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Field Guide preview

Chapter One: Give the Business One Plan

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Give the Business One Plan

Chapter 1 of the book. Find out how far apart your leaders' numbers are, then charter one monthly plan with an owner, a lead and four decisions, and mark where the process starts. Instruments: worksheets 1, 2 and 3.

I found out how many plans my company had by watching three of them share a screen. It was a quarterly review, more than a year into the job, with three good people and three numbers for the same ninety days. What bothered me afterward wasn't the numbers. It was how calm the room stayed. A gap of $5.9 million between Sales and Operations had become part of the furniture.

How many plans are you running right now? Probably more than one, each made with care and each defensible in the room where it was made. Each one costs you something the others never see — a decision that stalls, stock built for the wrong quarter, a customer who gets less than he ordered. SIOP (sales, inventory and operations planning) swaps the separate plans for one, made monthly and decided by the leadership team with you in the chair.

The three worksheets here are the first week. Worksheet 1 measures the distance and what it costs in days. Worksheet 2 is the page that says who owns the one plan and what the room decides. Worksheet 3 marks where you start, while you can still see it. Fill them in that order. A charter written before the test is a charter for a problem nobody has measured.

WHAT IT LOOKS LIKE WHEN IT IS MISSING

- Sales, Finance and Operations each bring a number for next quarter, and nobody asks which one the plants are building.
- A big customer's quote waits weeks because no one can say whether the plant has the hours.
- A plant manager's request for overtime goes unanswered long enough that he stops asking.
- Purchasing hears about a supplier's trouble weeks before Sales does.
- Everyone knows Sales runs high and Operations runs low, and nobody has written down by how much.
- The CEO owns the results, and nobody owns the plan.

The tell is a review that ends with three numbers for one quarter on the screen and no one asking which of them is true.

IN THE BOOK

Chapter 1 argues that a company with several numbers has none it can steer by, and that the cure is one plan, made monthly for eighteen months, in units and dollars carried to the gross margin line, and decided by the leadership team with the CEO in the chair. It names three instruments. The three-number test asks the heads of sales, finance and operations, each alone and all on one day, for next quarter's net sales, then divides the gap between the highest and lowest answers by the middle one. The SIOP charter puts the executive owner, the SIOP lead, the members by seat, the four decisions, the scope, the calendar and the cycle's exclusions on one signed page. The maturity scorecard grades eight areas from 1 (lagging) to 4 (leading), once, as a baseline. Its rule: a spread over five percent means more than one company, and over ten means the plants have already picked one. Riverton's spread was 13.9 percent, its charter was signed on February 27, and its baseline came in at 1.4. Its Do This list, as a checklist:

Ask for the three numbers this week, each leader alone and all on one day, and write the spread on the page.

List every decision held up by another function's number, with the days each has waited.

Choose the SIOP lead and protect at least half of that person's week for the job.

Put the charter on a single page — owner, lead, members, the four decisions, scope and calendar.

Score the eight areas with the leadership team, one level apiece, then date the page and keep it.

Book the first executive SIOP about four weeks out, with your name in the chair.

