

SECOND EDITION

**The Transition from  
Sales and Operations  
Planning to Integrated  
Business Planning**

PRACTICES AND PRINCIPLES

**George Palmatier**  
and **Colleen Crum**



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## **Dedication**

This book is dedicated to Valerie Kramer and Jerry Crum, two people whose lives affected far more people than they could ever imagine.

Thank you, Valerie and Jerry.



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## FOREWORD

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I am pleased that this book on Integrated Business Planning (IBP) has been written. Every executive who thinks he or she has control of their business should read it.

As an executive of a business at DuPont in the early 1990s, Oliver Wight Americas was engaged to assess our Sales and Operations Planning (S&OP) process. I looked forward to the assessment because I believed our process was very good.

George Palmatier of Oliver Wight took me aside after reviewing our process. In a very provocative and candid way, he pointed out what I was missing as the business leader by having a process that focused on short-term tactics, by not having all functions aligned to one plan, and by not being able to see gaps in the performance of the business.

George convinced me that my view of S&OP was too narrow. We viewed S&OP as mostly a near-term process for balancing demand and supply. George emphasized that our business needed a process for integrating *all* functions and ensuring that *all* plans were aligned and tied to strategy.

As a business leader, here's what I found so compelling about IBP:

- It is so logical and truly integrates the financial plan, the financial forecast outlook, sales and marketing plans, and operations plans.
- It links tactical plans to the execution of strategy and provides the means to continually challenge the strategy rather than continuing to rely on an old, and perhaps even irrelevant, strategy as market conditions change.
- It gives management teams greater confidence in making the decision to change plans as market and economic conditions change—because the planning numbers and projections are updated and vetted every month.
- It is an effective leadership process whether the business is mature, a start-up, or a turnaround.

DuPont ended up requiring that all of its businesses implement a process that they named DuPont Integrated Business Management (DIBM), DuPont's name



for IBP. The only other mandatory business-wide process at DuPont is Six Sigma. That's how important DIBM was to the health of DuPont.

In my final leadership position at DuPont, I served as the chief executive for a turnaround business. By the time I came to this business, I had three IBP implementations under my belt and could not imagine running a business without the IBP process.

I used IBP to bring the entire executive team together to focus on delivering the turnaround. Here's what we accomplished over the course of four years:

- Reduced working capital by 30 percent
- Improved forecast accuracy at the item and ship-to level from 50 percent to 70 percent
- Increased company pre-tax operating income by five times
- Improved the growth rate of the specialty business from between 3 and 4 percent per year to more than 10 percent per year
- Increased the accuracy of our financial plan from being highly inaccurate ( $\pm 50$  percent) to being highly predictable ( $\pm 5$  percent)
- Set financial and operational performance records for multiple years

In implementing IBP, I became a better business leader. Most business leaders like to experiment and develop their own processes, which they strive to continually perfect. With IBP, the process has already been perfected. Instead of experimenting, I was able to use IBP to more efficiently tie together strategy and execution and drive improved business performance.

We trusted the plan numbers and projections—because we updated them every month. As a result, we did not consume a huge amount of time debating whether the numbers were accurate; we knew the numbers were as close to being accurate as possible. This gave the leadership team the time to focus on our strategy and tactics given the changes in market conditions that were either occurring or we expected to occur.

I also used the Integrated Planning process as the means to create a culture of self-awareness where we could be safely self-critical of our functional and business performance. The leadership team set targets each year for what we wanted our IBP process to do for the business. This effort included identifying how much to improve annual forecast accuracy. Each year, we identified the volume growth for certain business segments. We also agreed upon the target for on-time delivery performance each year.

We monitored performance through the monthly IBP process. Discussions focused on how to make the improvements happen. For example, we focused on how we needed to invest in tools and training to enable our people to achieve the targets. We found that in order to be successful, we needed a solid demand

plan. We invested in training the sales force and providing them with tools to do a better job. The sales team went from not being engaged in the process to being strongly involved in the process. Their involvement accelerated the results we were able to achieve.

Along the way I learned that when implementing IBP, success starts with the business leader's personal commitment to the process. I have also always had very strong IBP leaders who have been my co-champions for the process. The business leader—and the IBP leader—must be one step ahead of the rest of the executive team to push and prod for continuous improvement.

In singing the praises of IBP, I don't want to leave you with the impression that implementing it is easy. It is not, and that's why the business leader needs to be committed and personally involved. Initially, the organization sees that implementing IBP is extra work, especially as the IBP process begins to replace other processes. This extra burden gradually diminishes. As the well-structured integrated process replaces those old informal processes that are not integrated, the workload eases.

When the workload diminishes and the well-structured integrated process becomes dominant, the organization becomes much more focused. The strategy and tactics are well understood, including how they tie together. The expectations for outcomes, including financial performance, are clear. Rather than arguing about whose numbers are right, the people supporting each function and the management team focus on meeting the expectations of the business and marketplace.

Why I like this book on IBP is that it distinguishes the difference between S&OP and IBP. It also explains the integration of product portfolio management and financial planning and management. It explains the structure of IBP in a way that is logical and easy to understand.

