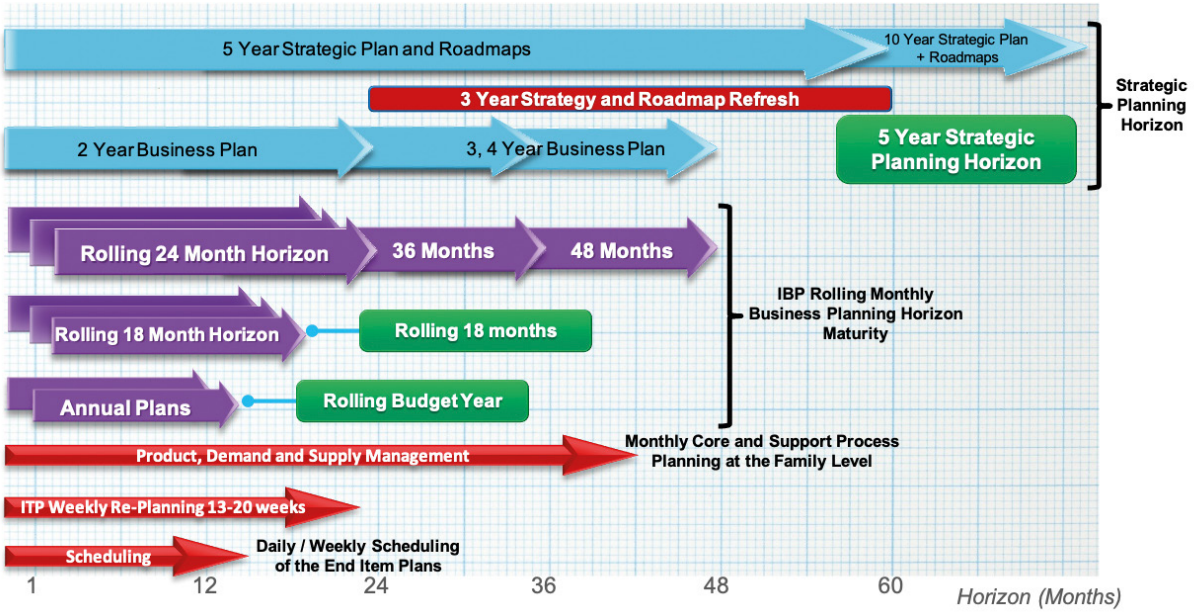
Time Horizons

Clear identification, analysis, management, and decision making in your different business time horizons is essential. Effectively there are 3 key zones:

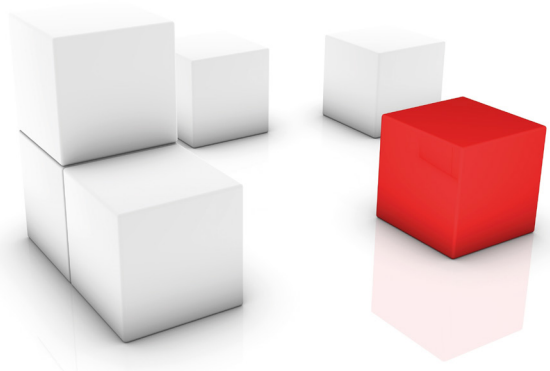
- **Strategic - typically 5 to 10+ years**
- **Business Planning - typically 2 to 3 years**
- **Execution Planning - typically 0 to 6 months but with the capability to view the detail 1 or 2 years into the future for CAPEX (Capital Expenditure) and Resource needs.**

The business processes and organization must be designed to enable their integration and management so that decisions in all time zones are made to ensure business success in delivering the strategy and satisfying customers.

Figure 3: The Horizons to Manage and to Integrate



The various time zones used in an integrated planning process.



'Operating with a single set of plans and numbers drives enormous benefits to the bottom line. Regarding time horizons and level of detail, the rule of thumb is the further into the future of the planning horizon, the more aggregate level of detail is adequate for planning; the nearer portions of the planning horizon require more granular information for planning. The challenge is ensuring that these levels of planning and execution always remain aligned and congruent.'

Chapter 8, Supercharged Supply Chains

Leaders and Managers just focusing on Execution Planning, the short-term horizon, effectively have a 'one dimensional' approach that will misrepresent the other two time horizons. Leaders should manage beyond the short-term horizon in time zones where they can, more effectively and efficiently, influence the outcome. In doing this they decompress the organization (see later) and gain the opportunity to empower people at all levels to optimize resource application, at the right level, in all of the time horizons.

