



Otter Products

**OTTER PRODUCTS**

### Benefits at a Glance

- ▶ *Excess and obsolete inventory is lower than it has been in years*
- ▶ *Profitability has improved*
- ▶ *Greater visibility of planned revenue versus the budget*
- ▶ *Greater trust by the executive team of the rest of the business. The executive team is now more comfortably delegating decisions to lower levels of the organization*
- ▶ *Hit financial targets more frequently, and the misses are by a much smaller margin*
- ▶ *Company has strengthened its cultural footing and continues to live its values, including the Golden Rule and integrity*

## Customer profile

### **“Performance Follows Culture” How Integrated Business Planning Is Helping Otter Products Strengthen Its Cultural Footing**

From the outside looking in, Otter Products was in an enviable position.

The maker of protective cases for smartphones and other mobile devices experienced astronomical growth. During one three-year period, sales revenue skyrocketed over 3,000 percent.

Imagine the **possibilities**,  
realize the **potential**.

*Oliver Wight*  
**OLIVER WIGHT**



Recognized as the industry leader in innovation, the company is the original developer of protective cases for cell phones and other devices. It is also the market-share leader in its industry and created the top-selling cell phone cases in the U.S.

Otter Products' brands – OtterBox and LifeProof – are respected in the marketplace, and the company is respected for giving back to the community. It supports its “we grow to give” mission with the OtterCares Foundation and employee volunteer days.

Otter Products' accomplishments were respected, especially given the challenging characteristics of the marketplace. The mobile device market is complex with many different mobile device manufacturers. Time-to-market is relatively short; and the design of devices evolves quickly, creating short product life cycles.

From the inside looking out, the picture was not as rosy, however. In fact, there was considerable discomfort.

As respect for the company grew and sales revenues grew accordingly, Otter Products experienced “growing pains.” One of the

struggles: keeping up with customer demand.

For company employees, called Otters in the company parlance, it felt like they lurched from one crisis to another. “It was quite maddening,” a manager confides.

Another symptom of the company's growing pains: Otter Products seemed to be losing its cultural footing. The company's cultural values are strongly held and attract people to work for Otter Products. (See sidebar – Otter Products Core Values.) As the company grew at a breakneck pace, the values became difficult to live.

“IBP has benefited in areas that were historically treated as afterthoughts and were brought into the planning process 'at the last minute.' On a recent product launch, our marketing and creative teams, thanks to the extended planning horizon of IBP, had been working on their plans for six months prior to launch. This resulted in campaign strategies and content that the teams were proud of and were aligned with our strategic marketing objectives. Having a seat at the table and access to cross-functional plans, the marketing team was able to stay in front of changes that would have otherwise derailed effort, created waste, or even delayed the project.”

*Jonson Chatterly*  
*IBP Lead*

**Otter Products Core Values**

- Forget intangible, feel-good affirmations***  
Our culture is all about core values
- Golden Rule***  
Treat others the way you want to be treated
- Passion***  
A burning desire to win
- Innovation***  
Have the courage to find new ways to solve life's problems
- Integrity***  
Do the right thing, the right way, even when no one is watching
- Giving Back***  
To whom much is given, much is expected.  
We grow to give.



Every day, people were stressed to serve customers. There were not enough resources, coordination, and time to serve customers well. People served multiple roles that often did not reflect their job titles. For example, demand planners planned supply and project managers planned demand. And the priorities kept changing.

People knew they were no longer living at least one of the core values: Integrity – Do the right thing, the right way, even when no one is watching. It bothered them that they struggled to consistently deliver product on the dates promised, and it bothered the company’s Board of Directors, too.

The impact of the significant growth that Otter Products experienced is not unusual in business. It frequently calls for a reassessment. That’s just what the company’s Board of Directors did.

The leadership team was reorganized. The leadership team began looking for ways to regain its cultural footing and better manage the business. One of those ways was the implementation of Integrated Business Planning (IBP).

Integrated Business Planning is widely used in industry as a process for executive leadership to manage a business. (See sidebar – What Is IBP?)

A version of IBP, known as Sales and Operations Planning, had been used at the lower levels of the organization to a limited degree of success. The process had not been fully embraced by the organization, starting with support from the leadership team.

The company struggled for 18 months without leadership buy-in to implement theories and concepts



Figure 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 replanning 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.

from a book on IBP written by two Oliver Wight principals. Then, a small group of Otters led the effort to introduce the IBP concept to the new leadership team. The leadership team decided to implement the process, and Jonson Chatterley became the IBP Lead for the implementation.

