



**International Flavours  
and Fragrances**

**IFF**

### Benefits at a glance

- ▶ *Inventory levels reduced by 60%*
- ▶ *Cost base improved by over £1 million a year*
- ▶ *Inventory accuracy increased from 30% to 95%*
- ▶ *Customer service levels maintained over 95% whilst reducing inventory*
- ▶ *ISO 9000 registration successfully completed*
- ▶ *Oliver Wight Class A certification for planning and control*

## Customer profile

### **IFF has that sweet smell of success**

By following a well proven business improvement program International Flavours and Fragrances (IFF) in the UK has dramatically changed company culture, achieved Oliver Wight Class A status, reduced inventory levels by 60% and annual costs by £1 million, and successfully implemented SAP's ERP system.

Inspiring  
Business  
Performance

*Oliver Wight*  
OLIVER WIGHT



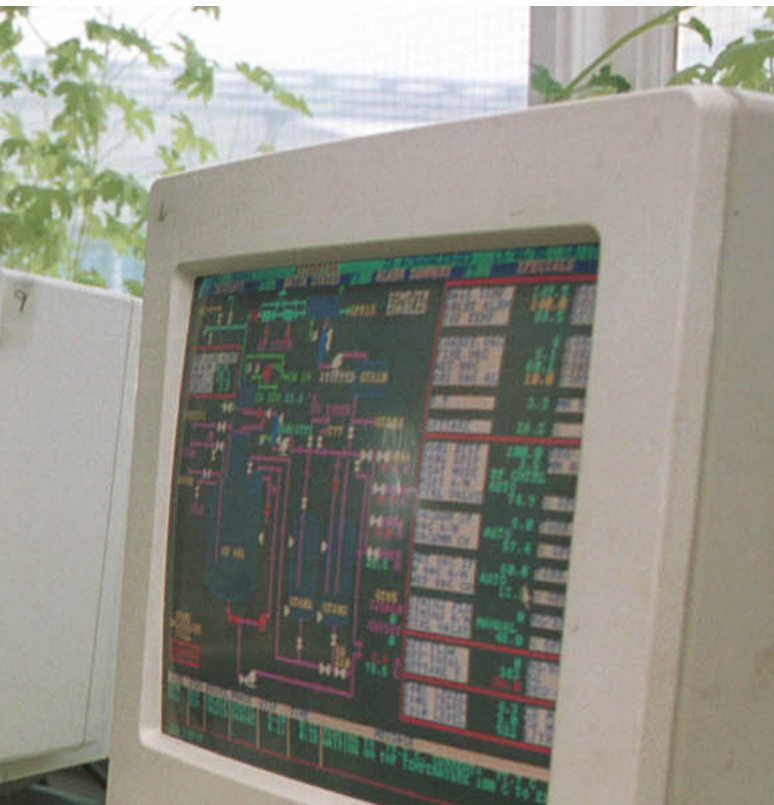
With facilities in over 40 countries, 5,400 employees and a \$1.8 billion turnover, IFF is the world's largest producer of flavours and fragrances, with its products found in almost every home. The flavours are destined for the food industry and oral care products such as toothpaste and mouthwash. The fragrances have two main markets: fine fragrances for perfumes and toiletries; and the household commodity market for items such as cleaning products and soaps.

The company has been described as ghostwriters for a large percentage of the world's fragrances. A typical fragrance has around 70 ingredients and some can contain 250. Its headquarters are in New York but the main production work carried out in the UK is at a 55-acre site in Haverhill, Suffolk, which has a turnover of more than £90 million a year. Around 60% of its Aroma Chemicals output is shipped as internal transfers to the company's fragrance compounding units across the world, with the remainder going directly to customers for compounding.

Steve Wilson, General Manager of the Aroma Chemicals (AC) division at Haverhill says: "In 1999 the need for change

in AC was staring us in the face. Costs were increasing whilst our sales were falling and margins squeezed. Inventory had increased substantially and we were largely operating informal processes that were more at home in the 80s. The company name could well have stood for International Fire Fighters! To help mitigate costs the response to events was to reduce the workforce by 30%, which obviously lowered morale in the company."

Steve Wilson's predecessor had previously worked with Oliver Wight, the world-wide business education consultancy, and knew that its Proven Path had a pedigree of success for achieving Class A performance levels. The



**“We have improved our cost base by over £1 million a year.”**

**Steve Wilson**  
*General Manager of the Aroma Chemicals division  
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concept has been a benchmark for Global Business Best Practice, and has been adopted by companies world-wide as an improvement driver and strategic goal. To achieve Class A, companies are assessed against a checklist of best practice and key performance indicators (KPIs). These challenge companies to really drive sustainable improvement, not just implement systems. The assessment ensures companies consistently attain performance measurements of between 95-100% in key business areas such as planning & control and customer service.