The Proven Need To Decouple Demand

There is a need to ensure the unconstrained demand is executable and capable of being supplied before allowing the demand to explode through the whole bill of materials. This requires a decision about the unconstrained demand and which part, if any, must be constrained by supply pending the availability of future capacity and resources.

Even without supply restrictions, the sales orders will often be different to that anticipated in the Demand Plan. Having a decoupled supply response, and including tactically implemented capacity or stock, both as a temporary stop gap, will limit the impact on the customer and production, stopping traditional churn and firefighting to enable the right plan to be established between Demand and Supply Planners.

The actual demand, when notified, could be different to that anticipated in the unconstrained Demand Plan, again having a decoupled demand will limit the impact this will have on inventory and will enable the right tactical plan to be established between Demand and Supply Planners.

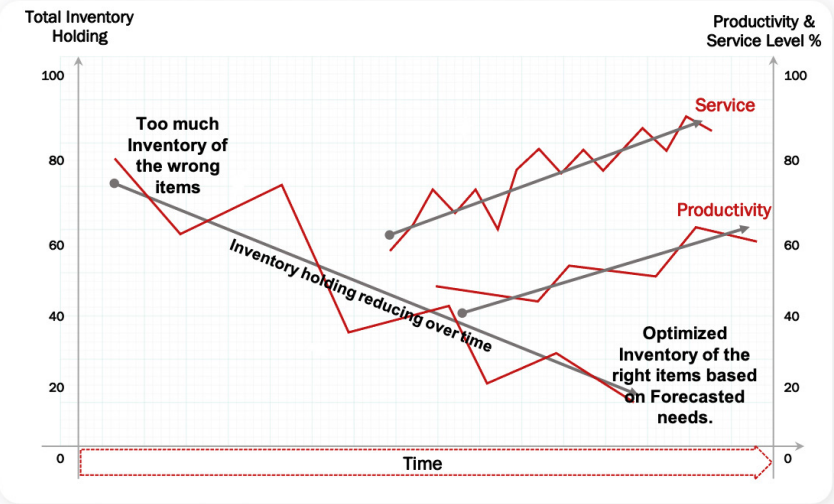
There should be a clear and deployed strategy to enable supply of more volatile demands. Of course, this can be achieved by increasing your inventory holding. However, alternatives are often better, such as over planning capacity. Rather than an arbitrary, or 'one size fits all' approach, to the use of safety stock (which will create unnecessary inventory) the inventory holding and its management needs to be based on regularly reviewed calculations.

The Inventory Paradox

Inventory must become an asset and not languish in a supply chain as waste. Lean methodology is very clear that unrequired inventory is one of the 7 wastes and simply ties up cash. Healthy cash, healthy business.

Inventory is a consequence of what happens in a business and hence needs a policy to optimize and ensure waste is eliminated.

Figure 4: Inventory vs. Service and Productivity



The more inventory you hold of unrequired items the lower the productivity and service will be! A warehouse and factory cluttered with unrequired items drives inefficiency.

In business there is an Inventory Paradox, a belief, that high levels of inventory enable the business to have high levels of productivity and service, in truth the opposite is true. This is only true if the inventory is of items required by customers based on forecasts. All too often due to poorly defined policies, poor forecast accuracy, mistakes in planning, incorrect data (such as BOMs), customers providing 'funny numbers', poor schedule adherence etc., the levels of inventory steadily increase. The problem is that these increased levels are for items that are not required and just sit as WIP of warehouse inventory attracting overhead and maintenance.

In 'Supercharged Supply Chains' a greater insight is given into the need to plan inventory holding throughout the supply chain, why it is needed, who has ownership, how it is being managed and planned to ensure the lowest possible levels to supply current and future forecasted needs:

> ***'Inventory management is not rocket science. It is simply common sense based on an understanding of how an accurate inventory enables you to better manage your business. The simple truth is that people must realize that if they need inventory, they must formally request it, and if they add inventory, they must formally transact that receipt.'***
>
> *Chapter 3, Supercharged Supply Chains*

Understand your Future Challenges and Capture them in your Demand Plan

Keeping both eyes just on recent history and today means that changes coming from tomorrow and the longer-term future are not understood and prepared for. It was quickly realized, as the Oliver Wight processes were developed over time, that customer, country, economic, competitor and social impacts must be considered, and plans prepared to accommodate all.

