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Leggett & Platt
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Benefits at a Glance

- ▶ *Projected revenue gaps in future years have been identified early on, providing time to take actions to close the gaps.*
- ▶ *Major projects have been launched to address projected gaps in future years.*
- ▶ *The leadership team trusts the demand plan and financial projections.*
- ▶ *The leadership team is now more confident in making decisions about business issues.*
- ▶ *Key decision makers now see a comprehensive picture of the overall business and not just a portion of it.*
- ▶ *Middle management has a means for bringing specific issues to the leadership team for specific decisions.*
- ▶ *Excess capacity was identified, enabling the creative use of the company's production assets to retain staff members and talent.*

Customer profile

Sales and Operations Planning helps drive improvements to product innovation at Gordon Manufacturing

Many management teams view Sales and Operations Planning as a middle management process for aligning supply and demand. Sales and Operations Planning, however, is a process for aligning all company functional plans across at least an 18-month planning horizon. That includes alignment of product development and financial plans as well as sales, marketing, supply chain, and production plans.

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When companies take a cross-functional approach to Sales and Operations Planning, they often surface issues that inhibit the execution of strategies and business goals. And with Sales and Operations Planning, these companies have a process to make decisions on how to resolve the problems and regularly monitor progress of improvements.

Gordon Manufacturing, which produces tilt mechanisms for office chairs, is a good example. Part of Leggett & Platt's Office Furniture Group, Gordon Manufacturing implemented Sales and Operations Planning to better align all functional plans. In doing so, the management team identified the opportunity to significantly improve its product development process.

That type of result was just what Leggett & Platt's CEO, Karl Glassman, expected. Mr. Glassman gained experience with Sales and Operations Planning while serving as President of the US Spring Division within Leggett & Platt. He wanted to achieve the same benefits of tying operational plans with financial plans in individual Leggett & Platt businesses as well as at the corporate level.

During an introductory briefing on Sales and Operations Planning, Gordon Manufacturing's management team realized that elements of S&OP were already in place but could be better aligned. "It was obvious there were some areas where we could improve," recalls Bob Hays, Gordon Manufacturing's President and owner of the Management Business Review.

Members of Gordon Manufacturing's management team recall how Sales and Operations Planning stimulated them to look beyond the near term. They began to focus on what was needed for the company to achieve its longer-term strategies and goals.

Almost immediately, the management team realized that the company's innovation pipeline was lean. Product



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Unit Controller and S&OP leader
Gordon Manufacturing*

management projects rarely hit their deadlines, and there was little or no prioritization of the technical resources required to execute product development projects. The company did not have a stage-gate process in place for product development. It also needed a strong manager to lead the product development process.

Once the Sales and Operations Planning process put a spotlight on needed product development improvements, the management team took decisive actions. They knew that product innovation was critical to Gordon Manufacturing’s future well-being. The company’s strategy had identified product innovation as being critical to drive future growth.

Gordon Manufacturing hired Dean Hubbard as Director of Technical Services to manage the product development effort and spearhead making the needed improvements. He has overseen the establishment of a stage-gate process and serves as the leader of the Product Management Review.

The stage-gate process has given Gordon Manufacturing’s executive team a method of evaluating new projects. They

Value of Sales and Operations Planning in Managing a Business

Jeff Mitchell, the Leggett & Platt corporate leader of Sales and Operations Planning, says that Gordon Manufacturing’s experience validates why Leggett & Platt desires all of its businesses to implement S&OP. The experience has shown that Sales and Operations Planning:

- ▶ Can help run a business better regardless of the size and complexity of the business

- ▶ Is important to optimizing the supply chain

- ▶ Makes it possible to eliminate the old, time-consuming budgeting system/process

- ▶ Supports improving demand plan accuracy, which results in providing more reliable projections to suppliers, customers, and investors



now have a means to determine whether projects are worthwhile to pursue in support of the company's innovation strategy.

Denise Johnson, Unit Controller and the Sales and Operations Planning Leader, observes: "The S&OP process highlighted the gap in our new product development effort, which was going to lead to a huge revenue gap in future years. We have now kicked off major projects to address the gap, including new product launches, acquisition opportunities, new customer initiatives, and lean manufacturing projects."

Gap analysis is a routine part of Gordon Manufacturing's Sales and Operations Planning process. For gap analysis to work well, companies need to see future projections of demand, innovation plans, and production requirements to support the demand and new product plans. The future projections are compared to the annual plan and the company's strategy. For Gordon Manufacturing, this comparison over an 18-month rolling planning horizon made it possible to identify, early on, that gaps existed – and to take action to close the gaps.

Mike Nousain, Director of Business Development, who serves as the Demand Review owner and coordinator, uses various views of demand to update the demand plan and assumptions. The views include time-phased buying plans from six major customers, industry and macro-economic indicators, and other inputs from the sales organization. The latest projections are compared to the annual plan and strategy to determine whether or not Gordon Manufacturing is on track to achieve its business goals and strategies.

