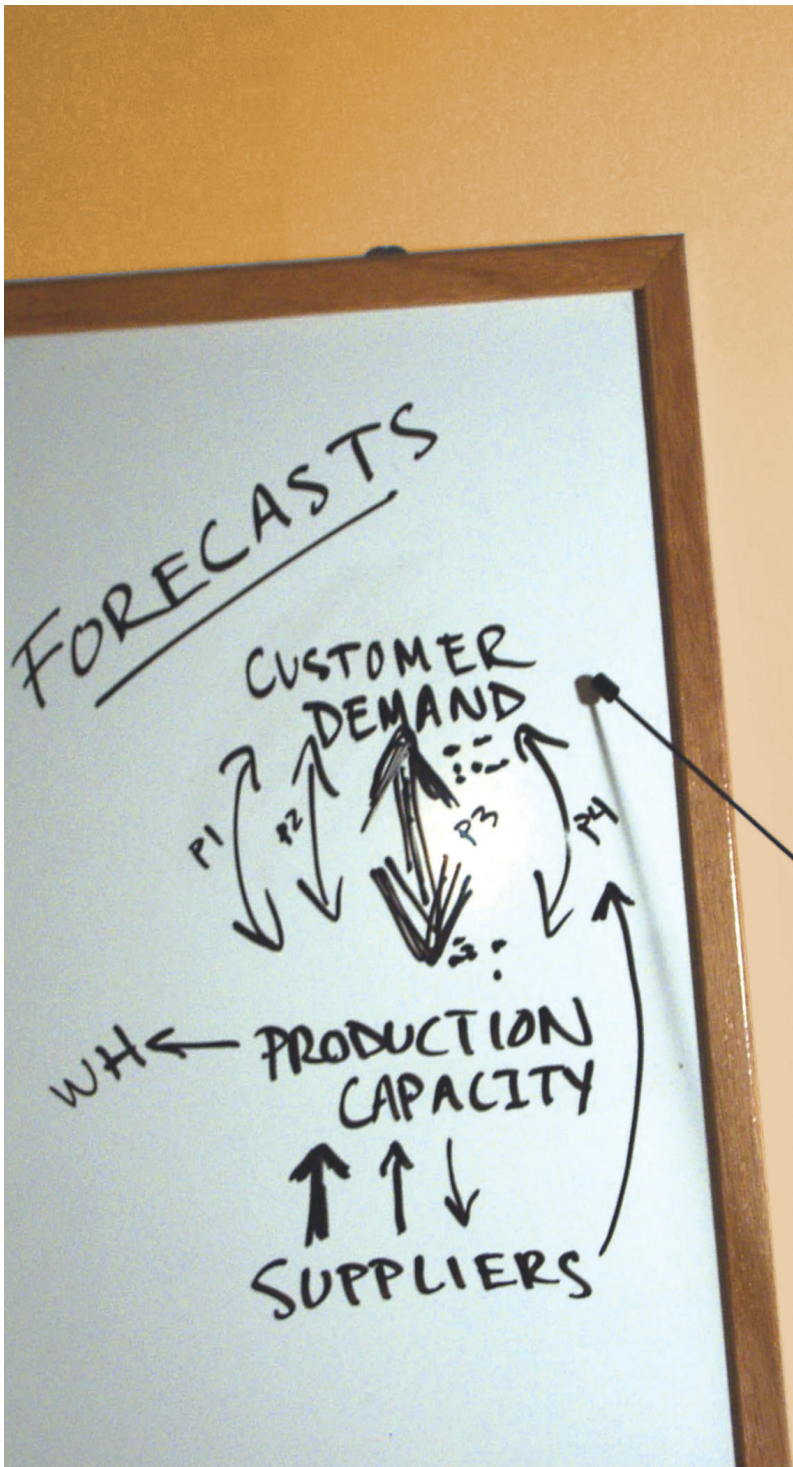


It's **All** in the **Planning**

At Honeywell Optical Products, a fast-track sales and operations planning implementation has brought 95% forecasting accuracy. Rob Tearnan reports.