The use of recent orders, as the sole driver of future plans should be quickly modified to incorporate intelligence from customers, sales and marketing to ensure the required capacities and resources were available as the future demands change due to foreseeable causes and become the new today.

Oliver Wight developed processes that enabled future challenges and opportunities to be captured at an aggregate level, that, when compared to strategies, allowed gaps to be determined for decision making. These long-term aggregate plans had to be integrated and transitioned from the aggregate to the end item detail to support effective supply chain planning and execution. This is when clear definitions of time fences and horizons became essential, with clear ownership and sufficient resources to allow the organization to focus on the needs of each. Instead of everybody in the organization effectively focusing solely on the near term, the desire is to enable different people to spend time in the business and strategic horizons and hence de-compress the organization.

Churn and firefighting, often experienced in many companies, can be successfully eliminated through understanding and preparing for the future rather than just waiting for the future to happen and then reacting to its fallout.

Organization and People

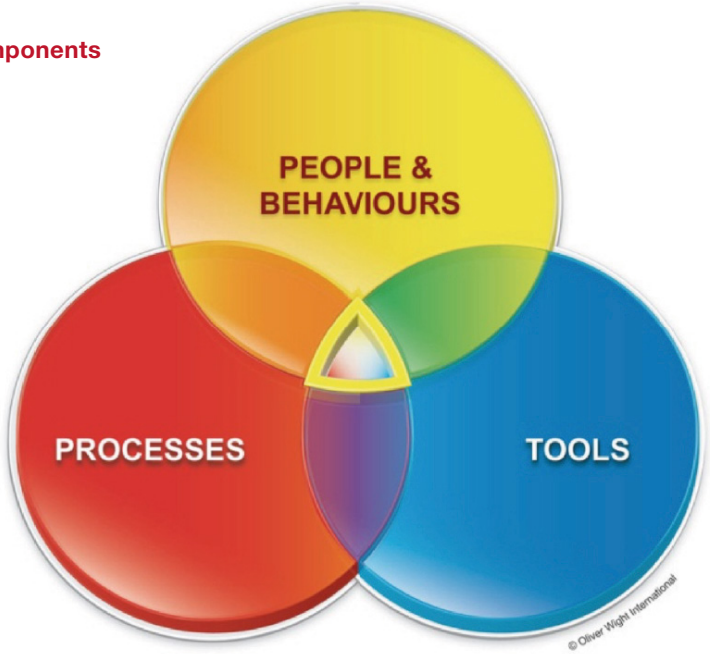
Driving everything in a business is the organization – leadership to employees; its structure – hierarchical or team based; its people – knowledgeable or ill informed; the culture – positive or negative; the focus – compressed or de-compressed (see next section).

Oliver Wight's transformational approach is applied fully aligned with a business's strategy and continuously addresses the organization and people needs. Continuously, because the people related issues are the ones that take far longer than re-designing or designing processes and policies. Leadership and employees must jointly understand the why and the how, not just the how. Understanding the 'why' enables employees to better specify system needs.

The implementation of software to try and fix these issues and broken processes is not the recommended first step. Too often systems come first when actually it is the process and required changes in behaviors that should. System implementations are all too often structured around proprietary processes as system integrators do not fully understand your business.

In the adjacent diagram read Software for Tools and ensure they are specified once the People have designed the 'to be' Processes.

