



OLIVER WIGHT CASE STUDY SERIES

S&OP Pumps Weir Floway Performance

“What we have been able to do through the Sales and Operations Planning process is to affirm internally that we are an engineer-to-order business, and that is the niche that will allow us to survive and thrive.”

Rick Burris
President
Weir Floway, Inc.

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Weir Floway, Inc.

Highlights:

Since adopting Sales & Operations Planning (S&OP) almost two years ago, Weir Floway, an international leader in the manufacture of vertical turbine pumps, has experienced a significant improvement in its business and operations performance. One of the most visible accomplishments has been in its financial impact. "In the first year under S&OP, we grew the before-tax profit eight points, and in the second year, we grew it another eight points," declares Rick Burris, President. "Prior to applying the principles of S&OP, we were selling pumps; but we didn't understand which sales were profitable. In the past two years, we have enjoyed a 50-percent growth and have tripled the profit margins on our existing business."

Another major success has been scored in delivery performance, which is a significant market differentiator in the industry. "We've been able to capture additional business strictly on the basis of our delivery performance," notes Burris. "About 15 percent of our business has been won on the basis of our ability to deliver fast and on time." For the record, Weir Floway's on-time delivery performance is at the high 90 percent level against the industry "standard" of the mid-60 percent area.

Burris also emphasized that S&OP was instrumental in enabling the company to execute its strategic plans. "We had a key strategy in the municipal water market





last years, and by focusing on that strategy, we took our 'win' rate from 18 percent to 53 percent." Among other achievements he attributes to S&OP is a 46 percent improvement in the company's working cash position and a 55 percent reduction in inventory investment.

Taking the first step towards S&OP

Weir Floway, based in Fresno, California, is one of 39 operating companies in The Weir Group PLC. It is a leading manufacturer of vertical turbine pumps for the municipal clean water market. It also provides products and services for the downstream oil and gas, mining, electric power, and petroleum refining sectors. "We are a fully engineer-to-order company and do not manufacture any standard products," explains Burris. "We bid projects and build to individual specifications."

Commenting on the situation he encountered in 2004 when he joined the company, Burris said, "Individual organizations within Weir Floway optimized themselves to run the best way for their particular function rather than the best way to serve the customer or the market or the company as a whole." As an example, he mentioned that, at the time, the manufacturing function was in the final stages of a three-year Lean initiative.

"I'm a believer in Lean and what it can do, but by no means do I subscribe to the fact that that's all there is to the business," he said. "Lean set a good base for S&OP. Thus, the seeds were planted for an S&OP initiative."

Burris, a former Oliver Wight principal, contacted George Palmatier, an Oliver Wight principal and recognized expert in integrated Sales & Operations Planning and demand management. "My personal knowledge of his expertise was absolutely the reason I contacted Oliver Wight," explains Burris. Palmatier conducted a one-day S&OP briefing for company executives, followed by an S&OP assessment, and training sessions. Burris, because of his previous experience, served as the S&OP champion and in-house trainer.

"We follow the Oliver Wight S&OP model exactly," explains Burris. "The executive review, product review, demand review, supply review, and financial review are all carried out as we've been shown by the Oliver Wight organization. However, some portions of our process are stronger than others. For example, since pumps are a mature technology, new product introduction is not a key activity, yet product improvement is a major focus."

The new focus on engineering resources

Demand management discussions focus first on engineering resources, then factory resources. "Our success is driven by our ability to engineer projects,"

// The Sales and Operations Planning methodology is very logical, methodical, and it shines a light on how business fundamentally is to operate. It makes absolutely perfect sense on every single level. //

Bryan Gudgel,
Vice President of Product and Application Engineering,
Weir Floway, Inc.

maintains Burris. "We focus a major portion of our demand management discussion on our engineering resources, which has totally changed the focus of the company."