You're sitting anxiously in the suddenly assembled general manager's staff meeting. Voices are nervously subdued. The rumor mill is in high gear about another initiative-of-the-month about to be loosed among the leery survivors of the last purge. The meeting begins. Amid the tri-color visuals and 3-D spreadsheets, the same old message is skeptically received by managers scrambling for politically correct responses in an endless game of shoot the messenger.

The GM stands. Everyone but the HR director sinks a little deeper in their chairs. You scrawl a reminder to yourself: cancel vacation again. You jerk back into focus at the words "And we will be operating as a world-class organization in six months!" All hands reach for their personal planners to put "polish resume" at the top of their to-do list.

This is a familiar scene across corporate America. But interestingly, not at the VCSEL Optical Products division of Honeywell, which has developed a new type of semiconductor laser used in computing, networking, and sensing applications. VCSEL had just such a meeting in March 2001 where they initiated a fast-track sales and operations planning (S&OP) program. By September 2001, the process was fully functioning and the organization was operating a Class A level S&OP process.

The process continues to work smoothly today. "Using the S&OP process, we have improved our short- and long-term forecasting accuracy from 60% to consistently hitting our goal: 95% or better," said Bill Dopman, director of business management.

Reaching and maintaining 95% accuracy in six months involved a carefully balanced focus between

the process, the tools, and the required behaviors. Two consultants provided training, coaching, and implementation support to keep the initiative on track. As a result, said Danny Schoening, director of operations, “Our production plan, on-time-to-stock, master production scheduling, and supplier performance have improved to consistently hit our monthly performance goals within six months of implementation.”

S&OP is a methodology used by manufacturing organizations to execute their business strategy. The specific steps within the plan focus the executive team on (1) the demand opportunities for current and new products and (2) the constraints on the organization’s ability to produce product to meet this demand. The plan, developed in a monthly S&OP executive meeting, ensures that demand is synchronized with supply, so customers get the product they want, when they want it, while inventory and costs are kept to a minimum.

This step-by-step methodology was used by Honeywell to design a series of tailored workshops for the entire VCSEL S&OP team that defined the specifics of the process they would be implementing. The training included an executive overview for the general manager and his direct reports designed to get their buy-in, followed by detailed training of all the individuals involved in the operation of the S&OP process.

During the initial implementation, the key players were identified and an implementation plan was developed with milestones and deliverables delineated. Prior to the first S&OP cycle, all the players knew what the process would accomplish and what was expected of them individually. Consultants attended each of the monthly S&OP meetings and pre-meetings, coaching and guiding the individual team members through the process; no time was wasted on unanswered questions or misunderstood expectations.

A major hindrance to a timely S&OP implementation is the tendency for companies to use a package of home-grown spreadsheets and presentation tools that are developed on the fly as the S&OP process is being implemented. To avoid this, Honeywell used a Microsoft Access-based Oliver Wight tool designed to present S&OP summary data to the executive team in a clear, consistent way.

Using the tool, the staff set its initial goal to identify a significant business issue, with risks and

options, by the first S&OP meeting. Consultants spent six to 10 days each month training and guiding the key VCSEL staff in managing the tool, gathering required data, and formatting the tool to present the data effectively. By the end of the first month, the VCSEL team was able to make the required decisions, reaching their stated goal at the first S&OP meeting.

Within six months, VCSEL had implemented the process defined in their initial design, but the

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desired behavior changes lagged behind. The people issues were addressed through a combination of training, coaching, and focused support. One critical step was getting the general manager to champion the process. The second step was achieving a complete understanding of required behavior from the team, including commitment to a balanced and synchronized demand/supply plan, accountability for meeting the performance standards, open and honest communication, not promising what cannot be delivered, and making the decisions needed to address the identified opportunities and constraints.

Using this “fast track” S&OP implementation methodology, VCSEL was able to implement an S&OP process within six months. The benefits realized include 95% short- and long-term forecasting ability; 95% goal achievements in production plan, on-time-to-stock, master production scheduling, and supplier performance; increased control of planning and delivery commitments; and most importantly, an ability to do what they say they will do.

At VCSEL, the sales and operations planning implementation is complete, business performance improvements have been realized, and the messenger is safe. ●

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