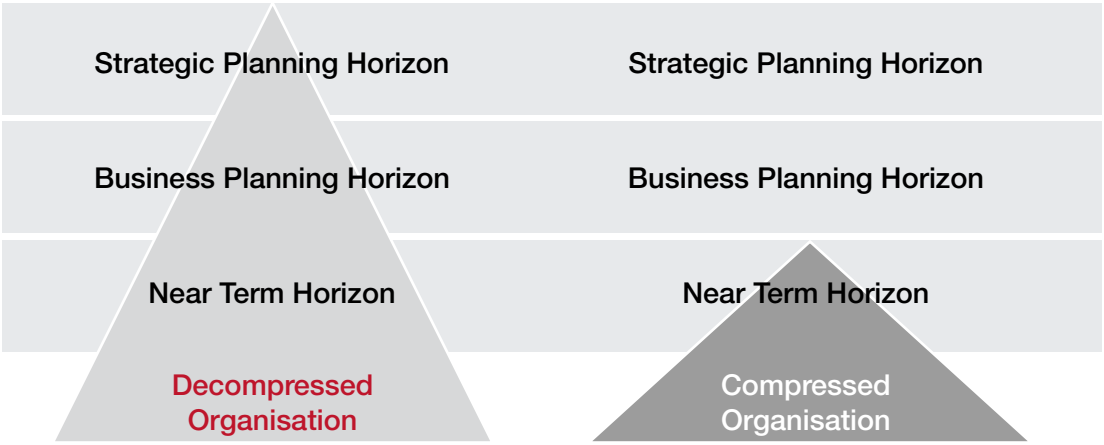
Figure 5: Key Components of Integration



Compressed to Decompressed

Imagine the 3 business horizons we have been discussing as a hierarchy, remember the phrase 'Top Down and Bottom Up'? Then overlay your organization onto this hierarchy and honestly assess where most people spend all their time. If all of a business's effort, from leadership right through the organization, are solely spent managing the near term then issues from the future horizons will be a surprise and continue to cause churn even if you have the best near-term detailed planning practices deployed.

Figure 6: Decompressed vs. Compressed Organizations



Integrated Business Planning (IBP) is a monthly process designed to deploy strategy, the Integrated Tactical Planning (ITP) process is a weekly process designed to stay on track to the Integrated Business Planning set of projections, and daily execution is designed to achieve the weekly plans. There is then a feedback mechanism to ensure that plans at all levels stay aligned, creating a closed-loop planning system where nothing "leaks".

In 'Supercharged Supply Chains' we explain how our evolved and evolving suite of business excellence processes provides an unparalleled capability to sustainably decompress your organization and manage all 3 horizons concurrently:

'All too often, Leadership becomes distracted with problems associated with execution details, in the firm and trading zones (usually months 0 – 3), the zones in which Middle Management should be leading. The near term is where the aggregate plans, previously approved by Leadership, are converted into the detailed required for successful planning and scheduling. When Leadership and Middle Management are both focused on the near term, described as a compressed organization, Leadership takes its eye off months 4 – 24, ensuring they will remain trapped in the near term with both Leadership and Middle Management doing the same work.'

Chapter 18, Supercharged Supply Chains

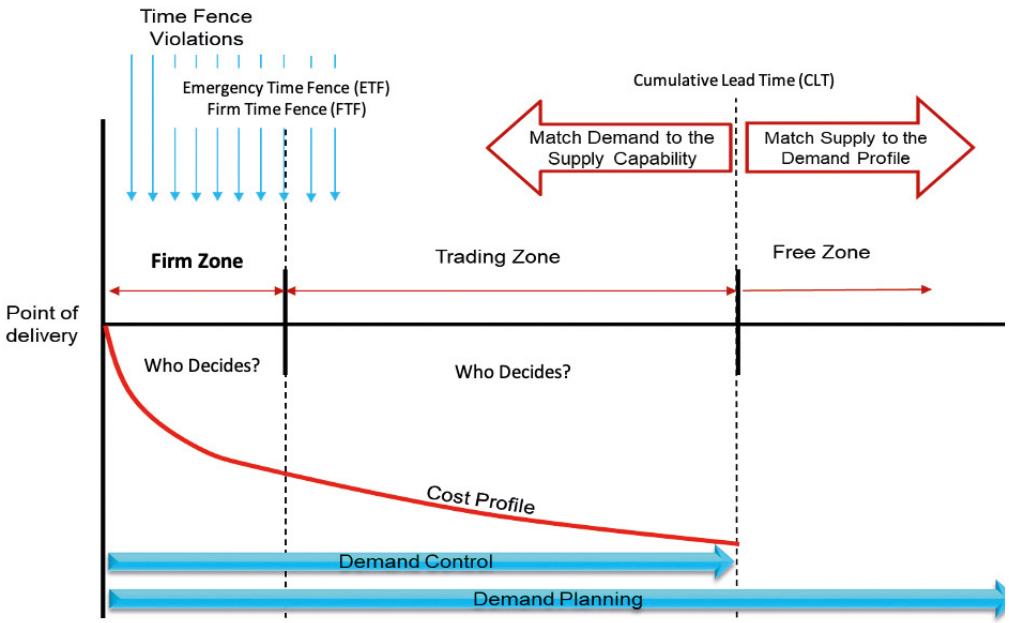
Finances

For decisions to be made based on all considerations, it is essential for any financial consequences to be considered when making decisions, in any of the business horizons.

