

Insights to Better Business Execution

How Integrated Tactical Planning Enables Enhanced Decision-Making and Improved Outcomes



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When senior business executives are in the habit of trouble shooting supply, demand and customer service issues week to week and day to day – that is a symptom of an organizational problem. A company may engage in a sophisticated strategic planning process, such as Integrated Business Planning (IBP), but that effort won't deliver the expected results without proper execution at the lower levels of the corporate hierarchy – and that's not going to happen if the C-suite is constantly meddling in everyday details.

IBP demonstrates that strategic thinking and planning benefit from formalized processes — and so does shorter-term execution. Formalizing weekly and daily execution processes helps to align short-term corporate activities with the goals articulated by corporate strategists. It also empowers middle management to make the tactical, ground-level decisions in the areas in which they enjoy expertise, thereby releasing senior executives to spend time on the matters that should be occupying them — the longer-term welfare of the business.

The essence of IBP is to help execute strategic ambition and to manage month-to-month changes in the business environment over a 24-month planning horizon. Integrated Tactical Planning (ITP), by contrast, provides a framework for cross-functional teams to manage near-term changes to

plans inside the current quarter — with the objective of executing IBP goals. If done right, daily firefighting and executive team intervention should become rare occurrences.

Companies can benefit from working with a business transformation specialist, who has experience in optimally re-aligning near-term plans and in tactical planning and execution across varied business functions. A specialist will offer advice, coaching, and mentoring to companies on how to use ITP to quickly resolve problems. By involving the product, demand, supply and finance teams in the decision-making processes, ITP transforms short-term decision making into a cross-functional effort to improve operational metrics and to more effectively achieve both long-term and short-term business goals.

Case in point, an Australian food manufacturer had the elements of good planning and execution in place but was missing the connection between monthly planning processes and daily execution. As a result, corporate processes fell off a cliff — from the bigger-picture view, down to daily check-ins — and the company lost control of its tactical horizon.

“When the monthly planning decisions cascaded down to daily activities, there were always gaps and mismatches between what was planned and what was actually made,” says the company's supply chain planning manager. Those mismatches resulted in inventory discrepancies and inflated operational costs — including excessive worker overtime.

To understand how ITP can improve short-term decision making, it's worth focusing on

two aspects of the program — processes and middle-management roles. Without a formalized process for short-term planning, organizations often experience chaos because they feel the need to respond urgently to every variation from the plan in the mistaken belief that each change must be resolved. But organizations experience limited flexibility and high costs when they attempt to make short-term changes — which is why ITP stresses that only significant abnormalities need to be addressed.

ITP comes to alleviate corporate chaos by assigning clear roles and responsibilities to middle management who are empowered to make short-term decisions. They may very well inform senior executives of their activities, but they don't have to overwhelm the higher-ups with all the details.

ITP is a middle-management process that re-aligns and re-optimizes core process plans across the product, demand, supply and finance teams. Review and re-planning are done weekly, typically over a 13-week horizon, to ensure the success of the long-term strategy. Tactical planning helps teams solve problems quickly to keep the strategic plan on course. Instead of reacting to unexpected anomalies, the tactical planning process is proactive, identifying potential crises and adjusting plans according to new information.

The concept of the “time fence” is one way ITP focuses the attention of middle-management decision makers and reduces the chaos that can prevail in day-to-day decision making. The time fence

refers to the point when significant expenditures for example are incurred due to changes in plans to meet future demand commitments. Short-term decisions are made with reference to that critical time constraint.

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Where the monthly IBP process manages resources and supply to meet the demand plan, ITP manages demand to meet the

available resources inside the time fence. As the time horizon comes closer to execution, the ability to make changes becomes limited while the costs of making those changes increase. Focusing on the time fence plays a key role in considering and executing ITP plans and helps to keep short-term decision making on track with longer-term goals.

The core plans for ITP are the same as those used in the IBP process, but at a lower level of detail — considering, for example, individual SKUs at the product level and weeks, days and hours when considering the timing of business activities. The product portfolio plan ensures that appropriate resources have been allocated for each project. When products are in the final stages before launch, it is critical to ensure that product availability, distribution capabilities, sales team preparation, advertising and public relations are all ready to go.

The demand plan reflects anticipated product sales, out to the planning time fence. Once inside the fence, demand is balanced against available resources. The demand plan serves as a key input into manufacturing and supplier schedules and is used in projecting inventories.

The supply plan represents the response to sales projections, synchronized with the weekly demand plan out to the planning time fence. Once inside the time fence, supply plan flexibility is reduced because materials and goods have been ordered, labor has been organized and storage locations optimized.

The finance plan supports ITP decision making by providing financial analysis for different scenarios and a bridge between the decisions made in ITP and the forward implications for the longer IBP planning horizon. Finance advises the rest of the team whether cumulative ITP decisions are driving larger or smaller gaps to longer-term goals and targets.

Managing ITP will vary from company to company, according to size and industry type, but four formally defined roles are generally necessary. The product planning manager manages changes to the product portfolio and supporting plans. The demand execution manager controls the demand-generation levers. The supply planner/scheduler controls supply and supplier capabilities and costs. The customer service/order entry function manages incoming orders and customer expectations.

Each of these participants engage in weekly meetings to review modified weekly plans and to agree that they are valid and doable. They also conduct daily review meetings to maintain supply to the weekly plan and to ensure that all levels of the process are synchronized.

The Australian food manufacturer “created a weekly planning meeting with representatives from the planning, production, and procurement teams,” says the supply chain planning manager. “We also introduced the innovation team to the planning meeting, as well as the customer service team. This coordinated approach, alongside the existing monthly

IBP process and daily review, means the team can now see what has or hasn’t been achieved every week.”

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The results of these management changes include dramatic reductions in labor costs, largely by having to rely less on overtime work. In the first year, labor

costs were slashed by over half and in the second year stayed at a consistent level even though the company opened a new facility with more employees. Products delivered in full, on time, and to customer requirements rose to the 97%-plus level. Margins also received a boost — on top of operational savings, the company also benefitted from positive price variance.

The same kinds of results can be achieved in other organizations, by improving clarity on middle management roles and focusing the activities of senior executives where they are needed. The ITP process can improve efficiency in the use of resources with weekly planning constrained by the time fence. Perhaps most importantly, ITP enables the achievement of a company’s strategic goals.

With the help of an expert business advisor, ITP can be stood up in weeks and operationalized within a month. Companies will improve execution by fostering the requisite roles and behaviors to support improved processes, ultimately leading to lower costs, improvements in inventory levels and customer service and enhanced teamwork and collaboration across the company.

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