



## Customer profile

### Navigating Good and Bad “Weather” With Class A Integrated Business Planning

Marzetti has survived – and thrived – through the ups and downs of the food industry for more than 120 years. The maker of salad dressings and dips has done so by making well thought out changes when changes were needed.

It was time for change when Dave Ciesinski took the helm as president and chief executive officer of Marzetti’s parent company, Lancaster Colony Corporation.

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**“You must have the unequivocal buy-in from your most senior leader for Integrated Business Planning to be successful.”**

Juliann Forcina  
Director of Integrated Business Development

In 2017, consumers had begun to re-evaluate the foods they were eating. They carefully scrutinized packaging labels to select products with healthy ingredients at reasonable prices. New healthier brands emerged as market share leaders. Traditional brands that had not significantly changed ingredients over the decades languished on grocery shelves.

In his previous job as division president for a major food manufacturer, Ciesinski experienced what it takes to adapt to shifts in consumer preferences. He and other Lancaster Colony leaders recognized that Marzetti’s product innovation could not proceed at a sedate pace. Leaders also knew that capital investments had to be better managed and timed to grow the business.

In his previous job, Ciesinski had also experienced first-hand how Integrated Business Planning (IBP) is the linchpin that enables companies to change course as needed. All while staying true to a company’s values and mission. One of Ciesinski’s first actions as

Lancaster Colony’s CEO was to implement IBP at Marzetti.

Adapting to changes in the marketplace while implementing a new process like IBP is tough to accomplish. Marzetti has been successful in doing both.

Lancaster Colony continues to be a top quartile financial performer in its industry. The company also has an enviable streak of increasing cash dividends for 57 straight years.

Marzetti’s experience is an excellent guide for business leaders in times of challenge and change. Here’s the Marzetti story:



**“The IBP process is as good as you make it. If you champion it and make it work for you, you can do great things.”**

**Carl Stealey**  
President Retail Division

## **Change Requires Explicit Clarity from the Top Leader**

Change is never easy, whether a company is an industry leader, struggling for survival, or somewhere in between. Successful change is nearly impossible when business leaders are not united and working together.

One benefit of an effective IBP process is the way senior business leaders work together to execute the company goals and strategies. Integrated Business Planning is a decision-making process to keep company plans and strategy in alignment. The portfolio, demand, supply, and resulting financial plans are reviewed and updated every month. Senior leaders agree upon a single operating plan over at least a 24-month rolling horizon. They also accept accountability for executing that plan. (See Chart 1.)

For IBP to be effective, it takes strong executive leadership in each “pillar” of the business –

product management, demand, supply, and finance. It took many months for Marzetti to develop its pillar leaders.

“You have to have pillar leaders who are knowledgeable in their areas and are open to change,” observes Juliann Forcina, Director of Integrated Business Development.

Forcina recalls that Ciesinski made it “explicitly clear” to his direct reports that IBP was the way the business would operate. This direction, in turn, was communicated by the pillar leaders to their team members.

“The biggest thing my team members know is that IBP is a priority for me and the CEO. This is something we are going to do and need to do,” states David Nagle, Chief Supply Officer.

In addition to strong leadership and communication, Marzetti's leaders found education and training could not be over-emphasized. "The organization did not know how to change, even when people said they bought into IBP," Forcina recalls.

People involved in IBP needed to know how IBP works, the roles and accountabilities required in IBP, and the way that decisions are made. Marzetti's leaders also found that education and training need to be ongoing. It prevents

atrophy as time goes by. It also ensures that the new way of running the business continues to be engrained in the culture.

Today, Marzetti's leaders believe their IBP process is effective, as evidenced by receiving Oliver Wight's Class A certification of the process. They also acknowledge it was worth the effort to change the way the business is managed. Business leaders cite an improved innovation process and product rollouts as one of the most significant changes resulting from IBP.

## Business Results Achieved

The business results achieved thus far by Marzetti have improved the financial condition of Lancaster Colony.

Through Q2 of FY2020, an increase of \$24 million in sales revenue was attributed to Integrated Business Planning (IBP). Raw material and packaging inventory as a percentage of cost of goods sold was cut by more than \$900,000.

