

Demand Driven Supply CHANGE Management

Simon Eagle

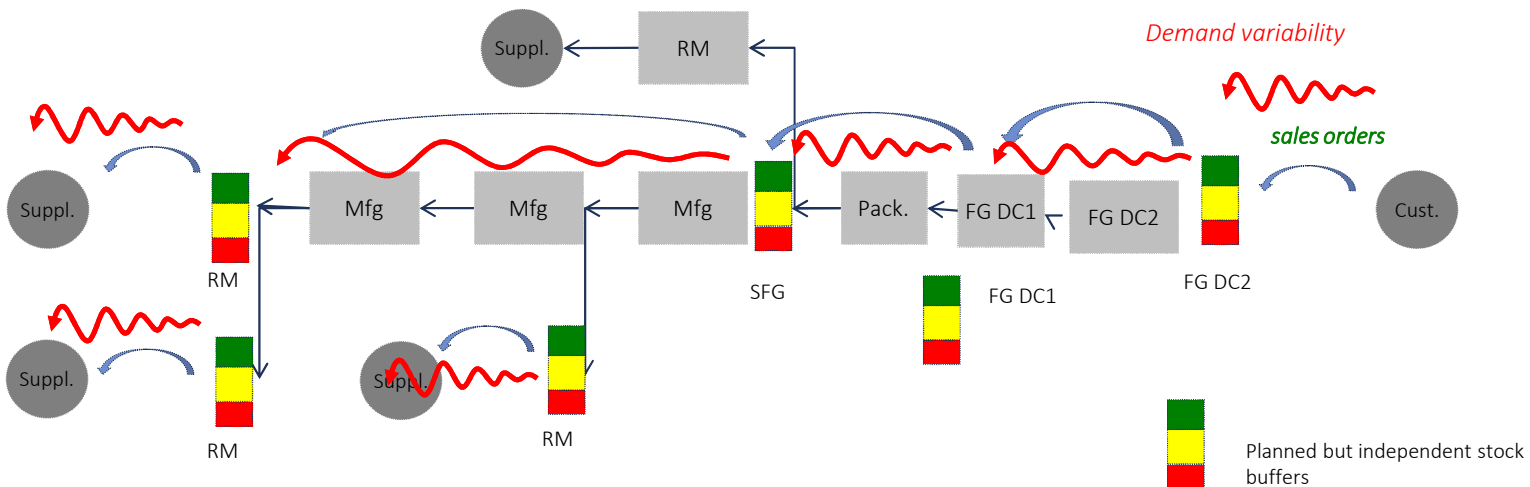
5 au 7 juillet 2017
congrès Fapics
à l'Ecole Centrale Lyon

Spécial guest :
Demand Driven MRP
Communauté internationale



Demand Driven MRP delivers:

- ▶ Your planned ex-stock service levels, from
- ▶ Between 30% to 50% less average inventory, using
- ▶ Significantly less capacity / higher OEEs leading to cost reductions and capex delay
- ▶ Without expediting and fire-fighting or focus upon achieving high levels of SKU level forecast accuracy



It's a genuine 'paradigm' shift' in business process design – and counter-intuitive

“In science, novelty emerges only with difficulty, manifested by resistance, against a background of expectation”

Thomas Kuhn



It's a genuine 'paradigm' shift' in business process design – and counter-intuitive

“A new scientific truth does not triumph by convincing its opponents and making them see see the light, but rather because its opponents eventually die, and a new generation grows up that is familiar with it”

Max
Planck



You might get a pilot but real embedding can be challenging

- ▶ ...the tier 2 FMCG company whose board decided they needed wall to wall SAP so 10 years of ‘embedded’ demand-driven **disappeared overnight with predictable results**
- ▶ ...the life-science company whose board decided they needed SAP IBP and their ‘interesting demand driven experiment’ was **cancelled despite its transformational results**
- ▶ ...the beverage company in which ‘Operations’ pulled the plug on demand-driven because **they didn’t own, or care about, the inventory benefits**
- ▶ ...the pharma company that ran a local demand-driven distribution network that had to **make way for a SAP rollout**
- ▶ ...Le Tourneau – acquiring business rolled in traditional “push” SAP to replace demand-driven and **couldn’t understand why their acquisition failed**
- ▶ ...the tier 1 FMCG company that halted a demand driven roll out simply because of a **lack of corporate standard IT application**



