

## Empowered Performance

# Moving from Chaos to Order

## How one company met changing market demands through SIOP

### Abstract

For 60 years, a national paper converting company had been viewed as an industry leader. Changes in customer demands, competitive pressures, recent site consolidations, financing changes and market cycles were wreaking havoc on site performance and the company's overall profitability. Company leaders turned to Empowered Performance to help them improve their core business processes through formalizing their Sales, Inventory and Operations (SIOP) Planning.

### The Challenge

Not unlike other medium to high volume manufacturers in the US, the company was facing major market pressures. Not only was the market shrinking but, in order to remain competitive, the business was forced to compress lead-times while moving rapidly into a more customized product line. They had recently gone through several site consolidations, engaged in a financial re-engineering process, and brought in a private equity company.

All this change created a significant amount of chaos. Top management responded by exerting more control and forced weekly and sometimes daily manpower changes at the site level. Already working with limited staff and stretched resources, the remote sites were struggling with the increasing burden of analysis and reporting required by offsite management. More time in

reporting and less time in the business created a negative impact to on-time delivery performance from operations. Sales teams were filling orders with no accountability for the profit or capacity to fulfill orders. The shockwaves created by the need to rapidly respond to management input put strain on the operations staff and supervision. Moral dropped, as did attendance and support from critical employees.

The leaders of the company recognized that they needed to change something. Cash flow was low, market cycles were fluctuating and profitability was down.

### The Solution

The Empowered Performance team knew that fixing the problem required the standardization of job functions, communication and accountability. The client needed to accurately set and measure the overall level of manufacturing output to meet sales commitments while reducing competitive lead-times and achieving the company's productivity, profitability, customer service goals.

The Empowered Performance team took the company through the SIOP process. Here is what we did.

**“Just two months into SIOP, order was re-established and the leadership team had sound information upon which to make decisions.”**

#### *Standardization*

In order to manage fluctuations, every person needed clarity about what their job was and when to do it. The SIOP process established standardization among all functions by providing clear outcomes due at specific times during a one-month cycle. Repeating the cycle every month built consistency and clarity regarding ongoing challenges.

#### *Accountability*

Standardization wasn't enough – the production team members needed to hold each other accountable for providing themselves and management with complete, timely, and accurate data. Previously, the operations team had been responsible for things they couldn't control. Since the factory didn't have the right information from the front end of the

business, they scrambled to fulfill customer orders through brute force and firefighting in operations. The SIOP process established metrics and reports for the sales team that would allow them to more accurately forecast demand. This approach provided higher quality information that allowed the supply side of the business to deliver on the orders to which sales had committed.

#### *Communication*

Finally, management needed better communication to eliminate the “silos” that had formed. The four-week SIOP process provided the required structure:

Week 1: Sales Commitment Review  
Week 2: Revenue Planning Review  
Week 3: Production Plan Review  
Week 4: Executive Approval & Plant Production Commitment

This four-week SIOP cycle allowed the leadership to communicate demand so that the appropriate level of supply could be provided and the operations team had enough time to react. As the process repeats on the one-month cycle, formalizing the functional plans allows the business to assess discrepancies to the plan, drive to root cause, and implement process improvements on the next cycle.

#### **The Result**

Just two months into SIOP, order was re-established and the leadership team had sound information upon which to make decisions. The company could measure performance of the sales team and tie their results to profitability. Sales now had a way to forecast accurately in a manner that created usable information. As a result, the sales team was able to meet customer demands and retain market share while the operations team was able to meet the demands of the business without conducting fire drill operational changes. And, as a result of implementing SIOP, cash flow and inventory turns are increasing.

#### **For more information**

708-220-7101

<http://empoweredperformance.com/>