With better aligned plans, expedited shipping was reduced by more than \$900,000, and unplanned internal transfer costs were reduced by \$100,000.

In all, total cost savings exceed \$6.8 million while sales revenue attributed to improvements brought by IBP increased \$24 million. These financial accomplishments contribute to Lancaster Colony's reputation as a top performer in the food industry. Lancaster Colony defines winning as top quartile financial performance measured in terms of organic sales growth, operating income growth, margin performance, and return on assets.

Marzetti expects continued financial improvements as a result of its current effort to implement Integrated Planning and Control supported by an Enterprise Resource Planning system.




## Making the Right Innovation Choices

Innovation is considered the lifeblood of Marzetti. Yet it was not unusual for the company to struggle in developing and launching products.

With the implementation of IBP, Marzetti revamped its innovation process. A stage-gate process was put into place with a new manager and pillar leader. Marzetti had nothing close to a stage-gate process, and Forcina led the creation of the process from scratch. Having helped to create and lead commercialization for over 10 years at a Fortune 500 company, her unique skill set enabled the Marzetti team to jump-start the process.

A Product Management Review (PMR) was also created to support the integration of cross-functional plans as part of the IBP process. In addition to her other responsibilities, Juliann is the Director of IBP and a member of the executive staff.

Talk to Marzetti's leaders today, and almost all say that the new innovation process is one of the most significant improvements the company made with IBP.



“Be patient. Have thick skin because you are never going to be right. Just listen. Don’t take information for granted.”

Leslie Garrone  
Director of Demand Planning


The  
Better Food  
Company

The stage-gate process allows leaders to make data-based decisions on the merits of each proposed project. This approach results in bringing forward the best choices for driving financial growth. Those choices are made with enough time to ensure the capability to innovate, produce, and launch new and updated products. Review of capacity and prioritization takes place within the PMR, thus allowing the stage-gate process to create unconstrained demand for growth.

Stage-gate reviews are conducted weekly for the Foodservice business and monthly for the Retail

business. Meeting frequency is based on the number of products being introduced by each business segment. The Presidents of each business segment own the stage-gate reviews and are considered the final decision-makers.

There is a cadence to the review agendas, with the goal of completing the agenda in an hour for the Foodservice business and two hours for the Retail business. Representatives from every function across the organization participate in the stage-gate reviews.



**“Trust the system and process. There’s a lot to it and a lot to absorb. There can be a tendency to be overwhelmed. You have to trust it and give it time. You have to fully engage in IBP and make it your own.”**

Tom Pigott  
Chief Financial Officer and owner of the  
Integrated Reconciliation Review.



**“Constantly be clear on why have the IBP meetings and what you stand to gain. In developing the process, be sensitive to the nuances of the business.”**

**Kristin Bird**  
President of Foodservice

Participants in the stage-gate reviews evaluate the status of proposed projects in the innovation pipeline over a 36+-month rolling horizon. Metrics and criteria are used to approve a project's movement from one stage to the next stage.

In Carl Stealey's view, this new process is preferable to the way that product development decisions were made in the past. Stealey is the President of the Retail business. He recalls how the old way of approving projects was short-term focused and driven by the need to fill a gap with a customer.

This reactionary approach had several disadvantages. New products were often financially insufficient to support growth goals. Resources were also frequently insufficient to produce the volumes of new product needed to satisfy customer demand.

“And if we could pull off a miracle and get something to market, the products weren't as good as they could have been. We did not have the time to conduct the research needed to innovate well,” Stealey states.

Kristin Bird, President of the Foodservice business, is a newcomer to Marzetti. The stage-gate process is one way she has become more deeply connected to people across the company. The process has helped her to see obstacles, challenges, and opportunities with new products. It has also accelerated decision making and execution.

Steve Hill is the Vice President of Research, Development, and Quality (RDQ). He values the stage-gate process.

“It helps answer the question: Is this the type of project we want to put our resources against?” he says.

The context for answering that question is whether proposed projects are relevant to the market and will drive financial growth.

