

Deere Sets A Record

By Dave Garwood

Many companies have implemented an effective Sales and Operations Planning (SOP) process. But none have done it as fast and effectively as the Commercial & Consumer Equipment Division (C&CE) of Deere & Company.

The C&CE Division is headquartered in Raleigh, North Carolina. The parent company is Deere & Company of farm equipment fame. Total annual sales for the Division exceed \$2 billion. At the time of implementation, the Division consisted of seven somewhat independent companies or units making and selling products worldwide with twelve manufacturing plants.

C&CE products include small tractors, commercial mowers, golf course maintenance equipment, riding lawn mowers, walk-behind mowers, gas trimmers, chainsaws, snow blowers, Gators, skidders and loaders. Most of these products are sold through dealers with the John Deere brand name. They also sell riding lawn mowers through Home Depot.

What makes this SOP implementation so remarkable? The speed of the implementation. The SOP process was put into practice in less than four months across all seven companies. That's a record, especially considering the size, diversity of products and complexity of the business. And impressive results were almost immediate.

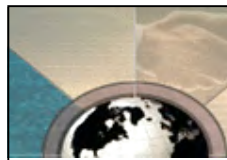
Like most companies, C&CE already did a lot of planning and had some elements of SOP in place at each company. The problem was that planning processes at each of the seven companies were somewhat unique to that site and the plans were not well integrated. Each company within the C&CE Division had its own way or technique of doing things. The goal was to find the best-of-breed techniques and to define a common process for the Division. There needed to be one set of numbers that could be easily consolidated at the Division level. The other need was to free up cash for investing in new markets and new products. Specifically, the objective was to reduce inventory dollars by 40% in two years and keep the inventory levels constant for the next 3 years while sales increased by 30%. At the same time, the goal was to improve fill rates and customer service. Quite a challenge!

Results

The tangible results were spectacular! Within less than six months, inventory was slashed by 25%. At the same time, fill rates were maintained. More recently, the actual inventory reduction is over \$500 million dollars! Impressive.

And the intangible results were equally impressive. The frequency of quarterly financial "surprises" dramatically dropped. In short, they have better control of the business. C&CE now is much better at anticipating and avoiding problems rather than reacting with costly damage-control action.

The forecast quality has improved, too. The University of Tennessee recently reviewed the C&CE Division Sales & Operations Planning process and said:



>> "The most striking area of excellence in the forecasting process at C&CE is the SOP process. As was articulated above in the section on Functional Integration, the C&CE Division of Deere has achieved near World Class status thanks to the SOP process, which effectively opens up lines of communication between the demand and the supply sides of the business, it is one of the most effective processes we have observed in the 44 companies in our database." >>

The C&CE senior management team has embraced the SOP process as a vital tool in running the business. Here is what Mike Mack, Senior Vice President, Marketing and Administration, had to say:

>> "I view this meeting as the most important two hours a month of all the meetings I attend. It provides the opportunity to get all the right players together at one time to discuss our most pressing issues and guarantees we are all working at achieving a common goal." >>

Success Factors

The success of this effort was rooted in the following principles:

1. Build on a proven approach. They took a proven process and built upon it to fit their business. They avoided reinventing the wheel and leveraged their efforts on the successful experiences of other companies. The C&CE group followed the proven 5-step SOP process. Read our article, Getting Your Business Processes in Gear.
2. Spread ownership for the process throughout all seven companies from the start. They avoided one company or group seizing ownership and then trying to force others to adopt it. Representatives from every functional department and the plants participated in the design sessions.
3. Have an executive champion. John Jenkins, Division President, made it clear that he was supportive of the efforts. His presence and active participation at the SOP meetings validated his words with action. A key executive, Dale Brimeyer, participated actively in the process design sessions and process launch.
4. Have a respected, experienced and knowledgeable leader. Loren Troyer had worked in many capacities within Deere and Company. He understood the business and the people. His leadership skills were critical to bring diverse opinions to a consensus.
5. A common understanding of SOP. A one-day education session was held before design began. Each of the 5 Steps in the proven SOP process was explained and discussed in detail. The techniques, the measurements and the responsibilities were presented. This common understanding became the vision of how the process should work and served as the template for developing the new C&CE SOP process.
6. Start quickly with a pilot and build momentum. They did not delay implementation until every conceivable situation was covered. It was a ready-fire-aim-fire approach. They started the process in two companies with a predefined schedule to expand to all others. The expectation was to build on these initial experiences and then quickly include the other companies. All seven companies were using the process within less than four months!

Implementation

The challenge was to get all companies within the division to embrace one process. Participation in the design process from each company was the tactic. Each company and division functional department appointed representatives to participate in the design of the process - a total of about 20 people.

All members of the Implementation Team met at the Raleigh Headquarters for two days in November. Some of the time was spent getting a common vision of how an effective SOP process should work,



i.e., As-it-Should-Be. This was accomplished in an education session. The balance of the time was spent identifying the gaps between existing practices and the vision. These gaps became the focus for assignments to find solutions. Small teams were formed, each with specific assignments.

The group reconvened in December for two days. Cross-functional breakout groups met separately to define and design the data gathering, demand planning, supply planning, partnership and final SOP steps. For each step they determined ...

- purpose
- input
- output
- process map
- specific responsibilities
- guiding principles
- metrics to measure the quality of each step

At the end of the second day, each team presented their conclusions. The group discussed the proposals and debated alternatives. Each company considered how they would apply the proposed solutions. Consensus was reached and all seven companies were ready to launch the process. Two companies were selected as the pilot and a rollout schedule was created to implement the process across the Division within less than four months.

The C&CE monthly SOP process incorporates these activities:

1. Individuals meet monthly in each of the seven companies to review and revise demand and supply plans.
2. The proposed plans and resulting financial impact is reviewed at each company. After consensus is reached, the integrated plans are then consolidated.
3. The Division president and his staff meet monthly at headquarters for two hours to review the plans, impact, action items, issues, alternatives, resulting financial projection and risks. Attendance is not optional!
4. The approved plans are distributed.

The key to making the final review effective is the planning sessions at the individual companies. The issues are identified, alternatives are debated, proposed actions are determined and risks identified and weighed. The final SOP meeting is focused on resolving the problems, not finding the facts.

The Bottom Line?

C&CE didn't sit around the meeting room and list all the reasons why it couldn't be done. They saw the huge and immediate potential benefits of the process and integrated the sales, manufacturing and financial plans swiftly and brilliantly with one common process. They had plenty of obstacles and could have elected to search for excuses about why it wouldn't work or would take too long to implement. But C&CE opted not to play the "excuse card," went ahead and just did it!

They've done a remarkable job and, in the process, set a new high bar for the rest of us!