One outcome of the S&OP process has been the decision to take engineering time out of overhead and to make it a direct work center. "Engineers are now required to charge their time to the projects they are working on," explains Bryan Gudgel, Vice President of Product and Application Engineering. This change provides the opportunity to review the time it takes to do a project and, more importantly, to have better information available from which to bid a project.

"It also allows us to do capacity loading of our engineering resources," he said. "In fact, two months ago, after reviewing future demand on engineering resources during our S&OP meeting, the decision was made to add three engineers because the review indicated that we would need them in about six months."

In the supply review, not only is the demand impact on the factory itself considered, but it's been extended to the impact the demand would have on the suppliers' capacities. "We continually review our outside suppliers as to whether we are running the potential risk of overloading the capacity at a supplier's location," notes Gudgel. "Because of the S&OP processes, we've gone so far as to buy capacity rather than buying items from certain suppliers."

Burris credits the S&OP process with building consensus within the organization that there is 'good' and 'bad' business; profitable projects and markets to pursue, and those which should be avoided. One of the most traumatic decisions made, which was forced by S&OP analysis, was to cancel an entire product line. The product line was well pumps for the agricultural community, which was the original product line manufactured by Floway.



Gudgel pointed to the culture of communications and how S&OP impacted it. "Communication is at a level never seen before, and that's not only verbally but in the real transfer of information," he explains. "The culture that's been developed is one of very high trust because, through the process of sitting together and reviewing the key factors that impact our business, team members gain an appreciation of what others have to work with and the constraints they face."

Taking S&OP to the next step with ESOPT

Currently, Weir Floway is implementing the Enterprise Sales & Operations Planning Tool (ESOPT) to optimize the ongoing use of its S&OP process and to solidify and build upon the performance achievements already made. J. Robert Tearnan, Oliver Wight principal, conducted a half-day demonstration of the tool and followed it up with training and workshop sessions. "It's been a significant help to them in implementing S&OP because they now have a standard view of the data specific to the individual needs of demand and supply," Tearnan said.

The major initiative for the past couple of months has been to input the appropriate data into the tool. "We have an automated configuration and pricing system and have been downloading information on bids, and we also have been coding the data so we can track it by product family," explains Gudel. "In fact, the tool has enough in it at this point that we will be using it as the basis for our next S&OP meeting instead of the spreadsheets and other vehicles that we've been using."

Gudel adds, "The tool is going to shine a tremendous light on our front end: our knowledge of the marketplace and our ability to forecast demand. That's already surfacing as an area for improvement in the business." Meanwhile, Burris sees the primary benefit of the tool as "closing the loop on the financials." While financials are a "somewhat closed loop right now, it is not elegant," Burris comments. "Once we get all of the information systems fully integrated into the tool, it's going to be a lot easier to punch the buttons and have the tool be more elegant."

For the future, Burris plans to extend the planning horizon. "We've taken our planning horizon from 30 days out to a year right now. Even as we populate the data for a year and a half, we're only looking at 12 months running. We need to take that out to two years, and we need to further enhance the driving of our strategies through the S&OP process."

What is the Enterprise Sales & Operations Planning Tool?

Oliver Wight's new software, Enterprise Sales & Operations Planning Tool (ESOPT), enables an effective S&OP process and provides a critical link between the traditional ERP system and the management-level planning process. Management gains visibility into all the "moving parts" of its operations—demand forecasting, capacity planning, supplier relationship management, cash flow analysis, and product lifecycle management—at a level high enough to know what actions have a positive or negative impact on business performance and early enough to take action.



What is Sales & Operations Planning?

Sales & Operations Planning is a process developed by Oliver Wight and led by senior management that, on a monthly basis, evaluates revised, time-phased projections for supply, demand, and the resulting financials. It's a decision-making process that ensures that the tactical plans in all business functions are aligned and in support of the business plan.

The objective of S&OP is to reach consensus on a single operating plan that allocates the critical resources of people, capacity, materials, time, and money to most effectively meet the marketplace in a profitable way.



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