Hill serves as pillar owner for the PMR. Stealey and Bird participate in the PMR as well.

The Product Management Review is strategic in focus. It gives broad exposure to all the company’s innovation initiatives.

“We have a strategic outlook in the PMR to determine whether the innovation projects are robust and sufficient enough in our financial delivery to the company. If not, we identify actions that need to be taken and how these actions will pay off in the future,” Hill states.

The updated plans from the stage-gate reviews and Product Management Review are communicated to the appropriate people in the supply, demand, finance, and strategy organizations. This regular communication helps to ensure that Marzetti has the production capacity to deliver new products while supporting demand for existing business.

**“The CEO must be engaged and champion the process. There must be organization-wide communication about the process and the changes it will create in the organization.”**

Rick Stuhr  
Vice President of Strategy



**“Make sure the data is accurate and everyone understands the data they are reviewing. Make sure that you are living the process – that it is engrained in the culture.”**

**Sam Woods**  
Supply Leader and Master Supply Planner

## **Companies Have More Capability Than They Think When They Plan Ahead**

Capacity had long been an issue – and frustration – at Marzetti. The supply organization received short-term demand and innovation plans and fulfilled customer orders. Longer-term plans were rarely communicated.

“Everything was a fire drill and right on top of you,” recalls Sam Woods, Supply Lead and Master Supply Planner.

There just wasn’t enough advance notice to flex capacity or make capital investments to increase capacity. The result: Missed delivery dates and sometimes turning away business.

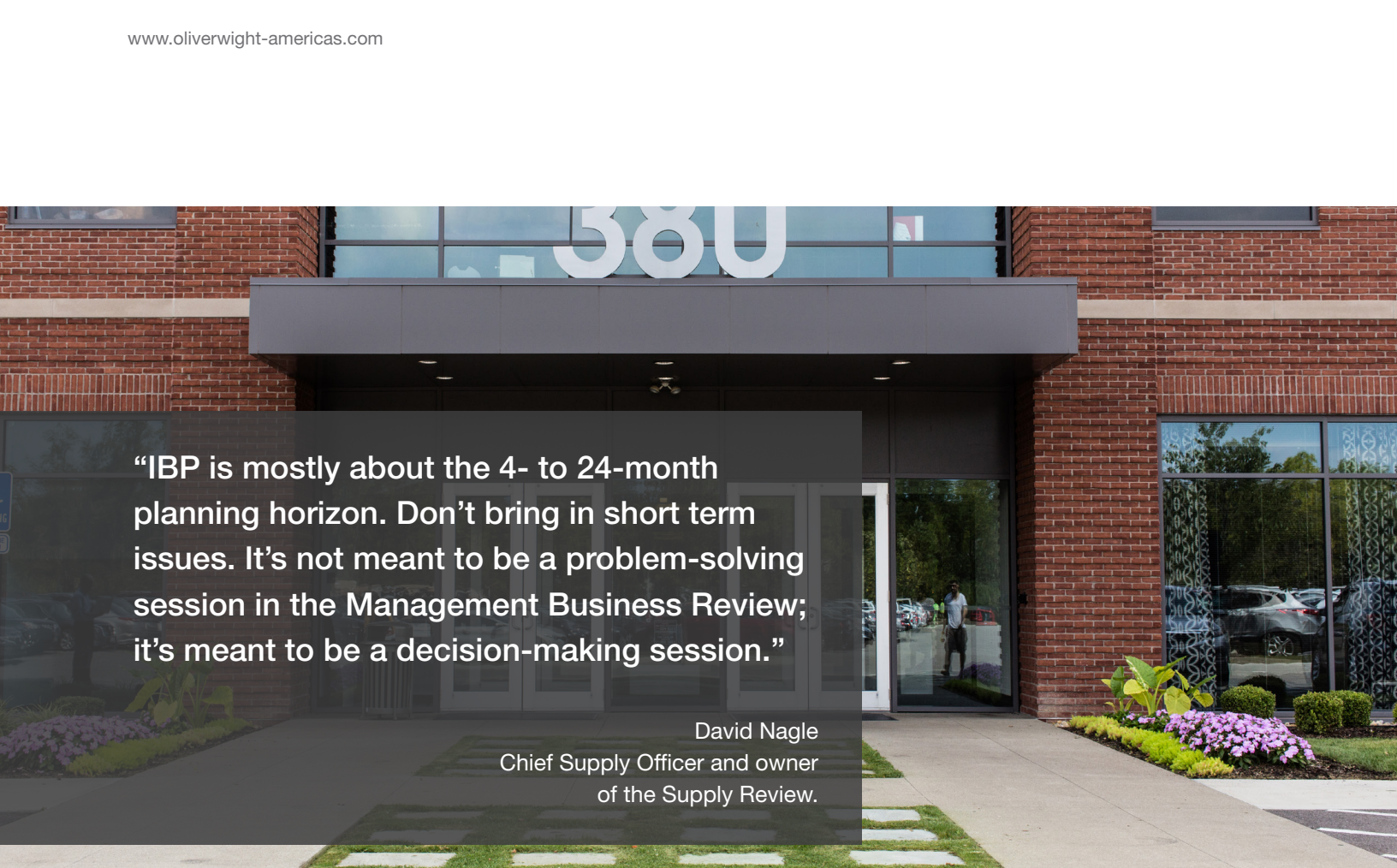
With IBP, Marzetti has now become what Kristin Bird calls “planful to know where capacity is needed.”

