

SALES & OPERATIONS PLANNING CASE STUDY

APRIL 2014

Sales and Operations Process Changes Management From Reactive to Proactive Management

CHALLENGE

Poor parts planning threatens entire systems delivery

At the system level, the Manifold Pipeline System division of FMC Technologies, a leading provider of subsea technologies for oil and gas exploration, successfully coordinated engineering efforts to meet global demand. But at the operations level, where core components had to be designed and delivered to meet system schedules, chronic miscalculations in timing and capacity management continually threatened the entire system's workflow, exposing FMC to liquidated damages. To address the issue, FMC created a new business unit to apply component-level engineering discipline to parts planning and execution. But with no visibility into projected demand, no recorded history of supply chain capacity, and a staff almost entirely composed of new engineers unfamiliar with previous projects, the new unit was launching in the dark.

SOLUTION

Solution: Open visibility at every step in the chain

When Pinnacle arrived at the new unit, the business was in the midst of a dramatic cultural shift in fulfillment strategy from engineer-to-order to configure-to-order, in which common elements could be produced in anticipation of likely demand. While the new strategy promised improved on-time delivery performance and shorter lead times, it required the one thing the business did not have: visibility based, not just on open orders, but on current bids and future forecasts modeled on prior history. In an environment where number of qualified suppliers are few, and those have very limited capacity, the lack of visibility meant lack of control over the entire supply chain.

Subsequent investigation identified the root problem: the business unit had no process to match planned demand to planned capacity. Because of this gap at the front end of the process, the business unit was squeezed at the back end, forced into expensive scrambles for components. Pinnacle Strategies addressed the problem with Sales & Operations Planning process that included the following elements:

DEMAND PLANNING To close the gap between project initiation and parts processing, they developed a Planning Bill of Materials, a placeholder for the formal BOMs that were created at systems launch and would allow the business unit to forecast demand. Once combined with the open orders, component demand moved from virtual invisibility to a rolling three-year global forecast of component-level demand by product family and SKU.

CLIENT OVERVIEW

REGION

Global

INDUSTRY

Subsea technology for the oil and gas industry

CUSTOMER PROFILE

FMC Technologies designs and produces technologies for the oil and gas industry

BUSINESS SITUATION

Lack of visibility to demand, limited resources, and poor capacity planning capabilities resulted in weak on-time delivery performance to customers as well as poor resource utilization

SOLUTION

Pinnacle Strategies lead a global Sales & Operations Planning process that opened visibility into demand, developed capacity planning, and established monthly reviews to intercept challenges before they threatened customer deliveries

SUPPLY PLANNING With a reliable forecast demand in place, FMC needed to assign capacity, matching demand to internal and external sources. They then consulted with key suppliers, creating “resource profiles” that accurately reflected capacity by examining potential constraints, influences on throughput, shift schedules and available man-hours. These resource profiles identified both the planned capacity and the maximum capacity potential of available sources; with a new rough cut capacity planning tool, FMC could synchronize demand and supply, and weigh reasonable alternatives should capacity fall short.

SALES & OPERATIONS ALIGNMENT After establishing demand and supply planning procedures, FMC needed the ability to see and adjust capacity decisions as much as twelve months in advance of projected challenges. Pinnacle Strategies implemented monthly Sales & Operations Planning meetings among senior management to review status changes, ensure supply/demand alignment, monitor the business units performance, and drive decisions on any issues that could put customer deliveries at risk.

RESULTS

Visibility leads to balanced capacity, improved on-time delivery

In just a few months, FMC transformed components operations from a liability that worked in the dark to a productive unit that could forecast its demands as much as three years in advance. Aligning demand and supply gave them the ability to optimize their critical resources and move from reactive to proactive management. Through monthly S&OP meetings, FMC regularly reviewed capacity, resolved supply problems, and aligned all departments to a single operating plan that was updated and approved each month by senior management. The rigor of the process gave them the control they sorely needed, simultaneously improving customer service, cost controls, and resource utilization.

Pinnacle Strategies provides project management consulting, training, and resources to help you improve performance and deliver projects on time, every time. We specialize in the application of [Critical Chain Project Management \(CCPM\)](#) and our [ViewPoint](#) Project Management System to dramatically reduce your project lead times and improve productivity. Using our [proprietary project management](#) methodology, we help you to initiate and establish more effective behaviors in project planning, project execution, and project risk management—transforming your project management processes to generate consistently better outcomes. Our behavior-based approach strengthens competency, builds trust, and improves the working relationships within your team.

The Pinnacle Strategies approach:

- Is **simple to use** and **easy to adopt**
- **Delivers significant improvements** in project output, productivity, on-time delivery and lead time in a **very short time**
- **Reduces expediting activity** (shorter, more productive meetings)
- **Improves decision making** (better focus)
- Results in a more **enjoyable project management experience** (higher morale)

Our project [management consulting clients](#) include organizations with engineer to order (ETO), construction, software, and new product development projects.

BEST PRACTICES SOLUTIONS

Pinnacle Strategies is an international management consulting firm focused on operations management excellence. We work with organizations to increase shareholder value by developing high-performance business processes that significantly enhance productivity, reduce costs and time to market, improving profitability and accelerating sustainable growth. Pinnacle Strategies offers results-driven consulting solutions in the areas of performance management, project management, operations management, and supply chain.

ELEGANT SOLUTIONS TO COMPLEX PROBLEMS

Book a best practices briefing for your management team. Contact Pinnacle Strategies at:

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