



# Integrated enterprise leadership: the essential framework for reorganisation

In order to respond to constantly changing market conditions, companies are forced to reorganise. This means reducing levels in the organisation, changing departments and people. They do this through downsizing, acquisition, merger or separation. They take out the organisation chart and move it around. The reorganisation is announced, everyone waits to hear his or her fate and the new organisation is rolled out.

Sales and operations planning (SOP) is a formal process, first developed in the 1980s and recognised by many companies as the only way to run a business. The Delos Partnership is a facilitator in the implementation of this process, but has extended its scope beyond just Sales and Operations to extend it to all functions and processes within the organisation, and called it integrated enterprise leadership (IEL). This is to signify that the idea covers the whole organisation, and to make the point that it is not primarily about planning, it is also about how companies get things done through leadership and 'followership'.

Leaders take people in the right direction for the organisation. As Rosalynn Carter, wife of former US President Jimmy Carter, said: 'A leader takes people where they want to go. A great leader takes people where they don't necessarily want to go, but ought to be.'

SOP has traditionally been characterised as mostly to do with inventory management. As the American businessman Ross Perot said: 'Inventories can be managed, but people must be led.'

Many companies do not operate with a formal SOP or IEL process. However, when these companies reorganise, they do not believe they have the time or the need to implement a newfangled way of operating, largely because they are busily engaged in reorganising the company. They do not realise that implementing IEL will yield enormous benefits, and that the net result is more of the same, with the reorganisation, merger or acquisition or whatever largely failing.

The first danger of this attitude is they fall foul of that often quoted Charles Ogburn observation: 'We trained hard, but it seemed that every time we were beginning to form up into teams we would be reorganised. I was to learn later in life that we tend to meet any new situation by reorganising; and a wonderful method it can be for creating the illusion of progress while producing confusion, inefficiency, and demoralisation.'

The second more real danger is that if a company does not have SOP or IEL in place, the business merely makes the reorganisation more difficult, more time-consuming and unlikely to achieve its objectives.



Staff are trained to develop their technical skills in their core competence; but the execution of their roles and their effectiveness is achieved not by just demonstrating this facility, but also the behaviours and skills that support them.

### What is IEL?

The IEL approach is built fundamentally around a model that describes the key elements of a best-in-class organisation – see Figure 1. Thus a company should have a clear vision – where it is going – supported by a strategy – how to. To achieve these, a company needs a decision-making process – prioritisation – supported by robust integrated processes. It needs to have the right few measures in place – forecast accuracy, plan achievement and right first time – to ensure it delivers to customers what they want and when they want it.

Too many organisations fail to measure the right things and/or measure things that cause the wrong behaviour. Measure a sales force on revenue and you get operational chaos – for example, they sell whatever will get them most revenue, regardless of whether the supply side has the capacity to deliver. As you get to a year end or quarter end when the company is chasing its numbers, they will sell and ship whatever is necessary to achieve those targets. A better measure – and which can be too difficult to implement – is to create a measure of forecast accuracy and forecast accuracy and pay a bonus based on this. This ensures that the sales people try to meet in volume and value what the supply side can deliver. When implemented it makes a huge difference to the effectiveness of the supply chain – an ensuring that the customer gets what they want.

The business systems need data accurate to >98% in all areas, if they are to make effective decisions on a daily, weekly and monthly basis. This process is formal. What is meant by a formal process can perhaps best be illustrated by describing what an informal company looks like. It suffers from:

- Multiple sets of numbers: Operations does not believe Sales and Marketing, Finance has its own projections, and there are multiple databases for business projections
- Multiple spreadsheets: tend to duplicate the data and calculations in the ERP system; spreadsheets are wonderful until the person who wrote them leaves
- Multiple ways of working: an absence of formal processes and procedures with which to operate the company
- Confusion over real objectives: one minute it is customer service, the next inventory reduction and the next cutting organisational waste
- Defensive functional behaviour: problems are always someone else's fault
- Rumours around the corridor and reliance on informal communication
- Ad hoc communication: meetings and more meetings – there are too many of them
- Short-term focus: senior management spend 80–90% of their time putting out fires, rather than thinking strategically about the business

- Heroes are favourites: the business is dependent on a few key people who know their way around the business, have been there for over 20 years and who constantly get the business out of a fix; if they were ever to leave, the business would be likely to crash

It is seriously worrying how many companies operate in an informal way. If a set of business processes could somehow be packaged like cigarettes, then it should have the warning on the outside: 'Informality seriously damages the health of companies.'