I very much believe in three key things in running a business: strategy, execution, and people. IBP is a fantastic process for tying all three together. I have implemented IBP four times in my career, and in every case, it was a vital part of the business transformation.

—Torkel Rhenman,  
Executive Vice President, LyondellBasell

## ACKNOWLEDGMENTS

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In the writing of this and our other books on variations and themes of integrated management processes, we have been extremely fortunate to draw upon the experiences of our many clients and our associates in the Oliver Wight Companies. Over the past couple of decades, the integration of management processes has become more widespread, and the experiences in doing so are becoming richer and deeper.

The integrated management process of Sales and Operations Planning has continued to mature into something greater than originally envisioned; that is, Integrated Business Planning. As this maturation has occurred, we have had the opportunity to share our experiences with numerous clients and Oliver Wight team members. It is our pleasure to share this common body of knowledge with our readers.

In writing this book, we truly appreciate the reviews and comments made by Marc Bergeron, Les Brookes, Jimmy Dixon, Dennis Groves, Liam Harrington, Terry Johnson, Donald McNaughton, Andrew Purton, and Mike Reed of the Oliver Wight organization. Their input helped to improve the content and clarity of the material.

We also wish to thank our clients and fellow associates for their continued support for mature Integrated Business Planning. Their generosity in sharing their experiences has contributed to increasing the body of knowledge of how business leaders are managing their companies with fully integrated executive teamwork.

## THE AUTHORS

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George E. Palmatier has assisted many companies that make everything from soup to satellites in implementing integrated management processes. He is recognized as an expert on Integrated Business Planning (IBP), Sales and Operations Planning (S&OP), Demand Management, and Integrated Strategy Management. He also has deep experience with Enterprise Resource Planning, Integrated Supply Chain Management, and Integrated Product Development.



With more than forty years of experience in industry and as a principal with Oliver Wight Americas, George has a thorough knowledge of how to achieve sustained results in improving business performance. During eleven years as Vice President of Sales and Marketing at Bently Nevada Corporation, George was responsible for bringing the sales and marketing functions into a well-orchestrated business management process. Bently Nevada was one of the pioneers in developing and implementing S&OP and using it as a truly integrated management process.

In addition to this book and his many white papers, George has authored or coauthored three other books: *The Marketing Edge*, *Enterprise Sales and Operations Planning*, and *Demand Management Best Practices*.

Retired from active consulting with Oliver Wight, George still maintains a keen interest in helping companies that strive to improve their business performance in order to better satisfy their customers, employees, and owners/shareholders.

Colleen “Coco” Crum is considered a thought leader and innovator in Demand Management, Integrated Business Planning, and Sales and Operations Planning.

She has helped develop methodologies that enable companies to successfully implement and sustain integrated management processes to quickly achieve financial benefit. Before retiring as a consultant with Oliver Wight, she assisted companies across the manufacturing spectrum, including chemicals, consumer goods, food and beverage, electronics, biotechnology, and aerospace and defense.

In addition to coauthoring this book and authoring many white papers, Coco has coauthored three other books: *Enterprise Sales and Operations Planning*, *Demand Management Best Practices*, and *Supply Chain Collaboration*. During retirement, Coco has served as an editor for Oliver Wight and is an author of children’s books.



# ABOUT OLIVER WIGHT

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At Oliver Wight, we believe sustainable business improvement can only be delivered by your own people. So, unlike other consultancy firms, we transfer our knowledge to you; knowledge that comes from 50 years of working with some of the world's best-known companies.

*The Oliver Wight Class A Standard for Business Excellence* is recognized by organizations and industry commentators as the definitive measure of business excellence. We have a long-standing reputation for innovation; we continually challenge the industry status quo, so you get the latest in fresh thinking around core business processes and their integration with people and technology.

Your Oliver Wight partners 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.” We call our approach to change management the Proven Path; it's a proven, sustainable approach that will transform your business performance and deliver results straight to the bottom line.

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Downloads for *The Transition from Sales and Operations Planning to Integrated Business Planning* include three additional appendices: Transitioning from S&OP to IBP; Strategic Planning: An Executive's Aid for Strategic Thinking, Development, and Deployment; and Connecting Strategy to Execution with Integrated Strategy Management.





# The Story



## PREFACE

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This book is an extension of the book *Enterprise Sales and Operations Planning*. It describes how a fictional company, Global Products and Services, Inc., continues to evolve their Sales and Operations Planning into Integrated Business Planning (IBP).

In telling this new story about IBP, the authors assume that the reader has a basic understanding of the integrated business management process known as Sales and Operations Planning. If you have not already read *Enterprise Sales and Operations Planning*, the authors encourage you to do so. It will help you to understand how the management team at Global Products and Services, Inc. has reached the point that is covered in this second book—basically, the need to continue to improve business performance and to continue to evolve its business management process in order to do so.

In this second edition of *The Transition* book, the authors have added an epilogue that emphasizes how integrated business management continues to evolve to include Integrated Strategy Management and Strategic Thinking. The authors carry forward the story of Jack Baxter, President of Global Products and Services, Inc., and Ross Peterson, Consultant for Effective Management, Inc. In doing so, they tell of the first steps in linking strategy into the IBP process.