To be planful takes rigor, forethought, and a long-term view of the needs of the business. It also

requires communicating – and updating – plans from the product management, demand, supply, and financial teams, something which Sam Woods and Demand Leader Leslie Garrone take seriously.

Integrated Business Planning has provided Marzetti the connectivity to integrate and align those plans every month over a 24-month planning horizon. The supply organization also now has a structured way to evaluate capacities in all production lines and work centers.

Marzetti’s capacity planning process is data-driven, rather than subjective, explains David Nagle, Chief Supply Officer. Decisions on when to invest in production lines and other capabilities are based on facts presented to the senior leadership team. Recommendations are vetted in the IBP Integrated Reconciliation Review with the final decision for significant investments made in the Management Business Review.



**“IBP is mostly about the 4- to 24-month planning horizon. Don’t bring in short term issues. It’s not meant to be a problem-solving session in the Management Business Review; it’s meant to be a decision-making session.”**

David Nagle  
Chief Supply Officer and owner  
of the Supply Review.

IBP has lessened the sales force’s worry that product will not be available to sell. Now the sales team has a “green light” to sell according to the approved IBP plan. As a result, demand for product has increased and sales revenue is growing.

The sales organization also more confidently works with customers to plan for their future growth. These collaborative plans are backed by Marzetti’s authorization for capital expenditures that support customers’ future growth plans.

Marzetti’s board of directors would not authorize this funding without great confidence in the credibility of Marzetti’s capacity plans and recommendations. The board recently authorized the highest funding for future capital investments the company has ever recorded.

“We have not had to stop selling product for being out of capacity as we had in the past,” Forcina observes.

Another benefit of improved capacity planning: With plans better aligned and execution improving, new products flow through the pipeline at a faster pace. This was good news and bad news for the research and development organization in one case. The RDQ team found itself without enough people to perform all the work required to meet the project schedules.

The same principles and process of capacity management apply to innovation capability as it does for production. Without delay, the IBP process was used, as designed, to quickly gain approval in the Management Business Review to hire two more people.

This type of decision making requires a planning horizon of at least 24 months and connectivity of all company plans. It also requires trusting those plans and having confidence that the plans will be executed.

Developing trusted demand plans has been another challenge and accomplishment.

## Trust Results From Credible Plans

Prior to IBP, everyone seemed to have an opinion about the demand forecast. “Off-line” forecasts also muddled the water. It was common for different areas of the business to operate from different demand plans.

“We had to unclutter all the noise of different priorities and confusion on the demand signal. That’s one reason why I was interested in IBP,” says David Nagle, Chief Supply Officer.

Solving the capacity problems – and having an uninterrupted supply of product to sell – enticed the commercial side of the business to IBP.