Examples of where Resistance comes from

Fear

- ▶ what will happen to my job, will I be able to do the new job, do I want to do the new job?
- ▶ we've just installed an APS / optimization system – how can we need another system or have we made a mistake?
- ▶ internal experts “cannot” see the value of the new process because they have years of experience in the current ways of working that serves them well – “tribal knowledge”

Lack of Knowledge

- ▶ it won't work here – too volatile / too complex / too many promotions / we're seasonal
- ▶ we just need better forecasts which we're going to get with 'demand sensing'
- ▶ I just don't believe it can be that simple

Ambivalence

- ▶ we don't have an inventory problem / pressure to improve turn
- ▶ we bench-mark OK against our competitors
- ▶ there's too much else going on



Sometimes there is a Delayed Resistance

This demand-driven is all very well but I need to achieve my production targets –
Head of Production

I'm not sure about this demand-driven, we aren't achieving our recoveries –
Head of Finance

Why do we need to keep this piece of software, we're under pressure and need to make savings –
Head of Finance

This demand-driven doesn't work, it couldn't handle that TV advertising campaign (we forgot to tell you about) **Head of Marketing**



Two approaches to Demand Driven Supply CHANGE Management

- ▶ Bottom Up – the initiative is driven by someone who is not senior enough within the business



Low priority

Suffers 'not invented here' problems

May not even be known about

Can be career limiting

Requires a significant skill set



“there is nothing more difficult to take in hand,
more perilous to conduct, or more uncertain in its
success, than to take the lead in the introduction of
a new order of things”