A section on principles has also been added. The principles address integrated management, IBP, behaviors, decision making, and the implementation of change. The focus is on the soft skills and critical thinking that is needed when implementing and operating IBP. Most companies underestimate the value of these soft skills, which is a major contributor to failed implementations.

Time stands still for no one and no business. The authors expect IBP will continue to evolve as a best practice in integrated business management.

We hope our books help you and your company establish the foundation of integrated business management. Evolving the process as markets, customers, supply chains, and internal capabilities change is much easier and more effective when the fundamentals are already in place.



# THE COMPANY AND PLAYERS

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## The Company:

Global Products and Services, Inc.—a multidivisional, global company that is headquartered in the USA and serves multiple markets with a variety of products and services.

## The Players:

Jack Baxter . . . . . President, Global Products and Services, Inc.  
Janis Novak . . . . . Corporate Controller  
Ross Peterson . . . . . Lead Consultant, Effective Management, Inc.  
Sally Peterson . . . . . Ross' wife  
Mark Ryan . . . . . General Manager, Recently acquired division  
Cheryl Ryan . . . . . Mark's wife  
Chad Ryan . . . . . Mark and Cheryl's son  
Sheri Waterman . . . . Administrative Assistant for Mark Ryan  
Taylor Jackson . . . . . VP Strategic Planning, Global P & S, Inc.  
Bailey Madison . . . . . VP Supply Chain Management, Global P & S, Inc.  
Nolan Justin . . . . . Corporate IT Director, Global P & S, Inc.  
Bill Williams . . . . . Project Coordinator  
Tim Osborne . . . . . Demand Planning Process Leader



## PROLOGUE

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Just another morning?

Jack Baxter, President of Global Products and Services, Inc. rolls out of bed. It is 4:30 in the morning.

Jack has been a *morning person* for about five years. He brushes his teeth, uses the bathroom, then proceeds to exercise and stretch for 20 minutes as part of his concerted effort to manage his physical health and weight control, which seems to get more difficult every year. He continues his morning routine with meditation to help keep his mind and spirit positive. Finally, he finishes with a brisk shower, dresses, and is ready for another day.

Jack is in Denver, Colorado, and has scheduled a breakfast meeting this morning with his long-time friend and associate, Mark Ryan. Mark has been running the Aerospace business unit that Global Products and Services acquired seven years ago, and the business has been doing well, even during tough economic times. Prior to Mark's current assignment, Jack made Mark responsible for implementing Sales and Operations Planning (S&OP) in eight Global Products and Services, Inc. business units around the world.

As Jack drives to the Aerospace business unit offices, he pauses to consider the impact that S&OP has had on the company. It has proven to be the most significant company-wide initiative that Global Products and Services, Inc. has ever undertaken. All eight business units have significantly improved their business performance as a result of changing the way the businesses were managed. Some business units achieved greater results than others, but all eight divisions, as well as the recent acquisition, effectively use the S&OP process.

While the processes are not perfect in each business unit, the business units align and synchronize all of the business functions internally and are more effectively connecting externally with customers and markets.

That's no small achievement, Jack says to himself. Yet, he has a nagging worry. The performance of some business units appears to have stagnated and Jack fears that their S&OP processes may have atrophied. At the same time, some of

the other business units have continued to improve their S&OP processes and continue to meet or exceed their business goals and targets.

Why have some business units atrophied and others have not? Jack suspects the variation in performance is caused, in part, by management changes, promotions, and turnover, which is just normal business life. Additional stressors are changes in customers and markets, particularly coming out of the Great Recession. He also wonders whether the leaders in the business units that have stagnated truly understand the principles of integrated management and the behaviors required to be successful.<sup>1</sup>

It seems to Jack that the business units that more fully embraced S&OP as an integrated business management process have been more adaptable to both internal and external changes. As a result, they have been the top performing business units in the company.

Jack pulls into the parking lot. He wonders whether Mark will be willing to take on another assignment. He knows Mark has been comfortable in Colorado. His current job does not require that he travel nonstop, and Jack knows that Mark and his wife, Cheryl, have enjoyed having more time together.

Jack remains in the car for a few minutes, thinking about how he might convince Mark to accept this new assignment. He hopes that Mark appreciates Jack's confidence in him. Jack knows that Mark is the right person for the task he has in mind for him. He will need to reassure Mark that he won't have to move from Colorado. Mark's son, Chad, is living in Durango, which is just a few hours' drive from Denver—close enough for the family to see each other at least every few weeks. Jack will also reassure Mark that he will have plenty of support. It won't be like starting all over again. Bailey Madison, the corporate Vice President of Supply Chain Management, will be a great asset and can carry a good deal of the load for Jack's new initiative.

As Jack walks into the building, he hopes that Mark will jump at the opportunity to help the company once again.



# 1

## THE PROPOSITION

---

Mark Ryan, the Executive Vice President of the Aerospace business unit, answers his emails while waiting for Jack to arrive. He looks out the window at the Colorado Rockies. The morning sun slants across the eastern slopes. It is a beautiful sight and is one of the main reasons that he and Cheryl were delighted to make Colorado their home. He also knows it is one of the main reasons their son, Chad, has elected to spend at least a couple of years working in Colorado.