The challenge, however, was the need to develop the demand planning structure to support IBP. The demand planning organization was immature and under-educated on the best practices of demand planning. Developing a demand planning structure needed to include behavior changes and skill development, all of which takes time. While this effort involved starting at “ground zero,” it turned out to be worth the effort.

Leslie Garrone was hired as Director of Demand Planning to establish the demand planning structure. One principal measure of success: Consistently produce a demand plan that was trustworthy and continuously improving.

Garrone describes what needed to be done to achieve this aim. “We didn’t have as many people as needed and had to add headcount. We needed to put in place a standardized process. We needed to develop reporting so people could visualize the demand information to make decisions. And the data structure had to be reorganized. All while still running the business.”

The approach Garrone took was, in the words of the old Chinese proverb, to eat the elephant one bite at a time. She looked for small wins with the demand planning team and cross-functional partners that reinforced the vision of the process. She did not expect perfection, but did expect people to learn to ask the right questions.

“The forecast will never be right. I am a big believer in listening to people, getting people to explain their assumptions, and being comfortable in making mistakes. People shouldn’t be made to feel they are being put on the spot. They should be made to feel they are a team member in supporting the process,” Garrone explains.

It has taken more than one year, but Marzetti now has a respected demand planning process that is contributing to the business. The demand plan is considered credible with low bias. It has become so trusted that it will be used as the basis of the annual operating plan next year.

The Demand Review is critical to developing a credible plan and reducing bias, which now hovers around +/- three percent. The Demand Review is the venue for commercial leaders to align on the demand plan each month – before passing the plan to the supply and finance organizations. Discussion in the Demand Review also centers on the actions needed to “hit the number every month,” according to Rick Stuhr, Vice President of Strategy and pillar owner for the Demand Review.

There is a clear distinction between the demand planners and the commercial team. The commercial teams are accountable for executing the demand plan. The demand planning team serves as a translation service, converting the demand plan into detailed information that the supply organization uses to plan production and shipments.

The demand plan is also translated into more aggregated information that the financial organization uses to develop financial projections. The ability to take the demand plan and use it to develop both the financial plan and production plan keeps the organization synchronized.

Marzetti now makes better and more timely decisions on capital investments. “We can say with confidence whether or not an investment is warranted. We can say with confidence that we need capacity and when,” says Ciesinski.

## **Senior Executives Confidently Manage the Business In Good and Bad “Weather”**

One measure of a successful leadership team is whether Lancaster Colony’s Board and Wall Street trust their ability to meet expectations.

The output from the IBP process is regularly taken to the Board to demonstrate the current state of the business and the underlying need to keep up with growth opportunities, Ciesinski states.

“It would have been difficult to justify significant investments in growth without the back up of IBP data,” says Ciesinski.

To accomplish this level of trust-building requires the full engagement of the senior leadership team in the IBP process. Tom Pigott, Chief Financial Officer, believes the level of engagement is well worth the time.

“The Management Business Review is one of the most valued activities for me,” he explains. “In ninety minutes each month, we gain insights on the business challenges. We get visibility of gaps and how to close them. It helps inform me of the risks and opportunities in the business. It’s how we make sure we’re being responsive to customers and driving growth in revenue and profits.”

Marzetti’s approach to driving business growth has changed with IBP. The growth strategy is integrated into the Management Business Review each month.

Stuhr explains that the strategy provides the mid- and long-term growth aspiration. During the MBR, that aspiration is measured against the sufficiency of programs and plans to achieve the strategy. When gaps are identified, actions are taken to close those gaps.

## **The Role of Oliver Wight**

Oliver Wight, led by principal Tom Strohl, provided education, coaching, and mentoring in helping Marzetti to implement Integrated Business Planning.

Strohl and other Oliver Wight principals observed the early review meetings during each monthly cycle of IBP. They provided feedback and guidance on areas to focus on improvement during each cycle.

Oliver Wight also diagnosed issues that emerged. The consultants were quick to point out areas that needed to improve and how to get over the next hurdle, according to Sam Woods, Supply Leader and Master Supply Planner.