Machiavelli



Two approaches to Demand Driven Supply CHANGE Management

- ▶ Top down – the initiative is driven by top management

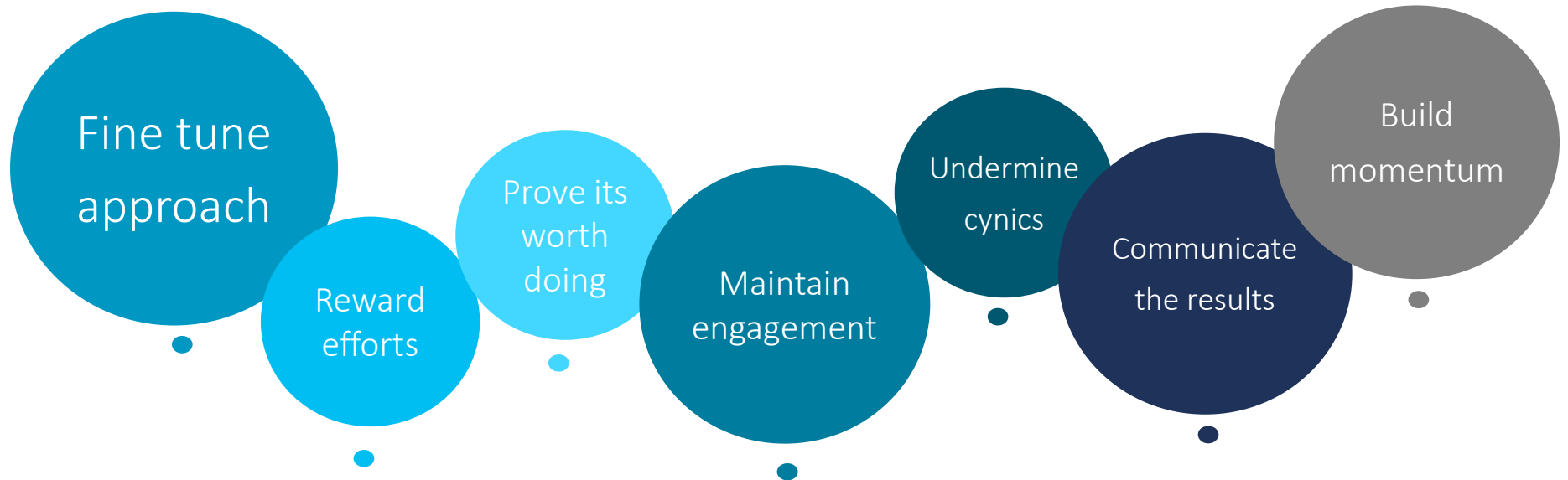


Get as much support from the top as you can

All of these have an interest in supporting DDMRP

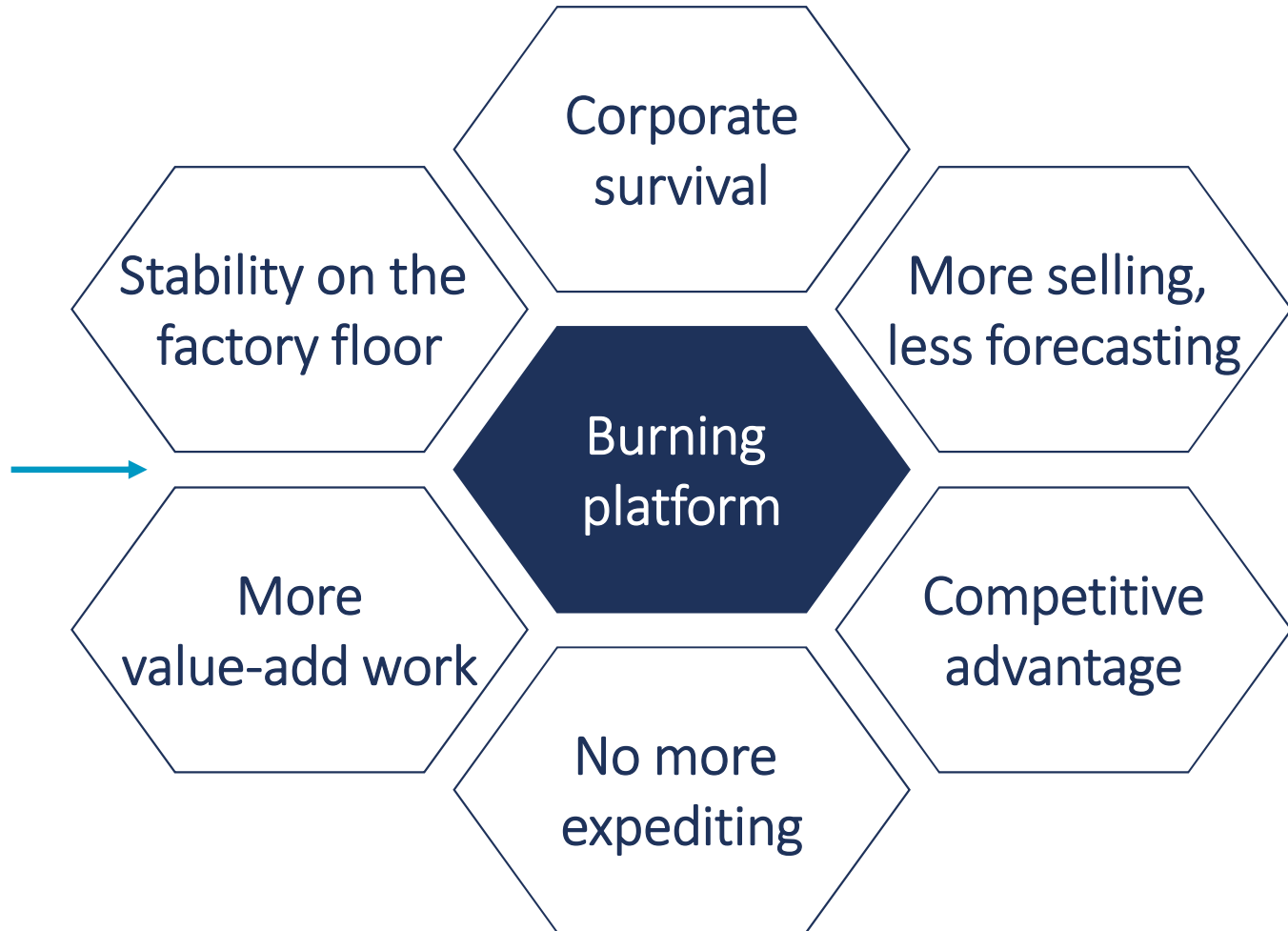


Create quick wins



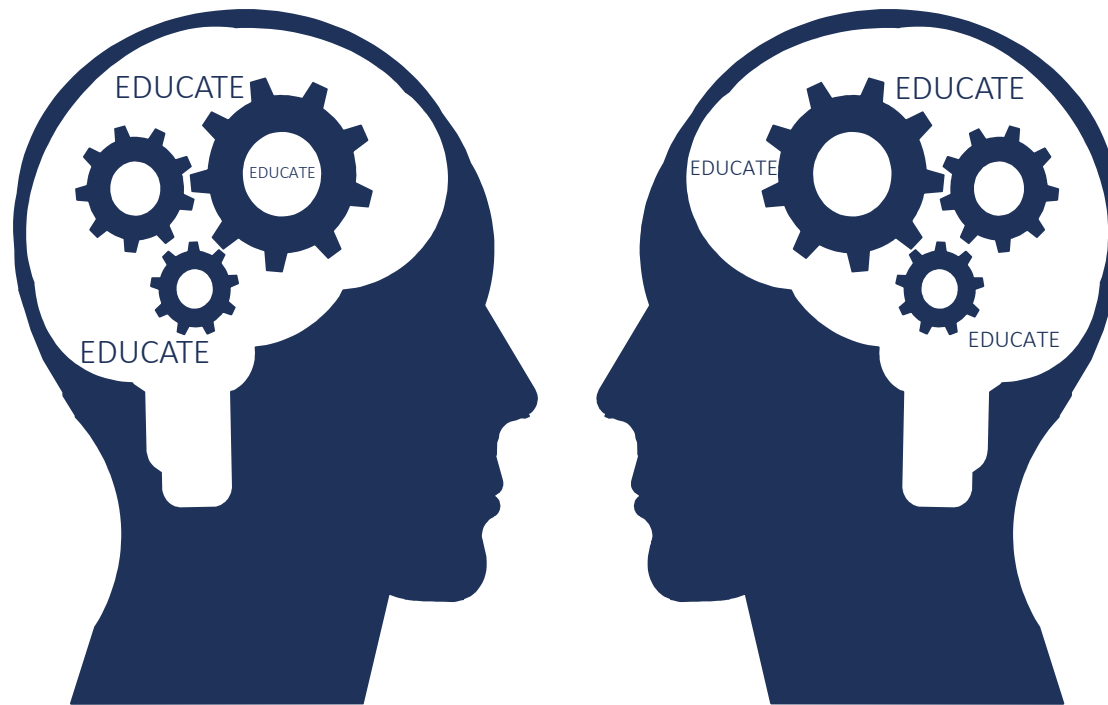