Mark laughs at himself. Chad's girlfriend might have been an influence, too. He hopes, though, that Chad will decide sometime in the near future to pursue an MBA at a well-known school with the same enthusiasm that he and his girlfriend are currently pursuing skiing, backpacking, and fishing. Who knows, maybe earning his MBA will put Chad into a position to marry and have a few children of his own. Now, Mark really chuckles at himself. Are he and Cheryl *really* ready to be grandparents? Boom-Pa and Nana?

Thank heavens, Sheri Waterman interrupts Mark's reverie. "Jack's just stepped out of his car. Will you be needing anything from me for the meeting?" she asks.

Sheri has been a blessing to Mark. She chose to move with him to the Aerospace business after Global Products and Services acquired the company seven years ago. Changing jobs did not require that Sheri move from Denver. It just extended her drive to work by twenty minutes, but Sheri never complains, even during winter snow storms.

Just as Mark starts to tell Sheri that he won't be needing anything from her during the meeting, Jack taps Sheri on the shoulder.

"Good morning, Sheri and Mark. What a beautiful morning!"

Mark springs up from his chair and extends his hand to Jack. "And a good morning to you, Jack," he says. "I trust you had uneventful travels and a good night's sleep."

Sheri excuses herself, and Jack and Mark eyeball one another.

"We have a lot to discuss, Mark," Jack says. "Are you ready to roll up your sleeves and get to work?"

Mark nods his head. “Let’s go to the cafeteria and get some coffee. We can talk there,” he says.

Mark and Jack stop by Sheri’s desk on the way to the cafeteria. “Sheri, I will be tied up most of the morning. I’ll return calls just before lunch,” Mark says.

Sheri nods and says, “Remember you have your staff meeting at one this afternoon.”

As Mark and Jack walk down the hall to the cafeteria, Mark clasps Jack’s shoulder and says, “What’s up, big man. I have a feeling this is not a social call.”

Jack laughs. “You always have been good at reading me. I’m dying for a cup of coffee. Let’s sit by that big picture window and catch up on the family news. Then we can talk about what brings me to town.”

Mark tells Jack of his morning reverie about becoming a grandfather. Jack laughs out loud.

“Donna and I went through the same thing a few years back,” he said. “It’s normal. On the one hand, what’s better than grandchildren! On the other hand, will people look at you as being old?”

They stare out the window at the Rocky Mountains, alone in their thoughts for a few moments. Then, Jack shifts gears.

“Mark, let’s get to the primary reason why I am here. As you know, I have continued to maintain contact with Ross Peterson. Ross is a coach and advisor from the consulting firm Effective Management, Inc.”

“How is Ross?” Mark asks. “We talk from time to time, but it’s been six months or so since our last conversation.”

“He’s just fine. Same old Ross,” Jack says. “I called Ross because I’m concerned that the performance of some of our business units is not improving, and I’m worried that their Sales and Operations Planning (S&OP) processes have stagnated. I wanted his take on the situation.”

“I hope you weren’t concerned about my Aerospace business unit,” Mark replies.

Jack shakes his head. “No, Mark. The Aerospace business unit continues to be a top performer, thanks to your leadership and management skills. But we did talk about you.”

Without hesitating, Jack launches into his proposition.

“Mark, I want you to take another assignment. I want you to review the S&OP processes in the other business units, using Ross Peterson of Effective Management and members of his team as a resource. After talking with Ross, I’m sure that we are missing some key business benefits from S&OP in some of the business units.”

Mark does not reply immediately. He rubs his chin and stares out the window. After a few moments, he turns back to Ross.

“I’m glad that you are happy with the Aerospace business unit’s performance,” he says. “It’s hard to believe that it’s been seven years since we acquired the business. It seems like only yesterday that you had me work with Ross to lead the implementation of S&OP in all of the business units. But here’s what I don’t understand. Why me this time? Shouldn’t someone else be given the chance to tune up the S&OP processes in the business units?”

Jack is ready for Mark’s question and quickly responds. “Mark, you are clearly the best choice. You have the best knowledge of S&OP in all of Global Products. You gained this knowledge by leading the original implementation at the Universal Products business unit and from operating the process as General Manager (GM) of the Aerospace division. You used S&OP as your management process to run both businesses. You make sure the principles and behaviors are in place. And you achieved top-notch business results, I might add. What we need now goes beyond a tune-up.”<sup>2</sup>

Sheri walks into the cafeteria to refill her coffee cup. She sees Mark and Jack across the cafeteria, heads bent, deep in conversation.

Jack is telling Mark of his conversation with Ross Peterson. S&OP has evolved to be more than just balancing demand, supply, and inventory. Companies are making great gains by evolving S&OP into an industry best practice for strategic management. Some leading companies have given the process a new name to differentiate it from what they have done in the past. The most common name now being used is Integrated Business Planning (IBP).

“Jack, we already use the S&OP process as a strategic management process, at least in the Aerospace and Universal Products business units,” Mark says. “So what’s the big deal?”

