Integrated Business Planning
(Advanced S&OP) Class A Behaviors in a Matrix Environment:

You Have a Plan Until You Change It. Who Decides?

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You Have a Plan Until You Change It…

QUESTION:
How do you keep one set of numbers in a matrix environment when the entire company does not have an integrated business management process, e.g., Sales and Operations Planning or Integrated Business Planning (Advanced S&OP)?

CLASS A PRINCIPLE:
At the leadership level, you have a plan until you change it! The plan can only be changed through the Integrated Business Planning (Advanced S&OP) process and is not a new plan until changes are reviewed and approved through the formal Integrated Business Planning (Advanced S&OP) process in accordance with the process policy and procedures.

WHAT IS THE ISSUE?
In a matrix environment, it is common that the Integrated Business Planning (Advanced S&OP) process step owners have dual reporting -- one, to the President or General Manager of the business unit within which they operate; and two, to a functional leader who often has geographic or global responsibility for a function.
It is not uncommon that the operational business unit will be operating to an agreed-upon Integrated Business Planning (Advanced S&OP) plan updated in the last monthly cycle or special update per the “emergency changes” procedure of the formal Integrated Business Planning (Advanced S&OP) process. This, of course, keeps the operating business aligned, synchronized, and operating to one set of consensus numbers.

Sometimes a global functional leader independently directs a local function to make changes to the operating business unit plans or changes to targets, (e.g., product development plans, demand plans, supply plans, inventory plans, goals, or targets). When this occurs, the Integrated Business Planning (Advanced S&OP) process step owner for the operating unit (e.g., VP R&D, VP Demand, VP Supply etc.) is faced with conflicting directions. He or she has the consensus Integrated Business Planning (Advanced S&OP) plan for the operating unit directed by the local leadership and new direction from a central authority.

**CLASS A PRINCIPLE:**
There can only be one planning and control system; when there is more than one planning and control system, in reality there is none. Misalignment, non-synchronization, and chaos occur.

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**Definition of Integrated Business Planning (Advanced S&OP)**

- A process led by senior management that evaluates and revises time-phased projections for demand, supply, product and portfolio changes, strategic projects, and the resulting financial plans. This is done on a monthly basis, typically over a 24-month rolling planning horizon.

- It is a decision-making process that realigns the tactical plans for all business functions in all geographies and operating units to support the company’s business goals and targets.

- A primary objective of Integrated Business Planning (Advanced S&OP) is to reach consensus on a single operating plan, to which executives of the management team hold themselves accountable and allocates the critical resources of people, equipment, inventory, materials, time, and money to most effectively satisfy customers in a profitable way.
What Is Class A

Class A is a term coined by Oliver Wight and adapted by many companies in a variety of industries to depict best practices. The term originated from the Class A checklists that have been published by Oliver Wight since the 1970s.

Now in its sixth edition, The Oliver Wight Class A Checklist for Business Excellence contains best practice standards on the following business processes:

- Managing the Strategic Planning Process
- Managing and Leading People
- Driving Business Improvement
- Integrated Business Management (Sales and Operations Planning)
- Managing Products and Services
- Managing Demand
- Managing the Supply Chain
- Managing Internal Supply
- Managing External Resourcing


Informal, “order launch and expedite” systems then predominate with their inherent lower performance and higher costs.

CLASS A PRINCIPLE:

The operating business unit must operate to the consensus Integrated Business Planning (Advanced S&OP) plan until changed through the Integrated Business Planning (Advanced S&OP) process according to the agreed-upon process policy and procedure. This means that the global functional leader can request changes, but changes are subject to consensus approval by the leadership of the operating business unit in accordance with S&OP policy and procedure.

CLASS A BEHAVIORS

1. The operating business unit should recognize direction from global functions as inputs subject to review and approval through the Integrated Business Planning (Advanced S&OP) process.

The leadership members of the operating business unit must respect the inputs from global functional leaders but should include those inputs in the Integrated Business Planning (Advanced S&OP) cycle.
Caution should be taken to not immediately overreact to these inputs without cross-functional review. Overreaction inevitably leads to unnecessary work or rework.

2. The Integrated Business Planning (Advanced S&OP) process step owners must communicate to the MBR members that represent the business unit when they receive conflicting direction from the global functional leadership. Specifically, the owner of the Integrated Reconciliation step of the Integrated Business Planning (Advanced S&OP) process should be advised. He or she should then advise the appropriate executive leaders of the directed or requested change either immediately or through the regularly scheduled Integrated Business Planning (Advanced S&OP) process, depending upon the significance and urgency.

3. The global functional leadership should view their communications as requests rather than absolute directives and should respect the integrated management process of the operating business unit. In practice, the Integrated Business Planning (Advanced S&OP) process provides an excellent forum to ensure that inputs and directives from a central functional organization are addressed through a disciplined, regular, and routine process. This helps ensure that there are no surprise unintended consequences from implementing a functional directive without appropriate review and analysis of the effect on the entire business.
4. In a mature Integrated Business Planning (Advanced S&OP) process, inputs from global functional leaders are an input to the individual steps in the process and/or inputs “top down” as changes to strategies or strategic goals. Changes to strategies or goals are handled regularly and routinely through the Integrated Business Planning (Advanced S&OP) process at the operating unit level.

5. Significant conflict between direction from the global functional leadership and the local operating business unit function requires collaborative resolution with participation from the global functional leader, the local functional leader, and the operating business unit leadership. If this collaboration still does not enable resolution of the conflict, upper-level management should become involved as appropriate – always with the full facts and consequences of business choices highly visible to all involved.

To talk to an Oliver Wight Integrated Business Planning (Advanced S&OP) expert on implementing or improving Integrated Business Planning (Advanced S&OP), please contact www.oliverwight-americas.com or call 800-258-3862.
ABOUT THE AUTHOR

George Palmatier, Oliver Wight Principal, has assisted many companies that make everything from soup to satellites in implementing integrated management processes. He is recognized as an expert on Sales & Operations Planning, Integrated Business Planning and demand management as well as ERP, Integrated Supply Chain Management, and Integrated Product Development (IPD). George works with clients to formalize and integrate their strategic plans into an integrated business management process, Integrated Business Planning. With twenty years of experience in sales, marketing, strategic planning, and general management, George has a thorough knowledge of how to achieve sustained results improving business performance. During his 11 years as vice-president of sales and marketing at Bently Nevada Corporation (now part of General Electric), George was responsible for bringing the sales and marketing departments into an integrated business management process. Bently Nevada was one of the pioneers in developing and implementing Sales & Operations Planning using it in a truly integrated management process. George has authored or co-authored four books: The Marketing Edge, Enterprise Sales and Operations Planning, Demand Management Best Practices, and The Transition from Sales and Operations Planning to Integrated Business Planning.