Urgency helps

Craft and use a significant opportunity as a means for exciting people to sign up to change in their organization.



Create & communicate a vision for change

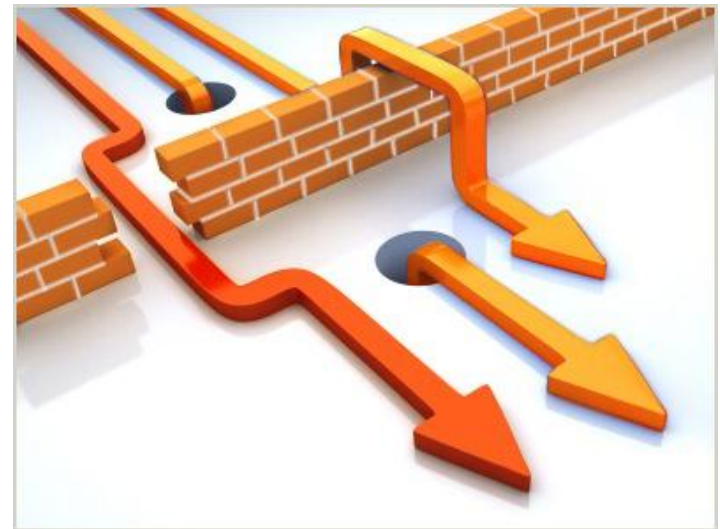
- ▶ Effective branding – emotional, functional & customised – and use opinion leaders / influencers to build momentum