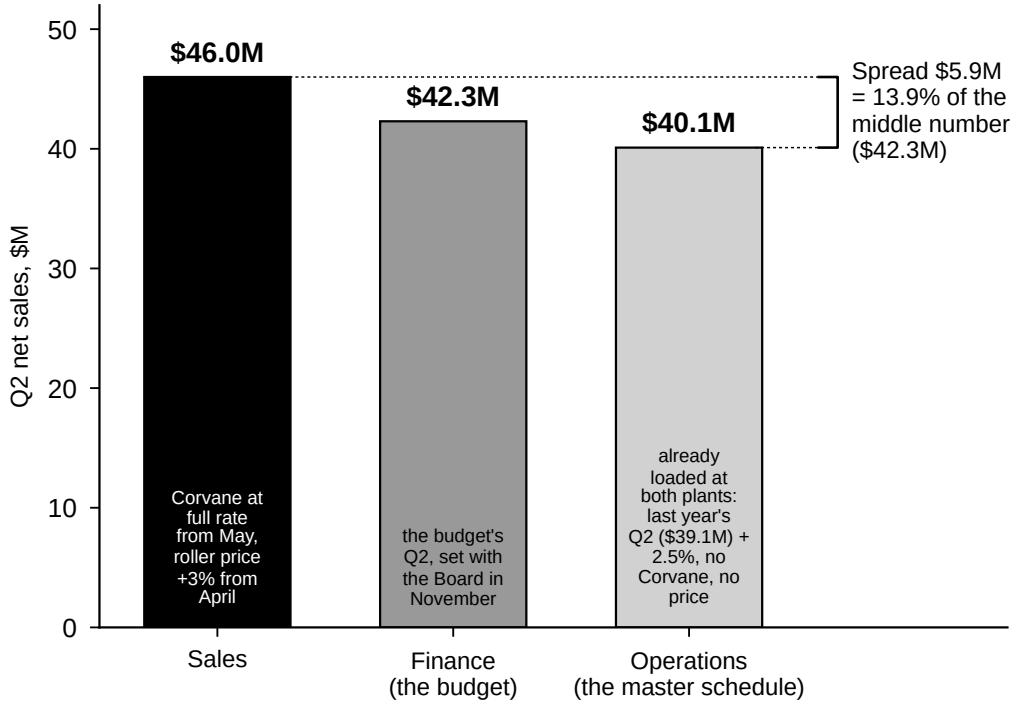
WORKED EXAMPLE

Riverton ran the test by accident, at its first-quarter business review on February 20. Dennis Sandoval, vice president of sales, had $46.0 million for the second quarter. Joan Hadley, the chief financial officer, had $42.3 million, and Curt Lanning, vice president of operations, had $40.1 million. Work it the way the worksheet does. Highest less lowest is $46.0 million less $40.1 million, or $5.9 million. Divided by the middle number, $42.3 million, that is 13.9 percent. Over ten, so the plants were building to one of the three. They were building Curt's, the smallest, which was no forecast at all. It was the schedule both plants had already loaded: last year's second quarter, $39.1 million, grown two and a half percent, with nothing in it for Corvane or for price.

Each number answered its own question. Dennis's assumed Corvane buying at full rate from May and a three percent roller price increase from April, so it said what we could sell. Joan's was the budget's second quarter, set with the Board in November, so it said what we had promised. Curt's said what we were building. Nobody had written down the history either. Set beside the actuals, Sales' last four quarterly forecasts ran 9, 7, 8 and 11 percent high, and Operations' ran 3, 2, 4 and 1 percent low.

Then the second list. On January 14 Corvane, a warehouse-automation integrator, asked Riverton to price 18,000 rollers and 650 drives a month, and the quote left on February 2, nineteen days later. Wade Cutler, Muncie's plant manager, asked in late January for overtime at the gear cell and was still waiting three weeks on. Teresa Amato, who runs purchasing, learned on February 6 that Delmore Castings was late with a new mold line, and Sales heard on February 25. None of that waiting belonged to anybody.

I decided on February 23: one plan, monthly, from March. On February 27 we signed the charter, with Megan Albright, until then Joan's financial planning and analysis manager, as SIOP lead, full time. Before anyone left that afternoon we scored the eight areas. Three earned a 2 and five a 1, eleven points in all, and 11 ÷ 8 is 1.375, which goes on the page as 1.4.



Over 5%: more than one company. Over 10%: the plants are building to one of them.

Fig. 01-01: Three numbers for one quarter: Riverton's second quarter as Sales, Finance and Operations each put it on February 20 — $46.0 million, $42.3 million and $40.1 million, a spread of $5.9 million, or 13.9 percent of the middle number.