When considering your time fences, as shown below, you need to ensure there is very clear ownership for any changes allowed to plan in the firm zone or the trading zone. The costs associated with these changes, if allowed, become more and more the closer these changes are to the point of delivery. If this cost profile is not known, how can a fully informed decision be made about any change?

The integration of finance into all 3 horizons allows a rolling financial forecast to be established, built bottom up, making it possible to determine future financial opportunities and where decisions are required to ensure profitability.

Figure 7: Time Fences and Cost



'Time-phased financial projections across the planning horizon based upon approved aggregate and detailed plans and schedules enable improved decisions. Information needed for internal, tactical decisions is very different from the information Finance needs for external reporting; excellent integrated planning processes provide that information which explains the importance of integrating finance to ensure fully informed decisions are made that are sustainable as they deliver margin expectations through the empowered management of price and costs, to consequently deliver or improve profitability.'

Chapter 15, Supercharged Supply Chains

System Architecture

An investment in systems architecture is one that must be supported with a business case that reflects the future 'to be' business and not the current broken processes.

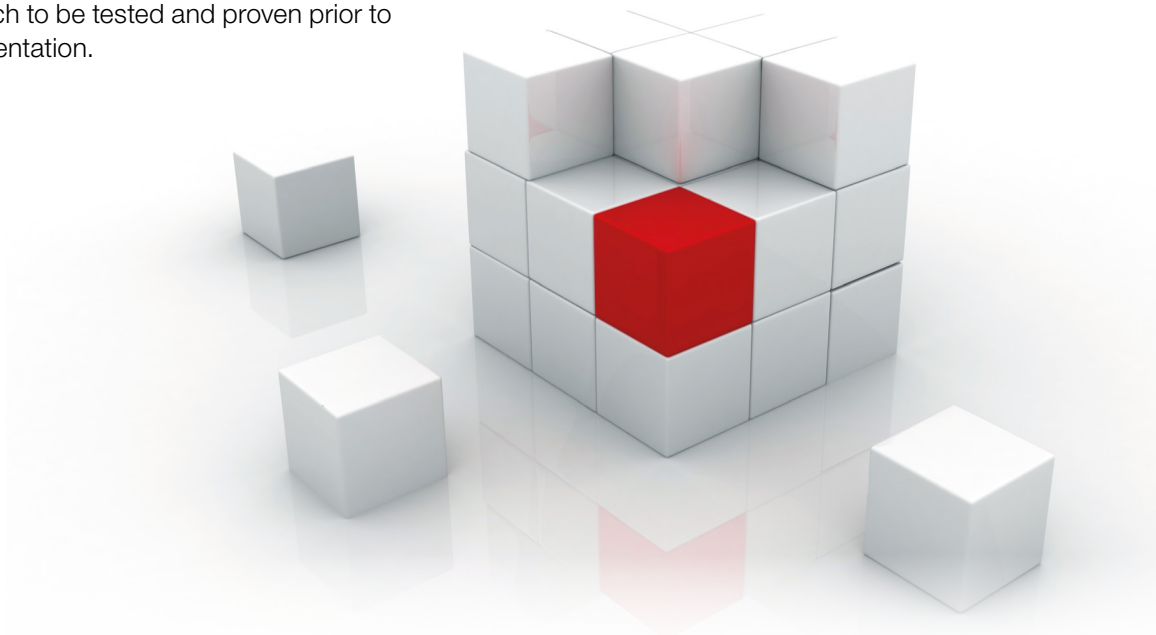
To support this, a Process and Software (System) Strategy must be developed that reflects the intended business improvement/transformation, because moving to 'go live' is like changing liquid concrete to solid concrete. It is much easier, and more cost effective, to manipulate liquid concrete than solid, whilst some new breeds of technology enable change to meet evolving business needs.

The Future

Like our everchanging world, business planning and systems do not stand still, new ways are being developed to take advantage of advances in technology and data availability. Again, these more futuristic applications need to be proven and applied when necessary and not just deployed because it is the newest 'buzzword'.