Oliver Wight’s involvement in these early stages of implementation was very useful in making Marzetti a more efficient company, says Steve Hill, Vice President of Research, Development, and Quality.

This new mindset has shifted the perspective of Marzetti's leaders from being internally focused. Forcina explains that Marzetti now has a forward-looking view and is taking a true marketing approach to the business.

"We are not just asking what our machines are capable of doing. We are looking for white space opportunities in the market to drive growth," she states.


Ciesinski likens the change in how the business is managed to flying an airplane. Before IBP, it was like flying with only visual flight rules. Actions were based simply on what could be seen directly ahead.

"IBP provides the gauges to fly in all sorts of conditions, when weather is nice or not nice," Ciesinski says.

By looking ahead over a 24-month rolling horizon, Marzetti re-assesses the assumptions about the business each month. As conditions change internally and externally, the leadership team agrees on the best way to alter course so that the "destination" of sales and financial growth is achieved.

Conditions did swiftly change for Marzetti – and the entire world – with the pandemic caused by the novelCorona virus. But it did not throw Marzetti and Lancaster Colony "for a loop."

The Marzetti team had already developed the skill of planning based on assumptions. The leaders and managers were comfortable not knowing everything about the impact of the virus. They still made assumptions and developed scenarios and plans. When more was known about the conditions, the assumptions driving scenarios and plans were updated. And the needed decisions were made.



**"Have only people in the review meetings who need to be there. These are not information meetings; they are decision meetings."**

**Steve Hill**  
Vice President of Research, Development, and Quality and owner of the Product Management Review.

The impact of the virus on demand and Marzetti's supply capability was discussed as a risk early during the initial outbreak in China. Alternative scenarios were developed to address the possible need for sourcing ingredients outside of China.

Other scenarios addressed how demand could change. Indeed, unprecedented shifts in demand occurred. Marzetti's Foodservice business drastically declined with the closing of restaurants. The Retail business grew significantly with more people buying their products through grocery stores.

As Hill observed prior to the pandemic, "We can obviously have problems in the business. But with the adherence to the IBP process, we can work through those problems and have a clear view of what's going on in the business."

By adhering to IBP, Marzetti and Lancaster Colony will be equally well-positioned to respond – and continue to drive growth – when the pandemic ends.

"The IBP process is extremely well engrained in our culture. It will evolve and continue to improve. It is a most critical process to help drive our long-term goals and aspirations," Pigott says.

## About Marzetti and Lancaster Colony Corporation

Based in Westerville, Ohio, Marzetti was founded more than 120 years ago and acquired by Lancaster Colony Corporation in 1969. Lancaster Colony was formed in 1961.

Lancaster Colony is a manufacturer and marketer of specialty food products for the retail and foodservice markets. Popular brand name products include:

- Marzetti® refrigerated salad dressings and dips (visit [marzetti.com](http://marzetti.com))
- New York Brand® Bakery frozen garlic breads (visit [nybakery.com](http://nybakery.com))
- New York Brand® Texas Toast croutons (visit [nybakery.com](http://nybakery.com))
- Sister Schubert's® homemade rolls (visit [sisterschuberts.com](http://sisterschuberts.com))
- Flatout® flatbread wraps

In addition to its top-rate reputation in the marketplace, Lancaster Colony has earned respect of shareholders and Wall Street for its dependable financial performance. The company consistently records top quartile financial performance for organic sales growth and operating income growth, margin performance, and return on assets. The company has increased regular cash dividends for 57 consecutive years, one of only 13 U.S. companies to do so.

More information is available on the company's website – [lancastercolony.com](http://lancastercolony.com)