A company that practises IEL will therefore develop a clear vision and strategy understood by everybody. It will develop a clear set of roles and responsibilities built on robust processes. One of the most often debated issues is to make Sales and Marketing accountable for delivering a forecast in volume and value terms that is accurate within agreed tolerances.

The IEL process is built around a formal monthly meeting cycle – global and local – that follows the structure illustrated in Figure 2, which avoids informal communication and reduces the time wasted in multiple meetings.

Innovation covers the management of all new activities – not just new products. Demand is all about sales, marketing and customer relationship management. Supply is the management of internal and external suppliers. Support is the development of an integrated financial plan, Human resources skills implement an integrated information resources plan. Prioritisation is organising the decisions that requires senior leadership attention, and the senior team review is the normal senior leadership or board meeting.

Companies that adopt this process find that they end up overcoming the issues of an informal organisation. The senior leadership team ends up being more strategically focused, making decisions in a timely fashion. For most, it is just organised common sense. One managing director was quoted as saying: 'We plan for the long term and you know it happens – no surprises.' Before companies implement the process, they recognise that common sense is not so common.



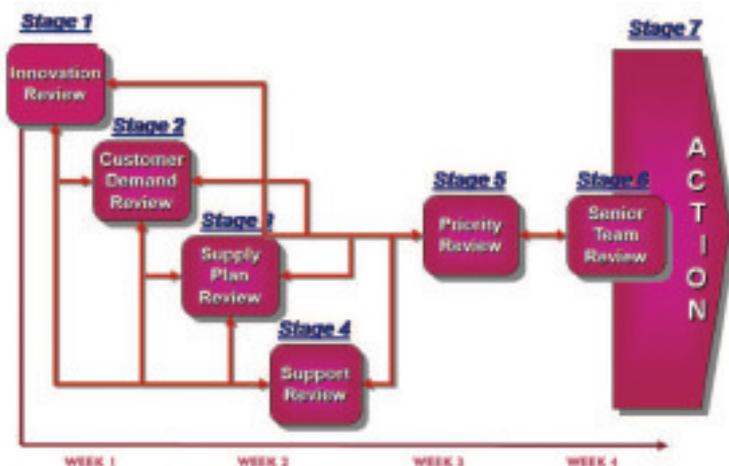
Delos model for business integration  
Figure 1

So, if a company is about to acquire, merge, reorganise or change its direction significantly, why should it simultaneously engage in the implementation of IEL and, more importantly, how?

Any company implementing IEL needs to put in place a project team, sometimes called an integration team. This team needs to describe what is called Company II. This is the how the company is going to operate in future, and should create a formal document that describes:

- The vision and strategy of the organisation, which makes clear why it is in business, where it expects to be in terms of market, products, revenue and profit in 10 years' time; it needs to clarify its strategic competency – operational excellence, customer intimacy or product leadership – and how it will achieve its aims and objectives
- The fundamental processes that the business will use to run the business and how these will operate in a daily, weekly, monthly and annual basis, in line with the principles of IEL
- The culture and behaviour of the organisation, operating as a team driven by common objectives; this will be supported by a consistent set of performance measures to drive the right behaviour
- The software that will be used to support the business by process area; typically, must cover sales forecasting, customer relationship management, operational management, human resource management and project management, all of which need to feed a business information system that will provide the reports to identify how the business is performing, and the projections for the future; this should include exception reports to identify critical points requiring special attention and urgent actions, which can be very important for effective operation

This project team then has the responsibility of rolling this vision out to the people within the organisation. This is done through the creation of a number of task teams, which prepare and document the detailed processes and deliver the organisation through a formal education process. This is key to the quality of that formal education and training process as it ensures that the new ways of working are adopted within the new organisation. This process can benefit significantly by inviting observations and suggestions feeding upwards from lower management levels and accepting those that are good before finalising the formal process. In particular the company heroes mentioned above feel that their contributions are valued, which can greatly helping the adoption of the new proposals by everyone.