“That’s true,” Jack replies. “But I think both business units are ahead of the curve, and that’s why I need you now to lead the effort in reviewing and rejuvenating S&OP in all of the business units, including the corporate level. With your help, we can learn something to help us perform better.”

“How does this effort fit with the rumors I’ve heard about Bailey Madison heading up an enterprise performance initiative?” Mark asks. “Are we talking about the same initiative?”

“I envision the two of you working closely together,” Jack replies. “You will need to make sure that the strategic management process is connected to execution. That means the IBP process must be integrated with the detail execution processes. You’ll have the aggregate planning process—the IBP process. Bailey will focus on the detail execution processes, or what we will call Integrated Tactical Planning (ITP), and how the aggregate plans will be translated into detailed planning and control.”

Jack pauses to make sure Mark is following what he has said. Mark nods to show he understands. Jack continues. “Ross tells me that companies squander opportunities by not making sure they are aligned and synchronized at the execution level as well as at the leadership level. I think it’s a weakness we may have in many of the business units.”

Mark ponders Jack’s remark for a moment, then asks, “Will ITP include collaborative planning efforts with our *customers* and suppliers, or just our suppliers?”

Jack shrugs his shoulders. “I honestly don’t know at this point,” he says. “What I do know is that companies that do S&OP well are moving toward IBP. I also know that greater benefits are achieved when the leadership management process is connected to execution through the detailed planning and control process, more specifically with ITP.<sup>3</sup> I also know that some key customers are asking us to collaborate with them and that we are already attempting to collaborate with key suppliers. Beyond that, I just don’t know; but that’s why I want you and Bailey to work together.”

“So, Jack, where is all this information coming from? Is this all from Ross?”

“A lot of the clarity is coming from Ross, yes. But Bailey has been doing some discovery as well. She’s been talking to both customers and suppliers. I’ve also been talking with a number of executives in other companies, and Ross has shared the results of a number of independent surveys that have come out on S&OP in recent years.”

Jack pauses and waves a greeting at the Aerospace controller before returning his attention to Mark. “I am convinced that we have a significant opportunity to continue to improve corporate performance through improving and enhancing S&OP. It is key to integrate our executive management process with our planning and control processes, and we must better connect with both customers and suppliers. Mark, will you take on this initiative?”

Mark does not answer right away, and Jack does not expect him to do so. He respects Mark’s thoughtfulness and ability to think things through without becoming paralyzed. He also knows that once Mark makes a commitment, he will see it through to the end.

Mark’s mind goes back in time. He truly enjoyed leading the S&OP project a few years ago, but the travel was the downside. With Jack’s latest proposition, Mark knows it means more travel.

The real dilemma for Mark, however, will be giving up his current role, at least for some period of time, as GM of the Aerospace business unit. He can’t see it working any other way. An upside will be working with Bailey Madison; he knows that they will make a good team. It will also be good to work with Ross Peterson again. Ross always brings a lot of experience and the most current

thinking in industry. He is sure that Ross will be an invaluable mentor and coach—just like he was during the previous project.

Mark pushes from the table and leans back in his chair. Here come the questions, Jack says to himself.

True to form, Mark turns his questions into statements, rapid fire, seeking Jack's confirmation. "I assume that you will be the corporate executive sponsor, and I can call upon you if I have reluctant GMs in the other business units?"

Jack nods in agreement.

"I assume you will give me Ross Peterson and Effective Management, Inc. as a resource for education and coaching as we did before."

Jack again nods in agreement.

"I won't be able to do my current job as the GM of Aerospace and do the project leadership work on this initiative. So, someone will have to be named as interim GM until the project is complete. Is that correct? Or do you see me giving up this GM role completely?"

Jack knew this question would be on the table, and he has already thought through his answer. "Mark, I plan on naming an interim GM, with your concurrence, until we get a better handle on how much work is involved and how long it will take for this project. We will need to work with Ross to better define the work and the schedule. I know there is a diagnostic phase to the work, much like we did when we first implemented S&OP. After that phase, we will discuss the GM role again. I know that between the two of us we can identify an interim GM until the first phase is completed."

Jack thinks the timing is right to launch into his *big speech*, to state his expectations and assure Mark that he will remain a valued leader of the company after the initiative is completed.

"Mark, the potential benefits to the corporation are truly significant if we can integrate our executive management processes with the detailed planning and control processes in all of the business units. This is not a job to be left to someone we are training to promote to an executive-level position. We need an executive to lead the process, someone who is well regarded and has a good track record. Someone like you, Mark. There is no question in my mind that leading this project is the best use of your skills and experience for the future of Global Products and Services, Inc. We've done this before. And as before, I will make sure it is worth your while to lead this effort. When the project is completed, you will have a key role in Global Products and Services, Inc. You will either return as GM of the Aerospace business unit, or you will be given another opportunity in a key role. We will make the decision together."

Jack pauses for a moment. He sees that Mark is looking at him intently. Jack decides to preempt Mark's next question, veiled as a statement.