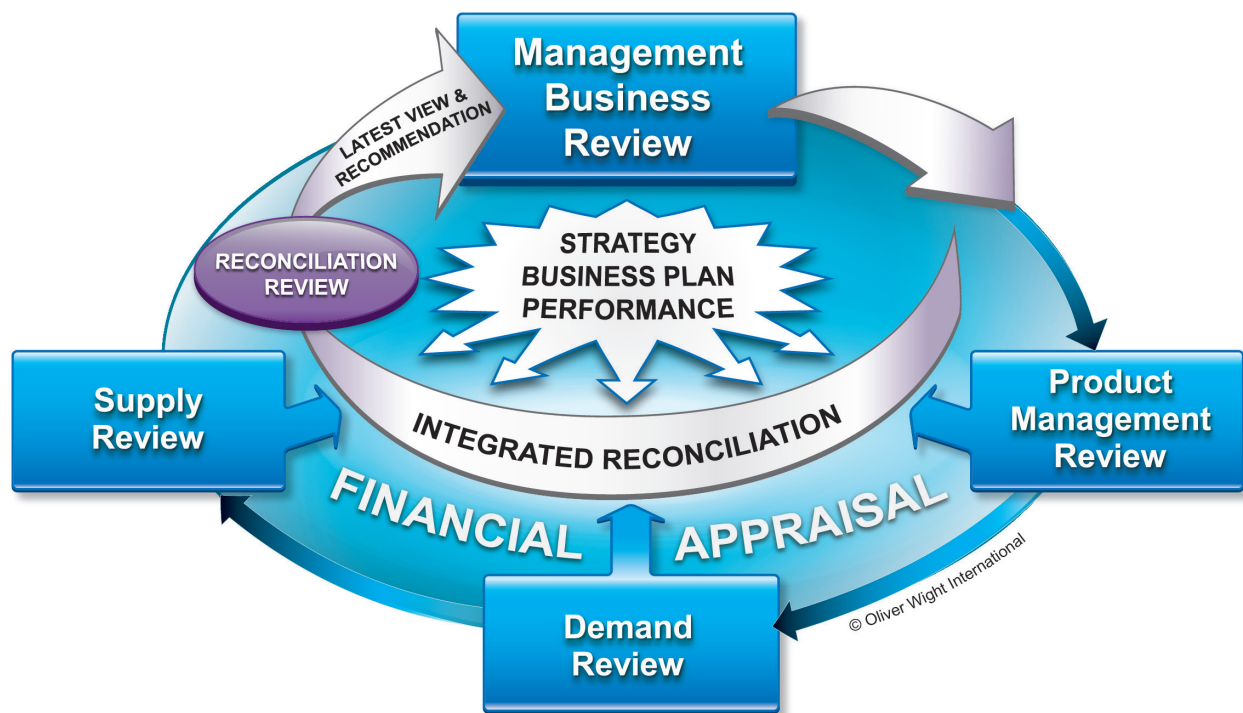
## What Is Class A

Marzetti earned a Class A certification for its Integrated Business Planning process. Class A certification is based on the process meeting or exceeding the standards defined for IBP in The Oliver Wight Class A Standard for Business Excellence.

Companies that operate to Class A standards are typically top performers in their industries.

The Oliver Wight Class A standards were first established in the 1970s and are periodically updated as the “high bar” of expected standards of performance are raised in industry. Only proven, practical solutions that produce results become standards.

**Chart 1**



## What Is Integrated Business Planning

Integrated Business Planning is a decision-making process to align strategy, portfolio, demand, supply, and resulting financials through a focused and exception-driven monthly re-planning process. The result is a single operating plan, over a 24+-month rolling horizon, to which the senior executives hold themselves and their teams accountable for achieving. Done well, it is the formal way that the business is managed and strategy is connected to execution.

## ABOUT OLIVER WIGHT

At Oliver Wight, we believe sustainable business improvement can only be delivered by your own people. So, unlike other consultancy firms, we transfer our knowledge to you; knowledge that comes from more than 50 years of working with some of the world's best-known companies.

The Oliver Wight Class A Standard for Business Excellence is recognized by organizations and industry commentators as the definitive measure of business excellence. We have a long-standing reputation for innovation; we continually challenge the industry status quo, so you get the latest in fresh thinking around core business processes and their integration with people and technology.

Your Oliver Wight partners will coach, guide, and inspire your people to drive change throughout your organization, allowing you to create a culture of continuous improvement and innovation that simply becomes, for you, 'the way we do things.' We call our approach to change management the Proven Path; it's a proven, sustainable approach that will transform your business performance and deliver results straight to the bottom line.



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