



OLIVER WIGHT CASE STUDY SERIES

## Weyerhaeuser's Cellulose Fibers Business Integrates People, Processes, and Tools to Achieve Class A Performance

"Class A is how we run our business. It brings world-class supply chain discipline. My charge to the team is 'Thou shall not deviate from Class A.'"

Shaker Chandrasekaran  
Senior Vice President, Cellulose Fibers  
Weyerhaeuser

*Oliver Wight*

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together we make a difference





# Weyerhaeuser

## Highlights:

To serve customers better, faster, and more efficiently, leaders of the Cellulose Fibers business at Weyerhaeuser Company committed to Class A in Sales and Operations Planning (S&OP) within a year of starting. They were not only successful, but also went much further.

Weyerhaeuser is one of the world's largest forest products companies. Headquartered in Federal Way, Washington, its Cellulose Fibers business makes fluff pulp and paper-grade pulp used by consumer products companies around the world for diapers, adult incontinence and feminine hygiene products, tissue and paper towels - many with brands that are household names. These customers have sophisticated supply chains and are very demanding of their suppliers.

"Achieving a Class A rating in S&OP became a key milestone in our effort to improve supply chain performance," says Bob Hirsche, the Cellulose Fibers vice-president who led the supply chain re-engineering initiative.

Class A in S&OP meant that Weyerhaeuser had a sound process for regularly updating its operating plan to support both customer needs and business goals. This process included monthly meetings looking at demand, supply, and other operating parameters far enough ahead to plan resources effectively; typically two years. "We aggressively went after the benefits, with the goal to achieve Class A within a year," says Hirsche.

And that's exactly what the business accomplished in May 2006. Encouraged by the success of S&OP, leadership decided to keep going. "Class A motivated change, established a disciplined process, and drove results," says Hirsche. "We couldn't just stop at S&OP, so we turned our attention to our production facilities and sales offices."

Using the Oliver Wight ABCD Checklist, Fifth Edition, and Proven Path methodology, all six Cellulose Fibers production facilities achieved Class A in Integrated Planning and Control in 2007. All five sales regions, including three international sites, attained Class A in demand management by 2008. The result: Oliver Wight certified the entire Cellulose Fibers integrated supply chain as Class A.

Class A in Planning and Control meant that Cellulose Fibers applied best practices from the top to the bottom to significantly improve customer, employee, and stakeholder satisfaction, as well as productivity, inventory, and costs. The Oliver Wight ABCD Checklist allowed Cellulose Fibers to optimize its supply chain processes and achieve results economically.

Class A performance in key processes across the business brought many benefits. According to Hirsche, "The tangible economic benefits were significant, and intangible benefits like customer confidence and satisfaction were equally important."

## Among the benefits:

- Inventory record accuracy exceeds the Class A threshold of 95 percent.
- Customer on-time shipment performance exceeds 98 percent.
- Production efficiency exceeds prior levels by at least two percentage points, which equates to millions in savings.
- Mill compliance with the master schedule exceeds 95 percent, which enhances the ability to keep commitments to customers.
- Executable sales plan performance is consistently within 5 percent of target.
- Demand forecasts are accurate within tolerance for product families and subfamilies.



During 2004, Weyerhaeuser's executive leadership team launched EBS (Enterprise Business Solutions) - a company-wide integrated supply chain optimization initiative focused on a holistic, integrated supply chain rather than one focused on individual plants. Weyerhaeuser tapped Oliver Wight to assist the company in this transformation.

After briefings, educational sessions, and thorough review and deliberation, Weyerhaeuser's senior leaders chose Oliver Wight for its expertise and track record in delivering results.

"Oliver Wight's Proven Path methodology and the Fifth Edition of the Oliver Wight ABCD Checklist for Operational Excellence were key to Weyerhaeuser's approach," says Oliver Wight's George Palmatier. "The ABCD Checklist was the roadmap. The Proven Path, the guide."

Weyerhaeuser leaders chose the Cellulose Fibers business for its EBS beachhead because it had a solid business strategy in place and business leaders who knew the results they wanted and needed.

As they got started, Cellulose Fibers leaders reviewed the business case for change with Oliver Wight business improvement specialists who explained how other companies had fundamentally changed the way they think about integrated supply chain management and the various process implications.

"We learned that, although we had fairly good business practices, we did not necessarily have industry best practices," explains Hirschey. "Initial assessments performed under Oliver Wight's direction showed opportunities for better integrating our planning processes and tools."

Guided by the assessment results, the team identified several gaps in its processes compared to Class A. One was the lack of robust master scheduling at each production facility, including missing tools for integrating master scheduling with other planning processes. Another was related to available-to-promise mechanisms. And, while the business had a very rigorous annual planning process, it was not as dynamic as the rolling, continual re-planning approach that is considered S&OP best practice. To close the gaps quickly, the business took advantage of Oliver Wight's FastTrack S&OP methodology and the Enterprise Sales & Operations Planning Tool (ESOPT).

## **Making ready for the business process design**

One of the first steps the Cellulose Fibers leadership team took was to create a more extensive "Vision of Operations." To achieve its vision to be "the global leader in cellulose and technology making everyday products better for people and the planet," Cellulose Fibers needed to "transform its performance and earn the right to grow by integrating market / product development, customer engagement, and operational effectiveness."