“Mark, I know that your next question will be about location. There is no need to relocate to lead this project. As before, the project will entail a lot of travel. But I have to be honest with you; once this project is done, if you are no longer GM of the Aerospace business, I can’t guarantee that the next assignment will be in Colorado.”

Jack stands up and stretches. “I don’t expect an answer today. I am sure you will want to talk to Cheryl before making a decision.”

Mark is on his feet, looking at his watch, mindful that he has a staff meeting at one o’clock. It is noon. He has time to call Cheryl. She loves Colorado and being near Chad, but she is also always up for an adventure.

“Okay, Jack. I think I understand the business issue and the opportunity for me to be of service to Global Products on this project. I do want to talk to Cheryl first.”

Jack smiles, liking Mark’s positive signals. “I knew that would be the case. I planned another engagement this evening, so you have the whole night to talk it over with Cheryl. Why don’t you take her out to dinner on the company? You and I can go over the details tomorrow morning.”

Mark shook his head at his boss—same old Jack. “I did not say *yes yet*, Jack,” Mark declares.

Jack shrugs his shoulders. Busted. He decides contrition is appropriate.

“I know Cheryl needs to be in agreement, Mark, but I am also sure you will do the right thing. Let’s get together first thing in the morning. I plan to fly out around noon tomorrow.”



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# 2

## THE FIRST STEP

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It is a week later, and Mark and his team are not wasting time getting started. As he awaits the start of the initial team session at a conveniently located hotel, Mark thinks back to all that has occurred in just seven days.

He smiles as he thinks about how Jack, once again, talked him into leading a major company initiative. Mark knew that Cheryl would support this opportunity, and she did not disappoint him. She readily admitted that she really likes Colorado, but she also likes for her family to “stretch our wings,” as she described it over the dinner that Jack so generously bought. One thing Mark loves about Cheryl is her *sense of adventure* (as Mark puts it), or her *restless nature* (as Cheryl describes it).

During their dinner, Cheryl observed that they had been in Colorado longer than any other place in Mark’s career. “Maybe this opportunity is good timing for us,” Cheryl said. “We can seek new challenges in new places.”

Things came together nicely at Global Products and Services, too. Not surprisingly, Jack asked Bailey Madison to call Mark and encourage Mark to take the project leadership role. They talked about how the project was an integration effort, linking strategic management with detailed integrated planning and control. They decided to propose to Jack that they be joint leaders. Mark would lead the Integrated Business Planning (IBP) effort, and Bailey would lead the Integrated Tactical Planning and supply chain collaboration effort. Jack was delighted with their proposal.

Mark called Ross Peterson of Effective Management, Inc. shortly after accepting the project leadership role for the IBP effort. Ross expected the call; Jack had already asked him to be prepared to once again work with Mark in this effort.

Ross and Mark were happy to be working together again. They had stayed in touch over the years, exchanging both professional and family news as well as jokes that make the rounds in emails.

In their most recent phone conversation, they discussed who should be on the project core team. Ross recommended that he get people from corporate representing finance, information technology, corporate strategy, and/or

marketing. He further advised that these corporate representatives needed to be strong players with the ability to help in the initial scoping effort. Mark and Bailey would represent operations management. Mark knew from his previous project he would need an administrative assistant as well.

Since each of the Global Products and Services divisions are largely independent with few shared resources, Mark decided that a large central project team was not necessary. Ross observed that the more shared facilities and resources a company has, the more important it is that all the functions and business units be represented on the central project team. But, given that each division at Global Products and Services operates essentially as an independent business, a large central team was not necessary, at least to start.

Mark glances down at his notepad where he has written the names of the core team members:

- Mark Ryan: Corporate Project Leader for IBP
- Bailey Madison: Corporate Vice President, Supply Chain Management, and Corporate Project Leader for Integrated Planning and Control and Supply Chain Optimization
- Taylor Jackson: Corporate Vice President, Strategic Planning
- Janis Novak: Corporate Controller (promoted recently from Controller for the Universal Products division)
- Nolan Justin: Information Technology Director
- Bill Williams: Administrative Project Coordinator

Having led these projects before and having worked with Effective Management, Inc. in doing so, Mark knew that the core team would need a common level of understanding of the best practice principles and behaviors as well as the approach to the project. He had arranged for Ross Peterson to lead a one-day education and workshop session to bring everyone up to speed.

Mark looks at his watch. He expects Ross to arrive in one hour for the education session. Mark hasn't seen Ross in several years. He wonders if Ross has a little more gray hair, like Mark now has. He thinks about his last conversation with Ross. He was genuinely pleased to have an opportunity to work with Global Products and Services, Inc. once again. He and his Effective Management, Inc. team worked so well together on the Sales and Operations Planning (S&OP) implementation. Ross told Mark how he connected with Jack again and what spurred their conversation toward IBP.

Jack had gone to a baseball game with Paul, a long-time friend, who was the CEO of a fast moving, consumer goods company. Between beers, hot dogs, and watching out for foul balls slicing toward their box seats, Jack and Paul swapped stories about their respective companies. Paul told Jack how he had



*supercharged* his S&OP process and how company performance improved by doing so. Jack had asked whether they used outside help in making the improvements. It turned out that Paul's company used Effective Management, Inc., although another trusted adviser and coach worked with Paul's company.