The excitement in the marketplace today with AI, Control Towers and Lights Out Planning are just some of these newer approaches. Business leaders must take a more detailed look into these exciting developments and their application but they should only be applied once a clear strategy has been developed, communicated and deployed, enabling the selected approach to be tested and proven prior to implementation.

Speed is the name of the future and having the ability to use new data and information in 'real time', has provided the opportunity for Oliver Wight to evolve Integrated Business Planning into Enterprise Business Planning which effectively integrates all the time horizons, mentioned above, into one seamless process, enabling the enterprise to be linked directly to the strategy, business and detailed planning processes and systems.

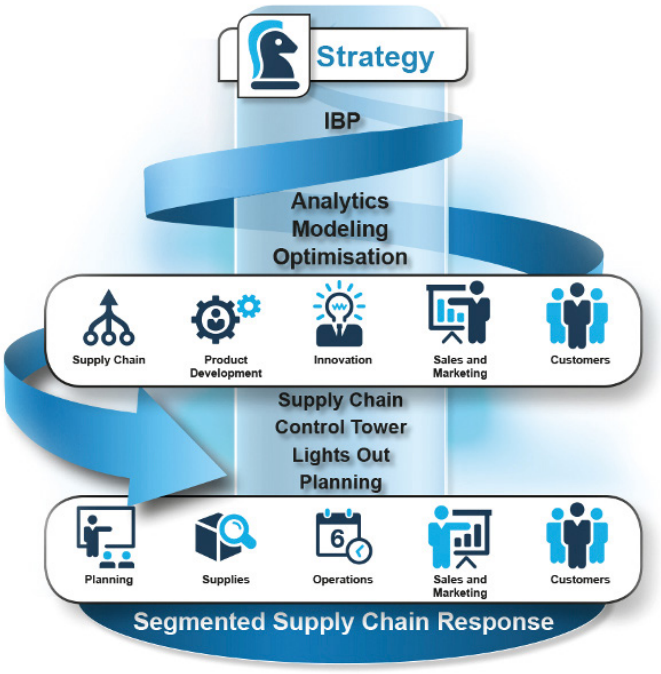


So, as we speak – Enterprise Business Planning

Maintaining Oliver Wight's innovative thought leadership is a constant activity and has recently enabled the development of Enterprise Business Planning. This is the next evolution of Integrated Business Planning to ensure the benefits associated with AI, Big Data, transactional speed, and the potential they offer for further integration are exploited.

Figure 8: Enterprise Business Planning

Enterprise Business Planning will, in real time, integrate all 3 business horizons, top to bottom, with the aim to fully 'Supercharge' supply chains to enable enhanced customer service, reduced costs and improved profitability. Strategic planning will become a fully integrated process and will no longer be a separate company wide activity done every 3 to 5 years like the integration of finance and the elimination of the traditional yearly budgeting process with IBP.



Speed of response will be improved through enhanced decision-making using analytics, modelling and optimization based on real time information obtained from the pool of 'big data' growing in all markets. Understanding market pressures and disruptors will enable supply chains to adapt, in real time, from the anticipated greater use of control towers for supply chain planning. This umbrella approach to supply chain planning will enable the source of supply from multiple supply points, optimizing the use of assets and ensuring customer satisfaction.

The capability in real time will also translate into better understanding the future challenges and enable better decisions about opportunities the future presents. This enhanced bottom-up perspective used to visualize the future will enable better alignment to value propositions and, if required, present challenges to strategies that will allow adjustments, as required, rather than waiting for the current 3-to-5-year strategy refresh.

Enterprise Business Planning is today's example of Oliver Wight's ability to take its history of excellent process development and adapt them to take advantage of advances in technology. The book 'Supercharged Supply Chains' explains, through 19 standalone chapters, how the suite of excellent processes developed since 1969 can be applied through your transformation journey to eventually enable your EBP.

Conclusion

Oliver Wight, since 1969, has developed its offering to provide support on all aspects of business planning and management, required to cover all the horizons we have discussed. A proven implementation approach to transformation enabling a suite of process materials to grow the client's knowledge base and then, through facilitated application, ensures this shared knowledge is effectively applied. Eliminating the temptation to be 'one dimensional'. Of course, Oliver Wight's message is that the near term must be managed, planned and executed through the application of its unparalleled processes. However, if future challenges and market disruptors are not accounted for then they will always be a surprise to the near term and cause change. This leads to churn and firefighting which promotes the belief that more time is required by all in the near-term horizon, hence compressing the organization into a 'one dimensional time horizon'.