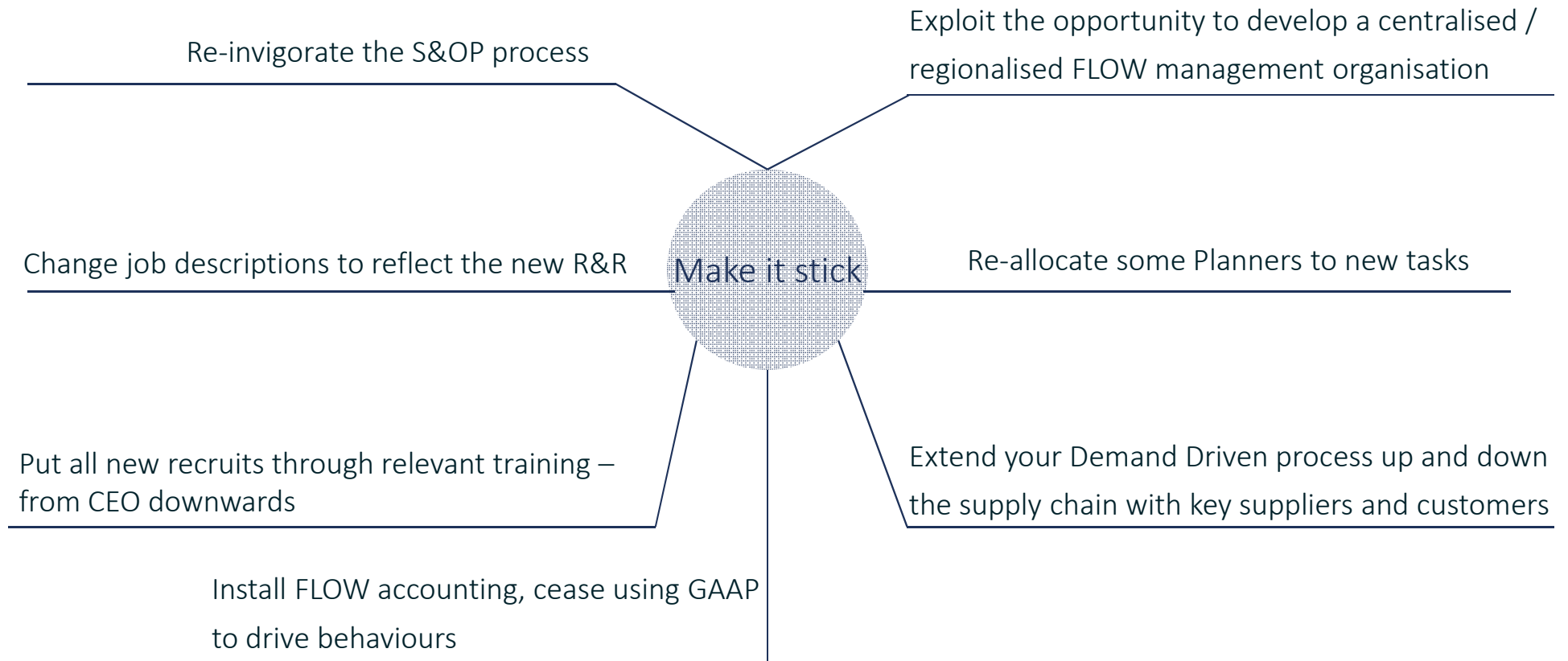
AGILITY THRU' STABILITY

REMOVE OBSTACLES TO THE CHANGE

- KPIs / Metrics that drive variability & generate unplanned buffer
- The use of GAAP recoveries to drive Operations
- Minimise over forecasting
- Allow SC to own and manage the deployment of inventory
- Focus country managers upon S&M – not SCM
- Design & implement a robust event management process



Make it stick



Demand Driven Supply CHANGE Management – in which “roughly right” is “precisely wrong”

- ▶ Prove DDMRP works
- ▶ Get as high a level of early, overt & involved support in the organisation as you possibly can
- ▶ The adoption of FLOW is counter-intuitive for many, it will threaten comfort zones and organisational norms, it can generate irrational resistance – be prepared
- ▶ Customised education throughout the organisation is key
- ▶ Plan your change management and implement to plan
- ▶ DDMRP isn't just about replenishment, its about organisational structure, job content, KPIs / metrics, finance systems and ways of doing business
- ▶ Don't declare victory too soon

Camelot's change management expertise combined with functional knowledge and industry insights offers an exceptional value to successfully tackle complex transformation initiatives like the DDMRP paradigm shift.



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