The next day Jack called Ross, and they scheduled a meeting at corporate headquarters for Ross to brief Jack on how to supercharge the S&OP process. Ross laughed at the description. "We've been calling it a transition or evolution to IBP," he said. "But supercharged is a lot sexier description!"

What struck Jack most about IBP was the comparison in performance achieved by companies that operate the integrated management process well versus companies that operate the process in a mediocre manner. Ross showed Jack a chart from a research firm (see Figure 2.1).

From those reports, Jack found it interesting to learn about the types of business results that companies achieve by operating S&OP well. The benefits are not just in cost improvements, which even companies with mediocre S&OP processes typically achieve.

Jack's own experience leading Global Products and Services validated the reports. What surprised him was that companies with effective IBP processes

	Reported % Improvement Ranges
Revenue Growth	10-31%
Gross Margin	25-29%
Demand Plan Accuracy	18-43%
On-Time Delivery In Full	10-50%
Order Fill Rate	29-34%
Perfect Order	22-30%
Customer Satisfaction	29-39%
Inventory Turns	24-28%
Inventory Value	33-37%
Inventory Reduction	18-46%
Safety Stock Reduction	11-45%
Working Capital	25-30%
Asset Utilization	32-49%
Increased Productivity	30-45%
Return on Assets	24-30%

**Figure 2.1** Reported Improvements as a Result of IBP. Sources: Oliver Wight International, Aberdeen, AMR, and Ventana Research.

exceed those benefits. They also realize increased top-line sales revenue and market share. Jack hadn't thought of utilizing S&OP to drive improvements in sales revenue and market share.

Ross explained how companies were able to get those top-line improvements by contrasting the primary difference between companies that only achieved cost savings and those companies that also achieved increased sales and market share. It turns out that companies with both bottom-line and top-line gains did not solely focus the S&OP process on aligning demand, supply, and inventory. They used S&OP as a strategic management process as well.

This approach was not something that Jack had thought about before, but he had often lamented how difficult it was to ensure that the company's strategies were well executed. As Ross explained, the executive leaders of many companies were now using S&OP as their monthly management review of progress toward strategic goals and their review of strategic initiatives. There are several advantages in doing so. Increased management attention keeps the strategies top of mind. S&OP provides better visibility of the future and enables executive teams to adjust plans as conditions change.

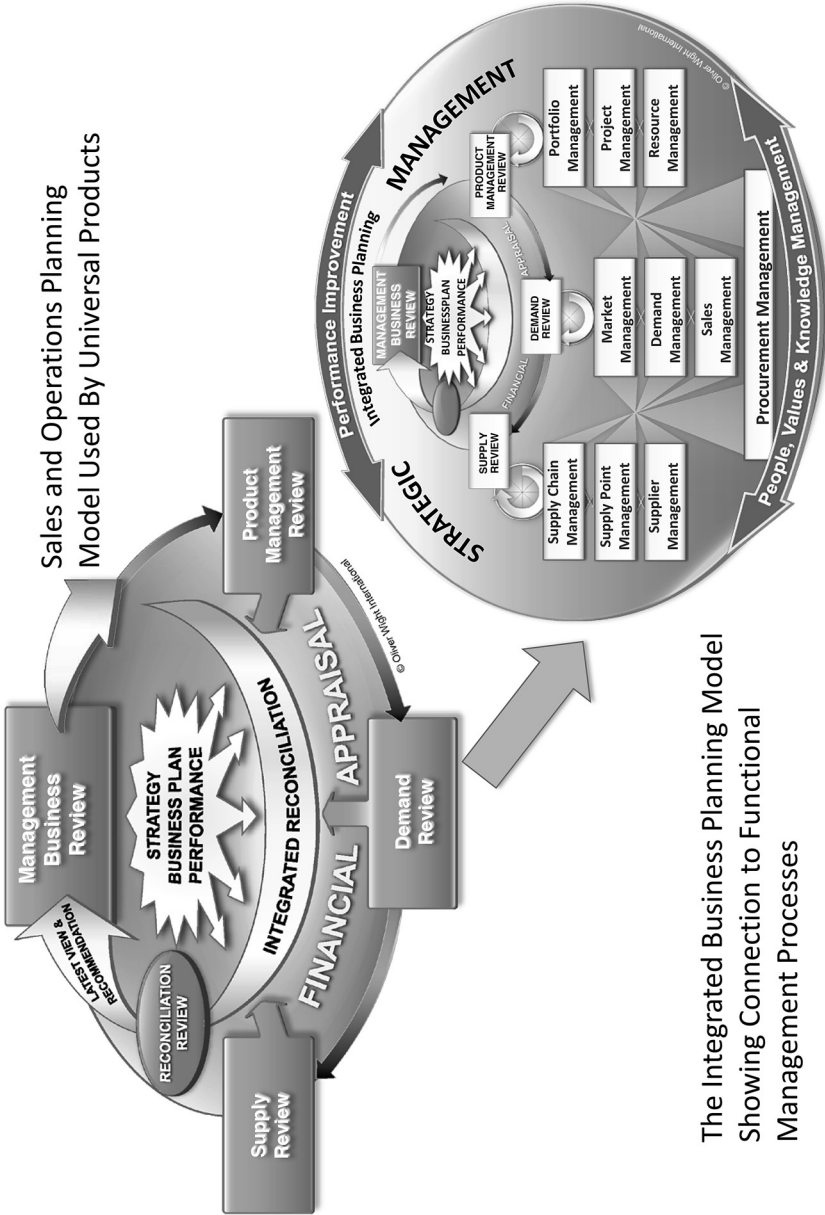
It is a natural extension of S&OP to validate whether the latest projections and plans are aligned and synchronized with the company's strategies. If they are not, one or the other requires adjustment.

