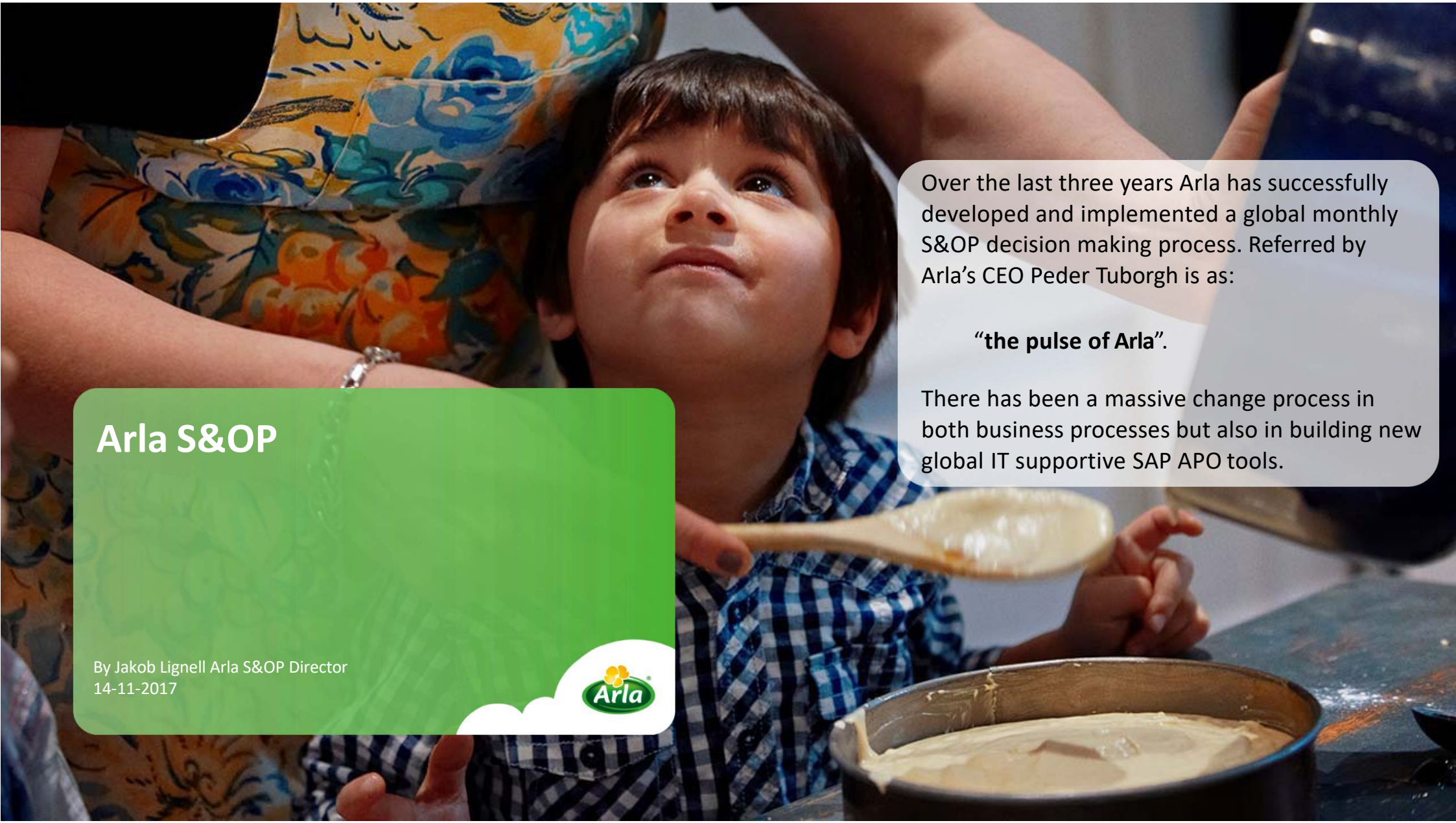


Arla S&OP

By Jakob Lignell Arla S&OP Director
14-11-2017

Over the last three years Arla has successfully developed and implemented a global monthly S&OP decision making process. Referred by Arla's CEO Peder Tuborgh is as:

"**the pulse of Arla**".

There has been a massive change process in both business processes but also in building new global IT supportive SAP APO tools.