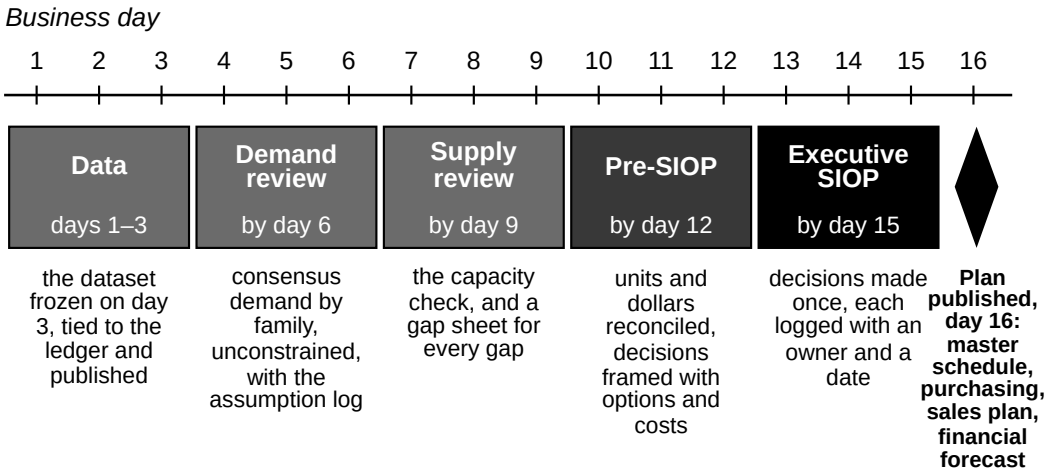


Fig. 01-02: The SIOP month: a data step and four meetings across about three weeks of business days, each step producing what the next one needs, and together one plan for eighteen months, in units and dollars, to the gross margin line.

WORKSHEETS

Three worksheets, in the order the week runs. Keep the spread in view while you write the charter, because it is the charter's reason for being.

WORKSHEET 1

The three-number test

How far apart your leaders are on next quarter, and what the distance costs. The CEO asks the questions and fills in the page, all on one day.

Quarter asked about

Date asked

The three numbers. Ask each leader alone. Take a single figure for net sales, with no range and no slides, and write it down in front of the person.

Seat	Name	Net sales, next quarter	What it assumes	The question it answers

Highest

Lowest

Middle

Spread = (highest − lowest) ÷ middle

Read it. Tick one.

Under 5 percent — one company, arguing the way companies do
Over 5 percent — more than one company
Over 10 percent — the plants are building to one of the numbers

The number the plants are building to today

What the distance costs. Every decision now waiting on another function's number.

Decision	Waiting on	Asked on	Days waited	Who should own it

The bias nobody wrote down. The last four quarters, each function's number beside what happened.

Quarter	Actual	Sales, over or under	Operations, over or under	Finance, over or under

Riverton's version
The second quarter as three leaders put it on one screen on February 20 (a test run by accident, in a room, which is the wrong way to run it), with three decisions waiting: Corvane's quote nineteen days, Wade Cutler's overtime three weeks, the Delmore news nineteen days from purchasing to Sales.

Seat	Net sales, Q2	The question it answered	Last four quarters against actual
Sales	$46.0M	What we could sell: Corvane from May, rollers +3% from April	+9, +7, +8, +11%
Finance	$42.3M	What we promised: the budget, set in November	no drift
Operations	$40.1M	What we were building: last year's $39.1M + 2.5%	−3, −2, −4, −1%
Spread	13.9%	($46.0M − $40.1M) ÷ $42.3M = $5.9M ÷ $42.3M	over ten

WORKSHEET 2

The SIOP charter

One page naming who owns the plan, who runs it, who sits at the table and what the table decides. The CEO writes it, and everyone it names signs it.

Company or business unit

Executive owner

SIOP lead

Share of the lead's time (half at least)

Date signed

Members, by seat. Seats outlast titles. Each member brings the seat's authority to decide.

Seat	Name	What the seat owns	Time on the cycle	Initials

The four decisions. Copy them onto the page as written.

Approve the demand plan
Approve the supply plan and its costs
Approve the financial plan and the gaps to target
Decide what the levels below could not

Scope.

Planning families

Plants

Horizon

SKUs planned below the family, and why

Calendar. Worksheet 7 carries the year. The charter carries the anchors.

First cycle (month)

Data freeze, business day

Executive SIOP, business day

What the cycle will not do.