IEL process steps

Figure 2

That is what is needed to develop IEL, which is an efficient way to manage and organise the business, and make timely decisions about the business. But surely exactly the same is required if you are going to reorganise? Vision and strategy are all about agreeing the ways of working... exactly the same.

However, key to the IEL process is the underlying objective of concentrating on the key goals of the organisation, achieving the highest possible levels of customer service economically and viably. Through the IEL process, companies regularly achieve levels of performance to request date of over 98%. They do this at the same time as reducing inventory by 30%. The visibility is provided through better forecasts, combined with the stability provided through effective time fence policies, and the business also reduces material costs and unnecessary overheads. With the ability to make better, proactive decisions, the business rapidly sees a dramatic improvement in profitability and cash flow. Key to the effective establishment of the process is the way is rolled out the new process, through education and training.

Education is about how to change hearts and minds, and accept the new ways of working. People accept change if they understand why it is happening. They want to understand what is in it for them. In the implementation of IEL, jobs may change, some will go and some may be created. What matters is that people understand why. A formal education plan is required to make it happen, and should be cascaded through the organisation from the CEO through to each director, down to each manager and through to the teams that work for them.

Training is telling people how to do things: go to this person, press this key, now do this. This answers the question: how am I going to do this? But if the 'why' does not go first, then the 'how' never happens effectively.

Chaos results if a formal set of processes has not been established, supported by effective systems that have all been thought through. If education is ineffective, then alienation follows, which causes the failure of the reorganisation.

Many deals fail to create expected value. A survey conducted in March 2006 by Accenture and the Economist Intelligence Unit of 420 corporate executives from the USA, Germany, the UK, Sweden, Norway and Finland also found that over half of recent deals in which respondents had been involved were cross-border transactions.

Only 45% of respondents thought that their most recent mergers and acquisitions achieved expected cost-saving synergies, while even fewer – 30% – said they had been able to integrate IT systems successfully in their most recent cross-border deal. Also, 49% said their deals did not achieve expected revenue synergies.

Hence IEL represents what a company needs to do when it reorganises. It is not an alternative that can be ignored in favour of getting on with the mechanics of the reorganisation. Even more, it can be used as a framework to deliver the benefit that executives seek to achieve, through the reorganisation.

So avoid the problems related by Charles Ogburn and implement IEL when you reorganise. It will deliver the synergies and benefits you wanted.



### About the author

**R**ichard Watkins is a founding member of The Delos Partnership. He has specialised in helping companies with the understanding and implementation of integrated enterprise leadership, sales forecasting and demand management, supply chain management, and lean and agile enterprise. He provides consulting support in the implementation of change management, new processes and systems to improve customer service.

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#### *Integrated Enterprise Leadership: Managing Uncertainty in the 21st Century*

Authors: Rod Clarke and Gilles Lauga

ISBN: 9780954562915

Member price: £22.50

Non-member price: £25.00

This book illustrates how sales and operations planning has developed to become integrated enterprise leadership, a process that allows a business formally to review its plans on a monthly basis, and measure its success on key performance measures. It shows what it is and how to make it work in small, medium and large companies.

Contact: The Knowledge Centre. Tel: 01536 740105. Email: books@iomnet.org.uk

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### About Delos

**S**ince 1991 Richard Watkins has operated his own education and consulting firm, and founded the Delos Partnership in 2002. This specialises in the understanding and implementation of Integrated Enterprise Leadership, and related ideas, which contribute strongly to the improvement of company's competitive supply chain performance. He has helped a large number of companies across many different industries improve their market position. This is done through educational workshops and facilitation at all levels within the organisation from the boardroom to the shop-floor. See [www.delospartnership.com](http://www.delospartnership.com)

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