The company set an objective of achieving Class A within 2.5 years, and at the end of 1999 started by carrying out some senior management education and training, followed by workshops early in 2001. “I became general manager of the site at this time and with a management team of six people we set about learning, encouraging and developing processes, with some timely advice and support from Oliver Wight Associate Malcolm Caisley,” says Wilson. “By the end of 2000 we had stripped out 50% of inventory and, more importantly, increased inventory accuracy from around 30% to 95%. This meant we were able to avoid our

annual shutdown period for stock checking, which used to waste about three days, and replace it with cycle counting - regular rolling checks. We also managed to maintain our already high customer service levels at over 95% despite the drastic inventory reductions.”

Throughout 2001, the various KPIs, such as Bill of Materials and recipe accuracy, continued to improve and with a mixture of Oliver Wight, private and public courses Aroma Chemicals extended the education and training to the remainder of the 107 workforce. It also put more focus on Sales & Operations Planning, which is the monthly management decision-making process. It links the company’s strategic plan and its operational planning, enabling management to monitor the balance between supply and demand (production and sales).

“By May 2001 we felt confident that we could implement SAP’s ERP system and received corporate approval to do so. Embarking on a SAP implementation in Europe was a major gamble for the company because of its history in the US. It started rolling out SAP at sites in the US four or



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five years ago. They were less than successful and two years ago it was decided to suspend the rollouts until the problems were sorted out. These were typical of other failed SAP implementations - people who had been doing jobs for years a certain way were told to do it differently without too much explanation or education. They were trained in ‘How’, not ‘What’ or ‘Why’. That’s where I feel the Oliver Wight approach is invaluable to businesses as their methodology starts with What and Why and leaves the business itself to work through the ‘How’ technical implementation.

“In addition, Oliver Wight doesn’t tell us how to use the software but concentrates on integrating the business processes and people aspects. They help us to manage the ‘white space’ around all those little organisational chart boxes labelled finance, manufacturing and so on. Managing this white space is important, and not how you process customer orders or make something. It’s about visibility and integration across all business functions and applying teamwork. Prior to the introduction of SAP our Oliver Wight-based Integrated Business Planning process had enabled a three-fold improvement in inventory turns

whilst securing record levels of customer service.”

The Haverhill AC site was the first in the company to go live in November 2001 with SAP since the US implementation problems. Within four days of going live it was business as usual but the company had put in a lot of effort since early 2000, having initiated and committed to a Class A objective. This drove an understanding of their business process needs, deployment of effective Integrated Business Planning (S&OP) and an attack on data integrity. A final push was made in July 2001 to ensure the readiness of processes, data and, crucially, people with a lot more education and training. Some of this was conducted by Oliver Wight, and some in-house SAP training. It was a team effort involving 50 people at the site and 20 people at IFF’s Centre of Expertise in Holland.

“During the first two months of go-live we focussed on correcting a number of minor misinterpretations, such as dates and part numbers, but by mid-January customer service levels - which had dropped, but not by as much or as long as expected - had returned to the pre-SAP 95% levels,” adds Wilson. “We had regained control and



performance levels continued to improve. The project's success was a testament to the team's drive and determination and also the heavy emphasis put on education and training."

In June 2002, the company completed a successful ISO 9000 registration and then turned its attention back to Class A. It had just reached Class B levels and the major gaps were identified as being in the area of Continuous Improvement. So the team set about carrying out Value Stream Mapping, velocity calculations and Lean Manufacturing techniques.

"We finally achieved Class A in planning and control processes in August 2002. It is very hard to gain Class A, but easy to lose, so to keep the momentum going we are driving on for another Class A in Continuous Improvement, Quality and Lean, which we plan to achieve in mid-2003. The task teams are now in place, education and training has been planned and there is a tremendous amount of commitment in the company.

"The shopfloor staff have asked why they couldn't have done all this before, because it makes their lives so much easier," adds Wilson. "The business is now moving forward, customer service and other KPIs are in the high 90s but, at the end of the day, it's all down to money, and we have improved our cost base by over £1 million a year. People now have real time information they have never had before and, thanks to the education programme, they know what to do with it. Integrated Business Planning has been the main success factor and will be rolled out globally at IFF to Class A levels, along with SAP, by the end of 2003. There is a recognition that the Oliver Wight approach of engaging and motivating business teams to understand and re-think business needs and processes, is a key pre-requisite to success."



Oliver Wight has a 40 year track record of delivering business improvement to some of the world's best-known organisations. We believe that sustainable improvement can only be made through your own people. So unlike other consultancy firms, we transfer our knowledge to you, which means you can achieve performance levels and financial results that last.

*Oliver Wight*  
OLIVER WIGHT

**Oliver Wight EAME LLP**

The Willows, The Steadings Business Centre  
Maisemore, Gloucester, GL2 8EY

T: +44 (0)1452 397200  
email@oliverwight-eame.com

**[www.oliverwight-eame.com](http://www.oliverwight-eame.com)**

**Oliver Wight Asia/Pacific**

131 Martin Street, Brighton  
Victoria 3188, Australia

**Oliver Wight Americas**

P.O. Box 368, 292 Main Street  
New London, NH 03257, USA

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