



**R. J.Reynolds  
Tobacco Company**



### Benefits at a glance

- ▶ *1,000 meeting hours per month saved*
- ▶ *Improved communication and decision making*
- ▶ *Greater efficiency and a more stable work environment*
- ▶ *One set of numbers and one agenda for the whole organisation*
- ▶ *Significant increase in operating income*
- ▶ *Well prepared for increase in federal excise tax*
- ▶ *Achieved Oliver Wight Class A milestone award for Advanced Integrated Business Planning*

## Customer profile

### **Learning to succeed**

Tobacco giant R. J. Reynolds has accelerated business performance through a meticulously planned education programme that truly spans shopfloor to top floor – and delivers extraordinary ongoing results.

Inspiring  
Business  
Performance

*Oliver Wight*  
OLIVER WIGHT



R. J. Reynolds Tobacco Company is an organisation steeped in tradition but well equipped for the future. Established in the United States of America more than 130 years ago, the business enjoyed significant success for many decades. More recently, its domestic cigarette market has begun to decline in volume terms, but R. J. Reynolds is committed to new innovation and has taken great strides to ensure it remains at the forefront of its sector.



**“If you take initiatives straight off the shelf you are doomed to failure – the IBP principles apply to all organisations, whatever the sector, but they were implemented using our vocabulary and terminology.”**

***Gary Hicks***  
***R. J. Reynolds***  
***Senior Director***

Approximately one in four cigarettes in the US is made by R. J. Reynolds. It is the second-largest tobacco product manufacturer in the US, employing 4,500 and achieving revenues approaching \$8 billion. It makes many of the best-selling cigarette brands, including Camel, Pall Mall, Doral, Kool, Winston and Salem.

Early in 2004, the organisation merged with its rival, the number three producer Brown & Williamson, and this move cemented the company’s strong position in its sector. However, the merger also brought with it several challenges – the organisations had to be integrated successfully to ensure the new business could move forward with a strong culture, new leadership and solid strategies.

The company transferred Brown & Williamson’s production from Georgia to its facilities in Winston-Salem. It also introduced SAP business software and Microsoft’s SharePoint system as supporting technology, but early in 2006 the organisation realised there was a much greater

opportunity for change in terms of processes and culture. Senior VP of Consumer Marketing Rob Dunham had previously been involved with business improvement consultants Oliver Wight when he was at BAT Poland; he suggested to other members of the senior management team that Oliver Wight’s Integrated Business Planning could really help them to deliver the results they needed. Gary Hicks, R. J. Reynolds’ senior director for the demand process, recalls the early aims: “We believed we could use Integrated Business Planning to really help us make fundamental changes. We needed one set of numbers to run the business; we needed effective long-term planning capability, built on realistic plans; and we needed a well-aligned workforce that had clear roles and responsibilities. We had to change.”

The company knew that success was dependent on top-level commitment to change, so it created a new position for the project manager, a vice president of Integrated Business Planning (IBP). The project’s steering committee

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also comprised executive VPs of marketing, research and development, operations and finance. Also reporting to the IBP project manager were senior directors to cover the core processes of demand, supply, products and integration. This was a key team of senior individuals that were all committed to driving change and IBP success throughout the organisation.

“We had 200 employees involved at the beginning of this programme and they established 45 task teams to design the IBP processes and sub-processes,” recalls Hicks. “We looked at the whole organisation and asked how we could design the processes to align with the organisation and make everything flow better.” R. J. Reynolds knew that IBP benefits would be wide ranging and, among other things, would include business growth through an increased focus on brand leadership and customer focus, roles, priorities and accountability, and improved financial and demand forecasting capabilities. Overall, IBP would enable the entire organisation to become more forward-looking; hence

it named the education programme Fast Forward. The process leaders and some of the 200 task team individuals attended workshops from April 2006. This exercise was to effectively scope the project and design the processes. “The 200 individuals were working on very specific tasks, while the senior core team worked on the wider issues and reported back to the project steering committee,” says Hicks.

The education programme started in earnest in November 2006. The plan was to educate 1,700 employees over a five-month period. The first groups – tier one – comprised a maximum of 25 individuals at a time, all of whom were senior management. From November 2006 to January 2007, these leaders attended 2½-day workshops where they were introduced to the IBP objectives and processes. Communication was facilitated via SharePoint, where all meeting minutes, agendas and documents were visible and accessible. “Very soon, we estimated we were already saving about 1,000 meeting hours per month,” says Hicks.



