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Are you planning to fail?

By Stuart Harman

A survey of firms in the Asia Pacific region has revealed that despite the lessons of the global financial crisis, the majority of organisations are still failing to plan more than 12 months ahead, and 10% have no formal planning process in place at all. So why are businesses not planning for the future, and why should they?

The survey was conducted at Oliver Wight's inaugural integrated business planning conference in Melbourne earlier this year. Over 100 senior managers from 54 companies were polled on their experience of integrated business planning (IBP) and sales and operations planning (S&OP). The findings were significant: S&OP and IBP are still relatively new in many organisations, and many of those who have an S&OP or IBP process are not gaining full benefit from them. Many organisations are only planning a few months ahead.

Although S&OP has been around since the late 1980s – and its latter-day incarnation, IBP, for almost 10 years – the research indicates that organisations are failing to gain from their full potential or are mistakenly using them for short-term planning.

Implementing S&OP and IBP

According to the survey, whilst 90% of respondents claim to have an S&OP or IBP process in place, 50% said their organisation has been using it for three years or less, with just below half of these (25% overall) having implemented their process less than a year ago.

The percentages are high, given that S&OP has been around for more than 40 years now. Companies should really be looking to harness the latest thinking for IBP to take their organisations to the next level.

When asked how often the IBP process was conducted within the organisation, the results revealed a reassuring 78% of companies were conducting the process on a monthly basis. However, 17% of respondents said they were conducting the process weekly, with a further 4% reviewing performance quarterly or annually. This indicates that organisations are either misusing their IBP process or that they don't really have one.



It isn't uncommon for companies to mistakenly confuse S&OP or IBP with a planning and control process designed for managing the short-term execution of plans. Alternatively, the organisation's planning process might not be working properly for one reason or another, so people are being drawn into short-term fire-fighting. Either way, the organisation is losing out on two levels – it is failing to deal with short-term execution effectively, and it has no forward view of the business.

The planning horizon

Without planning for the long term, organisations are less likely to reap the benefits of IBP and reach their business goals. Planning 24–36 months ahead unlocks a holistic view of the market and customer demand, allowing an organisation to predict long-term trends, think ahead of the game, and anticipate what customers want, even before they know themselves.

It is concerning that over half (58%) of respondents are either focusing on what has already happened, or planning no further than three months ahead. Again, this is indicative that the companies do not have a true S&OP or IBP process in place.

Most worrying is that none of the study's respondents were planning beyond the 24-month horizon, and only 12% are planning up to a year in advance. Successful businesses are typically planning 24–36 months ahead, and anything less than 24 months doesn't allow the organisation to

identify and respond to performance gaps soon enough, which leads to continual fire-fighting.

Decisions, decisions

Almost two-thirds (64%) of respondents said their executive teams are being drawn into spending more time on day-to-day problem-solving rather than longer-term decision-making. Often this is because the S&OP/IBP process is failing, leading to misaligned plans across the organisation, or it is due to a lack of process in the shorter-term 'tactical planning zone'.

If the executives' days are taken up with fire-fighting, who in the organisation is managing the medium to long term?

Significantly, between 30% and 60% of respondents identified room for improvement in their current planning process. The three most prevalent categories were:

- ▶ Using the S&OP/IBP process to identify future gaps in performance with enough time to take corrective action
- ▶ Getting the executive team using the S&OP/IBP process as the main process to run the business
- ▶ Using the S&OP/IBP process as the key decision-making forum in the organisation.

Since these are among the core benefits of IBP, it indicates that

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organisations are failing to get the true benefit from their planning processes.

For an organisation with determined people, motivated to drive the programme forward, the benefits of IBP can be staggering. IBP enables an organisation to make the fundamental shift from financial performance being the driving force for all management activity to the point where financial performance is the consequence of slick processes. Profitability improvements of 20% are not uncommon.

But this can only happen with the proper approach, embedding the process into the organisation, so it becomes the very way the company does business.

Lessons for the future

The findings suggest many organisations in the region will find it extremely difficult to identify to future trends in demand and market conditions in sufficient time to plan for and take advantage of them.

The experience of the global financial crisis should have taught us some lessons. If recession hits again, the future of many could be at risk unnecessarily.



Stuart Harman is a partner at international business improvement consultancy, Oliver Wight; for further information, visit www.oliverwightasiapacific.com