Prior to implementing Sales and Operations planning, Nousain used Excel as the company's demand planning tool. The planning horizon was the current quarter. This short planning horizon did not allow sufficient time to anticipate gaps between the latest projections and the annual plan and to take actions to close the gaps.

While implementing Sales and Operations Planning, the company also implemented Oracle's Demantra demand planning software. Demantra provides a multi-dimensional database, which allows Nousain to evaluate demand by customer as well as by part number. These views are helpful in creating scenarios and performing analysis to determine the causes of demand plan errors.



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President
Gordon Manufacturing*

Implementation Approach Emphasized Education First

The implementation of Sales and Operations Planning started with twelve hours of education for the senior management team. They learned how the S&OP process worked and the senior management roles in the process. This education is needed to gain commitment and enough knowledge to lead the process.

Sessions were conducted to design the Product Management Review, Demand Review, Supply Review, and Management Business Review. Each session was one day in duration.

The education and design sessions were conducted by Oliver Wight. Oliver Wight also provided coaching sessions during the implementation of the process.

“The education was valuable to fully understand the concepts of the process,” says Denise Johnson, S&OP Project Leader. “The coaching sessions were more valuable for the actual application of the process to our specific business needs.”

When implementing the Demantra software, 36 hours of power user training was provided by the Leggett & Platt central S&OP Team led by Jeff Mitchell. End users received eight hours of training. The Demantra system is used for demand planning and also to support the Sales and Operations Planning process.

Demantra is also used as the S&OP tool and has been useful in aligning the demand plan and financial projections.

With the implementation of Demantra, Gordon Manufacturing's management team gained confidence in the credibility of the demand plan. The management team now has greater trust in the information that is brought into the Sales and Operations Planning process. As a result, the management team is more confident in making decisions about business issues.

Nousain cites three key advantages that Sales and Operations Planning provides:

1. It is a structured way to look at Gordon Manufacturing's business.
2. It provides a means for all the key decision makers to see a clearer picture of the overall business and not just a portion of it.
3. It helps to manage time and prioritize issues.

Bob Hays is Gordon Manufacturing's President and the owner of the Management Business Review. He also cites better decision making as a key benefit of Sales and Operations Planning.

"We have a way to bring specific decisions up for consideration in the Management Business Review from the other review steps in the process. This allows issues to come up from the middle management to the leadership team," Hays says.

One of the issues the management team needed to address was excess capacity. Some of that excess capacity was created from the lean and waste reduction efforts led by the operations manager.

The management team worked together to seek out other types of business opportunities, including taking on manufacturing for other Leggett & Platt divisions, according to Oliver Wight principal Allan Kauth. This creative use of the company's production assets has enabled Gordon Manufacturing to retain staff members and talent.

One measure of the effectiveness of Sales and Operations Planning is whether it operates using best practices. Gordon



Manufacturing's process was certified as a Capable Milestone toward Class A Business Excellence by Oliver Wight, based on the standards in *The Oliver Wight Class A Checklist for Business Excellence*. Use of the checklist also provides a framework for making periodic checks to ensure that the process continues to improve and is sustained.

Another measure of success is how Sales and Operations Planning impacts a company's culture in a positive way. The impact on Gordon Manufacturing's culture has been significant.

"In the past, we would get wrapped up in the day-to-day issues," says Denise Johnson, the S&OP leader. "We are doing things today that are much more proactive. We take the time now to plan for the future in more detail and more often."

Mike Nousain likes the changes to Gordon Manufacturing's culture. Information is visible and transparent, which provides management clear, consistent direction to the business.

"We're all moving in the same direction to solve problems and grow our business," Nousain says. "From a middle management level, they see the senior management commitment to this process, which gives them confidence in the leadership team and the direction we're going."



What Is Sales and Operations Planning?

Sales and Operations Planning is a process led by senior management that evaluates and revises aggregated, time-phased projections for demand, supply, new product development, strategic projects, and the resulting financial plans. This is done on a monthly basis, on a planned 24+-month rolling horizon.

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

A primary objective of the process is to reach consensus on a single operating plan, to which executives of the management team hold themselves accountable, and to allocate the critical resources of people, equipment, inventory, materials, time, and money to most effectively satisfy customers in a profitable way.

Many companies call the process Integrated Business Planning to emphasize that the process aligns more than sales and operations, including the product management plans and financial plans.





At Oliver Wight, we believe sustainable business improvement can only be delivered by your own people; so, unlike other consultancy firms, we transfer our knowledge to you. With a track record of more than 40 years of helping some of the world's best-known organizations, Oliver Wight will help you define your company's vision for the future and deliver performance and financial results that last.



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