In the end, companies that incorporate strategic management into the S&OP process improve execution because of the amount of attention and the actions taken to ensure that the strategies are executed. That is what drives improved business top-line performance improvements.

Ross recalled to Mark how surprised Jack was to find that the basic S&OP model had changed relatively little over the years (see Figure 2.2). Like most models, the IBP model does not capture the greatest change that occurs when companies transition for S&OP. The greatest change was in leadership and management *thinking*. Business leaders tend to neglect the principles and behaviors that need to be in place to think strategically about the business.<sup>4</sup>

Jack described the shift in thinking as moving from short-term reactive management to longer-term strategic thinking and strategic management. Ross warned that this change may seem simple, but moving to strategic thinking is often the hardest part for an executive team.

Ross shared that one critical characteristic of companies that begin to use the monthly S&OP process for strategic management is that considerably more attention is paid to the Product Management Review in the monthly process. Changes in strategy often drive changes in value propositions and product portfolios.



The Integrated Business Planning Model  
Showing Connection to Functional  
Management Processes

Figure 2.2 Aggregate Planning Models. © Oliver Wight International.

As a result, innovation and product management need to receive much more of management's attention than what is required to simply make sure that demand, supply, and inventory are in balance. Often, support product management processes like *stage and gate* management need to be implemented or shored up.

Following his conversation with Ross, Mark asked Bill Williams, the Project Integration Leader, to set up an offsite meeting for the small but high-powered central project team. One purpose of the meeting is to gain a common understanding of S&OP and its evolution into IBP. The other purpose is to discuss the implementation of the project in general. Ross would lead the one-day session.

Mark talked with Jack and Bailey. They agreed that the support required for each individual business division would not be determined in the session. The knowledge gained and the discussions in the session would help in identifying the right project team leaders in each division. The team members would most likely vary division by division, depending upon the diagnostic review conducted on the current state of each individual S&OP process.

Jack called each of the people who would participate in the session. Travel to Japan would prevent Jack from attending the session, which was unfortunate, but Jack did not want the session delayed because of him.

In Jack's phone call to each person, he conveyed, quite convincingly, the importance of the project. He told each team member that he championed the project and took it very seriously. He asked each team member to take the project equally seriously; company business performance was dependent on their leadership of this project.

Mark looks up as the front doors of the hotel create a draft of cool air in the lobby. Bill and Ross have arrived at the hotel at the same time, ninety minutes early to make sure the room is set up. Mark likes the location. It is close to the office, yet gets people away from day-to-day work so they can concentrate on the education session. All he is asking of team members at this time is one full day's attention.

Ross, Bill, and Mark greet one another and walk down the hall to the meeting room. They are happy that the room has been set up with tables in a u-shape, which will facilitate discussion. Ross plugs his computer into the LCD projector that has been set up on a table in front of the room. He looks around and finds the stool he requested in a corner. He retrieves it and sets it on the side at the front of the room. He has found, over the years, that sitting on the stool creates a comfortable casual feeling while allowing him to maintain a position of control as he facilitates the discussion.

Ross sits on the stool to test its comfort and watches Mark and Bill as they place a notebook of the slides that will be used in the session on the table in front of each chair. Mark puts the last notebook in place and looks up at Ross.

“Well, Ross, here we go again,” he says. “Are you ready for another improvement journey with Global Products?”

Ross chuckles. “This should be a walk in the park, a piece of cake compared to the first time through,” he says, partially in jest. “At least we’re not starting from scratch this time. Each of the divisions already has some sort of S&OP process in place. With some luck, we’ll find a lot of the fundamentals already in place and can get to work doing the strategic side of the process. That’s the fun stuff. If we find the fundamentals lacking, we’ll fix them more quickly than the first time because people are already doing some sort of S&OP.”

“Ross, I hope you’re right, but didn’t you say this was about changing the way the management team *thinks* about the business? It has been my experience that change is not as easy as one might believe, especially with our management team,” Mark replies.

Ross understands Mark’s position. It is always nerve-racking to lead a project, not knowing what dynamics might influence the team and whether they are truly committed to creating change or are just paying lip service to the project.

“I understand your point of view, Mark,” Ross says. “My optimism comes from Jack’s strong support and the fact that you are leading the effort. I expect we will move this project along quite rapidly, at least in most of the divisions. As we found when implementing S&OP, there are almost always one or two divisions that are more of a challenge than the others. I am not worried. This should be a fun project.”



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