12,600+
OWNERS

MILK INTAKE
14+ BILLION KILO

THE 5TH
LARGEST
DAIRY COMPANY

19,000+
COLLEAGUES

PRODUCTS SOLD IN
100+ COUNTRIES

10+ BILLION EURO
REVENUE

3.5 glasses for everyone

To the moon

x 7

Around the world

x 47

S&OP - The implementation of Arla's tactical decision making process

Going for Business group optimization to Group optimization

Diagnosing challenges faced

Very diverse market conditions

- Private label vs brand share
- Degree of promotional activity
- Different shelf life of portfolio

IT landscape

- Due to many mergers;
- Scattered IT landscape
- Many custom build market solutions
- Bad data quality

Vision to create best-practice planning

No best practice

- Due to many mergers;
- Lack of best-practice planning
- Lack of cross market processes
- Diverse local governance

- Local Supply Chain ownership
- Lack of global transparency
- Lack of Global Mindset

Global vs Local optimization

Pre-program Scene Setting

Defining the mandate

ONE

- S&OP Proces
- IT Platform
- Set of numbers

Setting the team

The first Steer

Keep the **business in front of IT**

ONE Planning & Allocation: Project governance

structure ensures strong business ownership of solutions throughout development and implementation

Business Process

IT solution development and implementation

ONE P&A II Program

Jakob Lignell (Program owner)
Arla IT Project Manager

- **Project:** S&OP Business Process
- **Project:** SAP APO Demand Planning
- **Project:** Confidential incl. IT track
- **Project:** SAP APO Master Production Planning
- **Project:** CUK pre-project to decommission legacy systems
- **Project:** Milk Planning System IT design and implementation
- **Project:** IBP Demand Sensing
- **Project:** Global KPI reports

Roles and responsibilities

Steering Committee
- Decide on scope and direction of the project
- Review and provide input on major deliverables for each project (incl. budget control)
- Make decisions to address any roadblocks/challenges that are unresolved by project team

SC Board
- Can be used as escalation body if needed (this has not been needed)
- All material from Steering Committee and Template decision group is shared

Template decision group
- Make decisions about solution design across BGs based on input from project team
- In case of disagreement, prepare escalations on design to SC Board
- For iterative planning of the project, propose BG deployment sequence for SteerCo decision

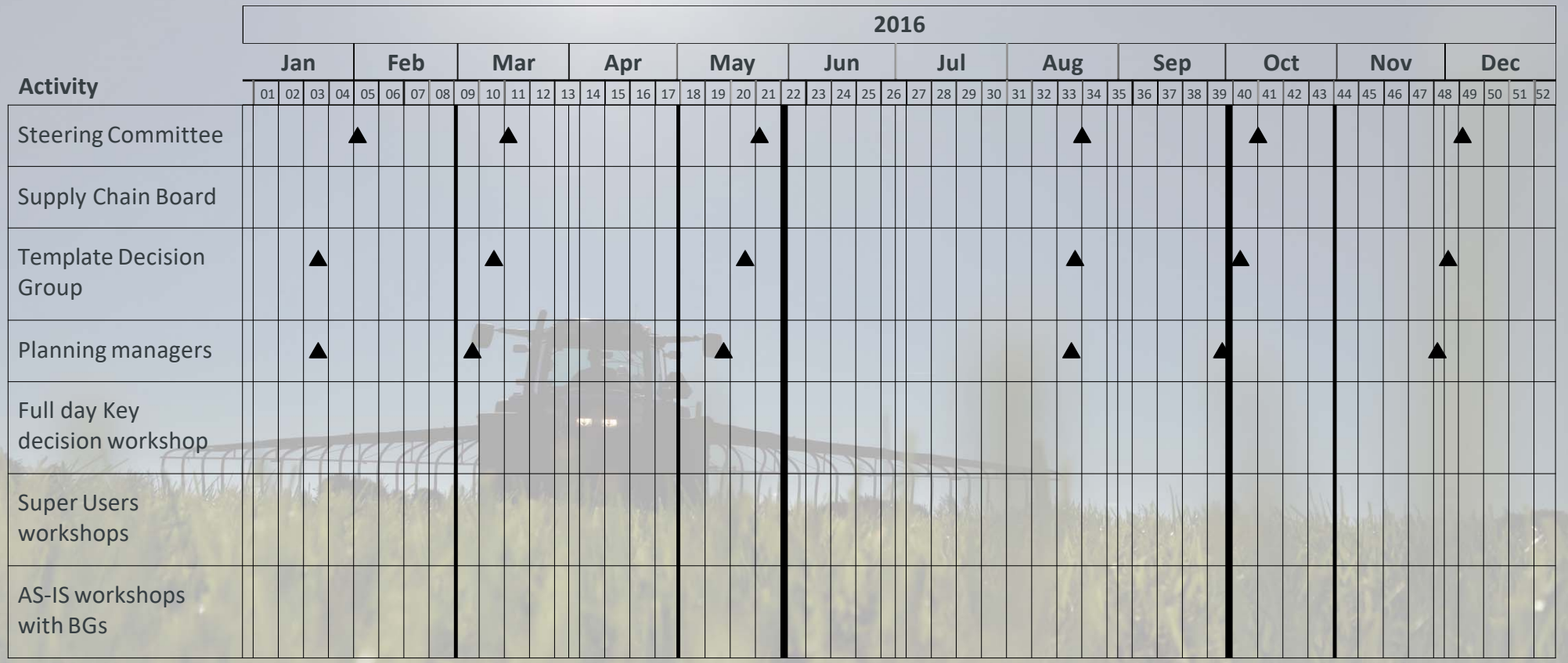
Planning managers
- Support core team members
- Input to key design decisions