“Prior to the commencement of Fast Forward, meetings were very much about communication and sharing information. After the Fast Forward programme took hold, they were much more productive working sessions aimed at making decisions. Everyone was focused on driving towards an end result.”

To help embed the education further, the training was themed around American Football, with each attendee given a ‘play book’ – a folder documenting the anticipated moves and tactics employed to win. This was about the process leaders taking Oliver Wight theory and customising it to suit the R.J. Reynolds organisation. “They presented a process using IBP principles but which represented our business,” says Hicks. “If you take initiatives straight off the shelf you are doomed to failure – the IBP principles apply to all organisations, whatever the sector, but they were implemented using our vocabulary and terminology.” Early in 2007, the initial 2½ day senior management schedule was reduced to 1 ½ day sessions for the second tier of middle

management and then distilled to half-day sessions for the remainder.

In the subsequent months, as the information cascaded and the education process took hold, Fast Forward was established as the process for managing R. J. Reynolds’ future. The education process had several key aims, including:

- to initiate behaviour change
- to drive sustainability
- to demonstrate what was expected of individuals after the training
- to show how the process integrated with and supported other company-wide initiatives.

The programme has made fundamental changes and IBP is seen as a core part of the R. J. Reynolds organisation, not a management-led initiative that will fade over time. “Like other organisations, we had launched many initiatives in the past and much of the time they were labelled as



projects. This was different: one of the reasons we didn't call it Integrated Business Planning was to help embed this within the organisation," says Hicks. "That was why we called it Fast Forward – we wanted everyone to understand that this was education for the future, for the way we would do business going forward. It definitely was not something to be thrown in the drawer and never looked at again. It's a fundamental change to the way we make decisions and drive this business."

Monthly roundtable discussions were held throughout 2007 and 2008 to ensure that Fast Forward was reaching every corner of the organisation; that it was being understood and implemented; and that it was working. Hicks explains: "These roundtables were set up to be a cross-functional forum, led by IBP team members such as myself. We'd ask how the process was going, whether they had looked at the SharePoint information, and so on. We'd ask what else we could do to help and ask for feedback how we could improve further and drive out more waste. It was

an open dialogue." Crucially, the education has been ongoing and has now been designed to fit in as part of the induction process for new employees. The half-day session is delivered via computer-based training and culminates with a question and answer session. "We're trying to drive a lot of training and certification through computer-based training because it's a more efficient means of spreading our message and making sure people understand it," says Hicks.

The meticulous planning behind Fast Forward meant that the principles of IBP could be cascaded throughout R. J. Reynolds in a controlled manner, which brought fast business results. It changed the mindset of the entire workforce and improved communication and decision making. There was buy-in to IBP at all levels, since everyone could see that it brought greater efficiency, a more stable work environment and full end-to-end transparency of business processes. In short, it brought one set of numbers and one agenda for the whole organisation.



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“Our results have improved significantly,” says Hicks. Our operating income has increased significantly since the merger and that has been achieved by merger synergies, driving out waste and increasing profitability.” This also entailed reducing complexity and R. J. Reynolds has cut back some brand styles and focused on key brands, for which its market share has increased since the merger.

Hicks is convinced that the introduction of IBP was the catalyst for R. J. Reynolds’ change of fortune: “IBP has helped us focus and brought visibility throughout our organisation. We have the right measures and KPIs. We know we are working on the right things which bring results and, importantly, bring profitability.”

Better planning was a key aim at the outset and it has certainly been achieved. At every level throughout R. J. Reynolds, planning is a reliable, robust process that has transformed the way the business operates, from shopfloor to marketing, from R&D to sales. “Much of what we’ve

done with IBP has allowed us to spot vulnerabilities, to spot opportunities and most of all to be prepared,” says Hicks. This was evidenced early in 2009 when an increase in federal excise tax - the duty on each packet of cigarettes changed from 39 cents to \$1.01. R. J. Reynolds had planned for this long before it happened: “We are light years from where we were four or five years ago in that respect.”

Forward thinking is embedded in the organisation. New product development is important to R. J. Reynolds’ success and it is forging ahead with innovative developments, for ‘non-combustible’ products such as Camel Snus, a pasteurised moist tobacco, and even a capsule in a cigarette filter that offers adult smokers the opportunity to experience menthol freshness at the moment of their choice.

By any measure, this is clearly a high-performing business. R. J. Reynolds has now achieved Oliver Wight’s Class A milestone award for Advanced Integrated Business Planning.



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