The skilled coaching and mentoring approach from the experienced Oliver Wight team ensures that sustained cultural and business success is delivered.

To better understand the scope of the Oliver Wight capability please obtain a copy of our book 'Supercharged Supply Chains' which, chapter by chapter, explains the business excellence planning model. In addition, gain an insight into the newly developed Integrated Tactical Planning process that effectively integrates the short-term horizon with Integrated Business Planning through our book 'Integrated Tactical Planning – Respond to Change, Increase Competitiveness and Reduce Costs.'

My Dad, an ex-headmaster, once told me that in an exam doing all the easy questions first makes you look busy but at best just enables you to scrape through if not potentially fail, because they carry the lowest marks. Set out a strategy to do the hard questions first because this is where all the marks are, and you will more easily succeed. Is business any different? We need to ensure the organization can focus on the Hard, Medium, and Easy; in truth these are present in all of the key time zones - Strategy, Business Planning, and Detailed Planning and Execution – who in your organization focuses on the Hard, Medium, and Easy, and how often is this only in the Execution horizon?

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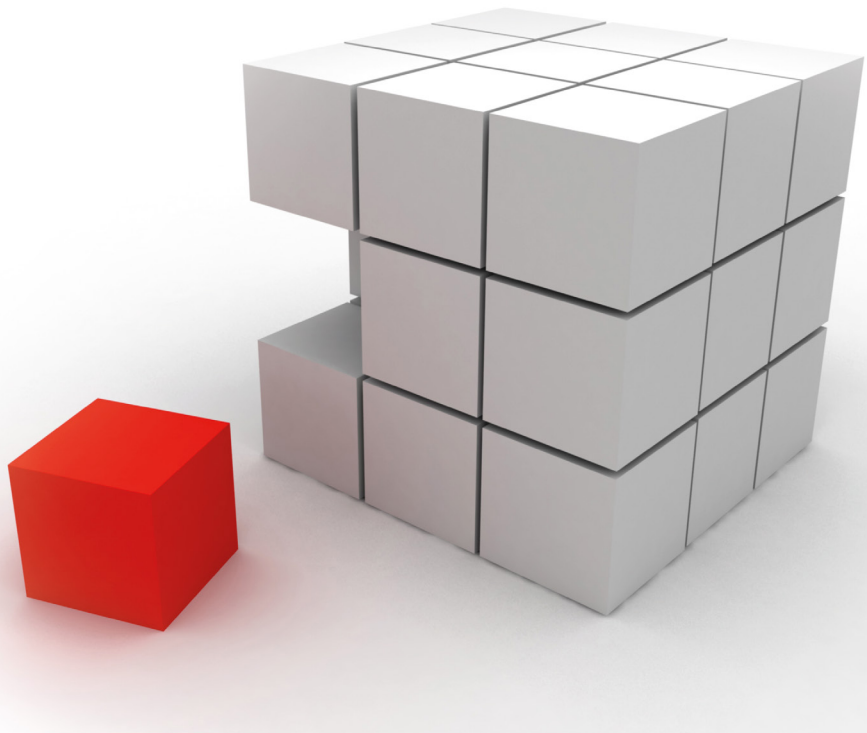

About Oliver Wight

When you talk to Oliver Wight about improving your business, we'll assume you want results, not just better processes – things like increased revenues and margins and greater market share. If you have the ambition, it is possible to make improvements that truly transform the performance of your organization and create more fulfilling roles for the people within it. We believe this can only be delivered by your own people. So, unlike other consultancy firms, we transfer our knowledge to you; knowledge that comes from over 50 years of working with some of the world's best-known companies.

Oliver Wight has a long-standing reputation for innovation and we continually challenge the industry status quo, so you always get the latest in new thinking. Your Oliver Wight partners will use their real-world experience to ensure your people, business processes and technology are fully aligned and integrated right across your organization.

They will coach, guide and inspire your people to drive change throughout your organization, allowing you to create a culture of continuous improvement and innovation that simply becomes for you 'the way we do things around here'. It's a proven, sustainable approach that will deliver results straight to the bottom line.

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realize the **potential**.®

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