Super users / subject matter experts
- Participate in selected workshops to provide feedback on solutions
- Test solutions throughout design and implementation
- Train the planners during implementation
- Involvement of key stakeholders e.g. BG planning managers, finance, sales, related projects

Core project teams
- Co-design the future solution by ensuring that business requirements are fulfilled in a unified and simple way
- Acts as ambassadors/process champions and also train the planners during implementation
- S&OP process roll-out team will be part of template deployment

Planned BG involvement

In addition - the project has been in close dialogue with all business groups

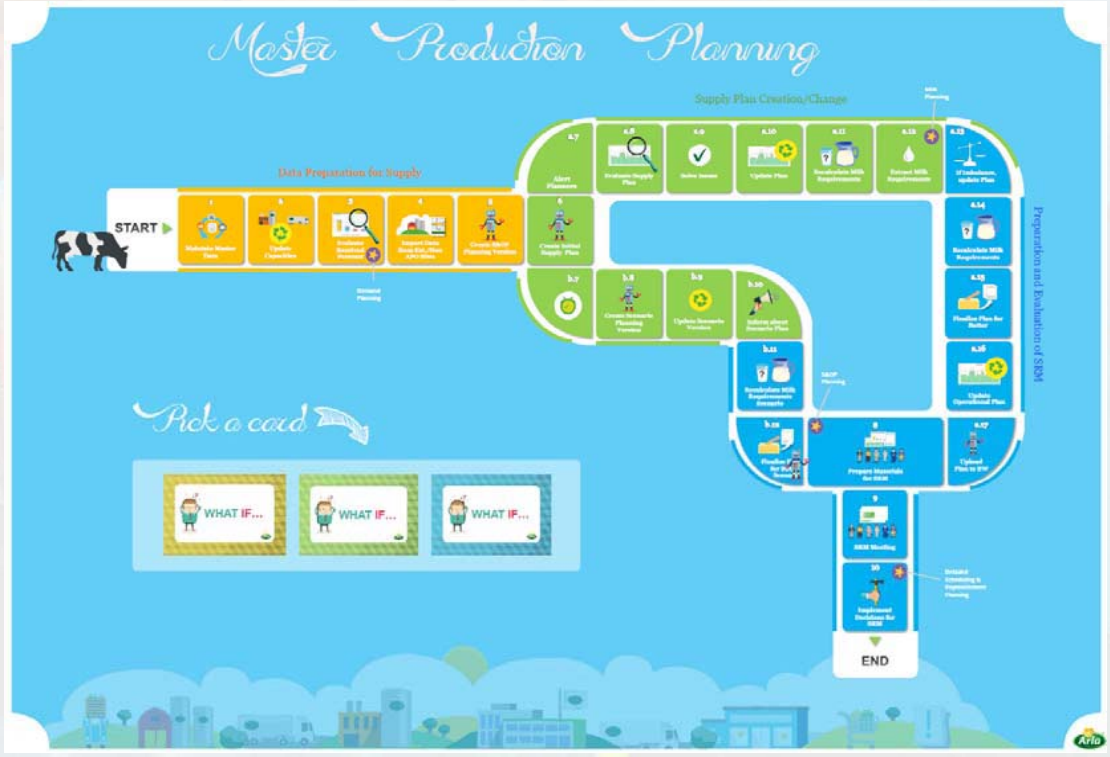


Change management - Anchoring & Ambition setting

Remember that while plans and systems are important, it is all about people in the end.

So be tender hearted on the people and tough minded on the issue

F2F, mail, Intra...