**“Class A motivated change, established a disciplined process, and drove results...”**

**- Bob Hirschey**



The plan to achieve the vision included such principles and practices as:

- individual accountability with clear roles and responsibilities;
- collaborative customer relationships to yield improved satisfaction;
- integrated and leveraged processes to drive system-wide improvement; and,
- alignment to a single, agreed-to operating plan built on one set of numbers.

To promote integrated management, they committed to plan and control the business by:

- deploying Sales and Operations Planning;
- implementing reliable processes for on-time, damage-free delivery;
- tying product/business development more tightly into demand and supply management; and,
- initiating collaborative, ongoing demand and supply balancing.

Again using the Proven Path methodology, a core team of business leaders set the vision, established the direction, reviewed and approved business process designs, provided resources, and resolved conflicts. They also established a project team, supported by spin-off task forces.

With the project team set, Cellulose Fibers brought nearly 70 of its key people from mills, sales offices, and support groups to Corporate Headquarters to launch the initiative. “This was our way of saying ‘We’re serious, and let’s get going;’” Hirschey says.

The group took courses and attended workshops on business excellence and integrated supply chain management. Break-out sessions for subject matter experts covered demand planning, supply planning, product development, finance, data accuracy, and more. After completing the training, task force teams developed recommendations for specific changes and improvements in their respective areas of process expertise.

They focused on such areas as data accuracy, demand management, supply management, master scheduling, material planning, and transportation planning. They carefully reviewed process designs for sales region forecasting, customer order bookings, mill-level capacity planning, production scheduling and performance, and transportation planning and execution.

## **Creating a new organizational structure**

Their work led to many changes, both in process and organization. Many roles were eliminated, created, or redesigned. For example, the business created the role of supply chain integration director, who helps pull together materials and documents for the monthly S&OP management business review meetings. Another key step was to create the roles of demand manager and supply manager. Previously, demand and supply management activities were combined and reported through sales.

“Demand management is focused on our customers, our markets, and what they need,” says Donna Robinson, Cellulose Fibers’ first demand manager. “To better understand what our customers want, to work more closely with them and develop better relationships, and to improve our service, we created new responsibilities in sales, especially in demand forecasting.”

Even further, the innovation group feeds new product information to the demand management team for their monthly review meetings. Continues Robinson, “S&OP and Integrated Planning and Control are instrumental in improving our ability to deliver increased value to customers - it all starts with better planning, and that translates into better execution.”

“Our business has come a long way at every level...”

- Shaker Chandrasekaran

The organizational changes also extended to some finance and planning managers who were asked to directly support the S&OP process. And, due to the complexity associated with large-volume domestic and export transportation flows and multiple mill-to-market supply options, a transportation representative was assigned to the S&OP team to ensure efficiency in moving products from the mills to customers while keeping all delivery commitments.

One interesting request by the S&OP team was to co-locate rather than remain with their respective departments. As Brian Henderson, supply chain integration director, observes, “Being together helped form a cohesive, collaborative team. It facilitated communication and exchange of the most current information. Now, we don’t wait until the monthly review meetings to share information and identify and tackle issues.”

As a result of all these process and organization changes, Cellulose Fibers now updates its operating plans on a rolling, 24-month basis, and these plans serve as critical links between sales and production. After the demand and supply plans are approved during the monthly S&OP meetings, the supply manager issues a request for production to the mills. Each mill’s master scheduler (also a new position) then develops a master schedule, which is then translated into a detailed production plan. That, in turn, is used by manufacturing to make the product. This highly integrated process ensures essential linkage between the approved supply, demand, and business plans.

### Observations from management

Shaker Chandrasekaran, who now leads Cellulose Fibers, was a mill manager when the initiative began four years ago. He was one of the invitees to the initial leadership education and assessment sessions. “Early on, this helped me see a way to build a very systematic, structured, more disciplined, numbers-based team that could deliver results by flawlessly executing strategy,” he says.

Throughout the implementation, Chandrasekaran and other Cellulose Fibers leaders stayed true to the principles advocated in the ABCD Checklist. They followed the Proven Path methodology and kept focused on the vision and goals they identified for the initiative. That determination paid out. Cellulose Fibers has significantly improved the level and consistency of its business results.

“Our business has come a long way at every level,” Chandrasekaran observes. “We no longer work in silos, and we’re working together. But this improvement is not enough; we are constantly striving to get better.”

“Cellulose Fibers now runs a totally integrated supply chain and consistently operates at Class A. But Class A is only the foundation on which to build continuous improvement.”



Case study kindly authorized for publication by Weyerhaeuser





**Oliver Wight Americas, Inc**

292 Main Street, New London  
New Hampshire, 03257, USA

Telephone: 1 800-258-3862  
1 603-526-5800

Facsimile: 1 603-526-5809

[info@oliverwight.com](mailto:info@oliverwight.com)  
[www.oliverwight.com](http://www.oliverwight.com)

**Americas**

292 Main Street, New London  
New Hampshire 03257, USA

**Europe, Africa & Middle East**

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

**Asia/Pacific**

Suite 1, 112A Martin Street, Brighton  
VIC 3186, Australia