Schedule the plants day by day

Rewrite the budget

Hear status reports

Anything else it will not touch

> **Riverton's version**
> Signed February 27, on one page. Executive owner: me. SIOP lead: Megan Albright, full time. Nine members by seat: Joan Hadley the money, Dennis Sandoval the volume, Curt Lanning the supply, Wade Cutler at Muncie and Sharon Keene at Joplin, Teresa Amato purchasing, Ethan Haas demand planning (full time from March), Irene Tamberg supply planning (half her time) and Gavin Stroud finance (a third of his). The four decisions as written. Scope: Drives, Rollers and Kits, two plants, eighteen months, SKUs (stock-keeping units) by exception. Off limits: scheduling the plants by the day, rewriting the budget, hearing status reports. First cycle: March.

WORKSHEET 3

The maturity scorecard (baseline)

Where the process starts, scored once, before the first cycle. The leadership team scores it in one sitting, and the SIOP lead dates the page and keeps it.

Level 1 (lagging) means the area is missing, or one function does it for itself. Level 4 (leading) means it happens every month, involves every function and rests on evidence anyone can check. Score the level you can show today. When the room splits, write the lower number.

Date scored

Who scored it

Consensus demand plan

Integrated supply plan

Integrated financial plan

Dedicated, capable resources

Effective governance

Integrated, balanced metrics

Demand, supply and financial information

Analytics and enabling tools

Total

Average (total ÷ 8)

Where the room split, and the level you wrote down

Everyone who will sit at the executive meeting helped score it
Every level is one you can show, not one you plan
Nobody claimed a 3
The page is dated and kept by the SIOP lead

Riverton's version
Scored February 27, the afternoon the charter was signed: eleven points over eight areas, 1.4, with the demand plan argued from a 2 down to a 1 because the plants built to the master schedule, not to Sales' forecast.

Area	Level	Area	Level
Consensus demand plan	1	Effective governance	1
Integrated supply plan	2	Integrated, balanced metrics	1
Integrated financial plan	1	Demand, supply and financial information	2
Dedicated, capable resources	1	Analytics and enabling tools	2

RUNNING IT WITH THE TEAM

The test is not a meeting. It is three conversations of ten minutes, one after another on the same day, door closed. Ask, write the number down while the person watches, then ask what it assumes. Work out the spread that evening, alone. Don't run it at a review with all three in the room. A room pulls numbers toward each other, and the spread you read will be smaller than the one you have.

Then tell the three of them together what you have decided, so nobody hears it second-hand: one number for next quarter, made where all of them sit, and the plants build to it. Expect a question from each seat. Sales asks whether its forecast will be cut to fit the plants. It won't, and the plants will finally read it. Operations asks who pays if the plants build to a number that proves high. Nobody pays blind, because the plan prices every decision first. Finance asks which number the Board sees. Both, side by side, each labeled.

The charter signing takes an hour, with everyone it names in the room. Open with one sentence: this page says who owns the plan, and it is me. The SIOP lead reads the charter aloud, seat by seat, and each member confirms the authority to decide for the seat, then signs. Score the maturity areas in the same sitting, one at a time, with the lead writing the lower level whenever the room splits. Close by naming the day of the first data freeze.

What goes wrong the first time. Someone reads the spread as a grade and spends a week defending a number. The charter grows a second page that describes the process instead of authorizing it. The lead is named but keeps the old job, so the cycle runs in the gaps until month-end closes them. And somebody scores the demand plan a 3 because Sales sends a forecast every month. It is a 1 until the plants build to it.

THREE QUESTIONS FOR MONDAY

1. What are your three numbers for next quarter, what is the spread, and which number are your plants building to right now?

2. Who could run the cycle — a person with hours to give, trusted by Sales and Operations alike, with no number of his or her own to defend — and what comes off that person's desk to make room?

3. Which decision has waited longest on another function's number, how many days has it waited, and whose should it have been?

BEFORE YOU MOVE ON

You should now have, on paper:

Worksheet 1 — three numbers, the spread, and every waiting decision with its days
Worksheet 1 — the last four quarters of each function's number against the actual, on one page
Worksheet 2 — the charter, one page, signed by everyone it names
Worksheet 3 — the baseline, eight levels and the average, dated and kept
The first executive SIOP on the calendar about four weeks out, with you in the chair