Arla S&OP top level architecture – including S&OP Office

Arla S&OP process

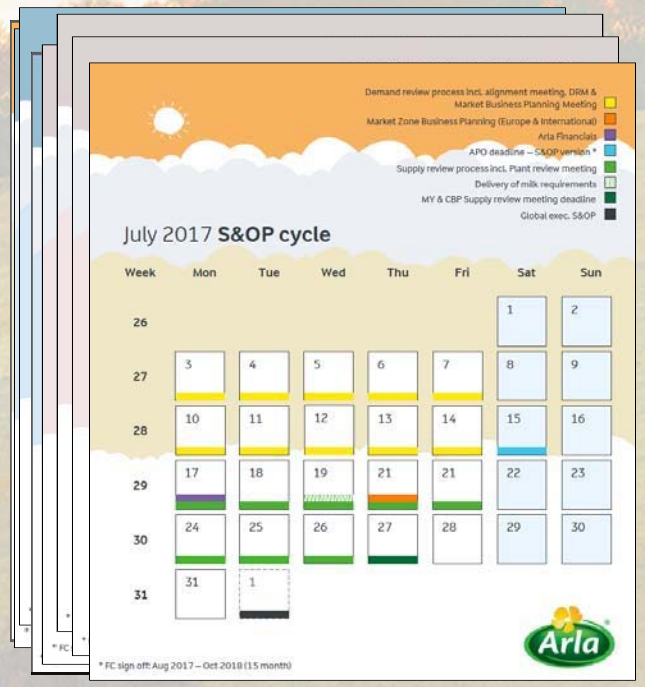
Business planning

- DRM Demand reviews
- DRM Market
- Europe
- International

Supply planning

- DRM Plant reviews
- MY SRM
- CBP SRM

Global Exe



KPI		DRM	SRM	S&OP
1	Forecast accuracy	✓		✓
2	Forecast bias	✓		✓
3	Capacity utilisation		✓	✓
4	Delivery accuracy	✓	✓	✓
5	Days of inventory		✓	✓
6	Planning related scrap / obsolescence		✓	✓

S&OP Meeting focus to succeed
Stay relevant
Defining prioritization rules
Be bold
Orchestration
Learn as you go
Take the lead
Matrix leadership
Roughly right
Focus on exception
Decision meeting
Silence is acceptance
Simple standard slides
ONE set of numbers
Ice cold facts
Clear meeting framework
ONE process

Arla S&OP Office

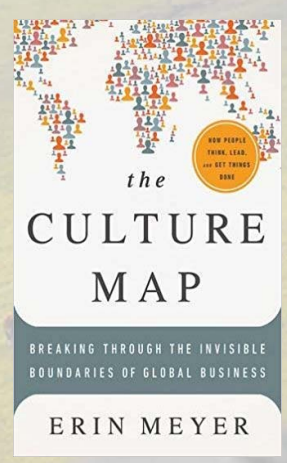
The S&OP team

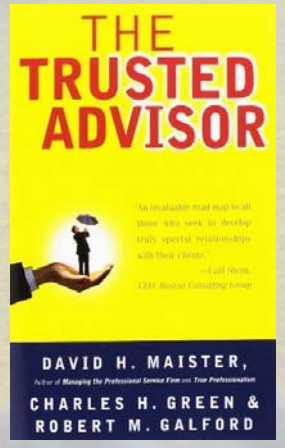
The S&OP team is the information hub of Arla on tactical issues, and it is the teams task to orchestrate the tactical decision process called S&OP.

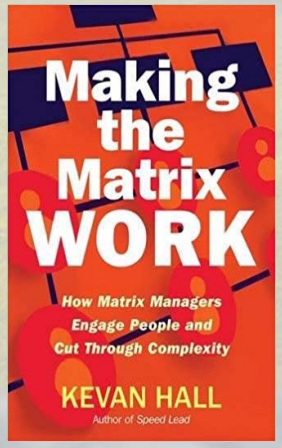
The S&OP office truly sits in the matrix. They reach out and lean in, but it is not a service department. Their task is to shine light on the issues where corrective action is needed, and insure timely decisions.

To succeed they must
Have a **Strategic mindset**, **holistic outlook**, **strong communication and stakeholder management skills** as well as **operational understanding**

Arla S&OP Office "must read" literature







Program's Key **lessons learnt** contributing to success **–Lead, Sense, Create**

Active business program owner negotiating the organizational changes

Clear program governance incl. Roles and Responsibilities on all levels

Keep the **business in front of IT**

Getting global compromises from get go, ensuring full ownership of business processes and IT solutions

Secure transparency on key issues (S&OP & IT), showing value creation and better business decisions

Silence is acceptance. Decision will be taken for them if they are not there.

Don't be afraid to present 80 % solutions and learn as you go along.

Make it **Company relevant**

Create an environment of **trust between IT and the business**