The leadership team envisioned using IBP to manage the business in a way that supports the company's values. To achieve this aim required that Otter Products implement the IBP process based on best practice principles.

Otter Products hired Oliver Wight Americas' Michael Effron and Ben Sellers as guides on the best way to implement – and sustain – the process.

Within a year of implementing the process, Otter Products is already seeing results – financially, operationally, and culturally – even as the mobile marketplace has matured. Following are key practices that have helped Otter Products to realize business and cultural benefits from the IBP process.

### **A Demand Plan Is Different Than a Supply Plan**

One of the first changes made in implementing IBP was agreeing to plan demand separately from supply. Before IBP, Eric Ziola had the job title of forecast analyst. Now he realizes, the numbers he populated in a “giant” spreadsheet were really supply numbers.

“We were really supply planning to tell the organization how much inventory would be on hand,” Ziola recalls.

Those numbers were hotly debated and frequently misaligned. Conversations between the sales and supply organizations were confusing.

The Oliver Wight guides find this confusion commonplace in industry. They helped the Otters to better understand the different perspectives and more clearly define the different roles: The sales

organization talks in terms of what customers are expected to buy. The supply organization talks in terms of what product the company can ship.

The supply organization's numbers were frequently less than the numbers provided by the sales team. Those supply numbers reflected the volume the supply organization thought could be shipped. It was not unusual for the sales organization to respond by inflating its numbers in an attempt to drive inventory to a higher level. The sales team wanted to make sure product was on hand to serve customers.

The numbers shifted back and forth in the spreadsheet to reflect these discussions, which left everyone, including the finance organization, somewhat confused. At one point, the company was operating five separate forecasts.

Today, there is one demand plan and one supply plan. The financial projections are derived from both plans.

Today, the difference between a demand plan and a supply plan is well defined. “We now have a clear definition of roles and where they connect. This has freed us to perform demand planning, supply planning, master scheduling, and track meaningful KPIs that are important to each business function,” Ziola says.

The numbers may not always agree identically, but the challenges ahead are clear, and executive-level decisions are more informed, according to Ziola. When demand and supply cannot be aligned, the issues are addressed for decision making in the Integrated Reconciliation and Management Business Review steps of the IBP process. (See Figure 1.)

Kyle Pettine, the COO, observes: “The beauty of IBP is it gave us a structured way to talk about those types of challenges. We are able to say, in an unemotional way, ‘Sales, sell what you say you are going to sell, and Operations, bring in the product you said you would bring in.’”

## Summary of Key Best Practices for IBP

- A demand plan is different than a supply plan.
- Assumptions, not numbers, drive the IBP plan.
- Aggregate planning is a necessary skill.
- Planning over a longer horizon allows time to ensure plans can be executed.
- Roughly right is better than being precisely wrong.
- IBP exposes problems; people solve those problems.
- IBP reinforces a company's values and helps a company to live its values.

Ziola, the Global Demand Manager and Demand Review Facilitator, adds: "It's the only way to manage a business without chaos and confusion."

### Assumptions, Not Numbers, Drive the IBP Plans

Before IBP, the sales organization was expected to populate various spreadsheets with numbers. Not anymore.

Otter Products adopted assumption-based planning. The sales and marketing organizations are asked to tell the demand planning organization their assumptions about the business – including what customers are expected to buy and when, market share, and growth. The product management organization also provides assumptions about future product plans. The demand planners use this information to develop projections of volume and timing in the demand plan over a significantly longer horizon than before IBP implementation.

The plans from the supply and product management organizations are based on

assumptions, including resource capacity, supplier performance, and product roadmaps. Risks and opportunities are also captured as part of the assumption-based planning process.

The assumptions are reviewed every month. When assumptions change, they are updated, and the numbers and timing in the plans are changed.

"Planning based on assumptions required a significant amount of change management effort," according to Jim Parke, Chief Executive Officer. "People were not comfortable with assumption-based planning. It required time to help people understand the principles of planning using assumptions. People also needed help in putting the rigor in place to plan using assumptions every month."

It has been worth the effort. "I am able to have adequate and accurate data to plan the business and make decisions," says Tyler Smith, Chief Sales and Marketing Officer.

Smith also works to reinforce the reasons for IBP and the use of assumption-based planning. He explains: “We communicate that IBP is the one tool we are going to use to plan our business – demand, product, and supply. The more accurate sales and marketing people are in providing input, they will be rewarded with having product on time with much less variation than in the past.”

### Aggregate Planning Is a Necessary Skill

“Planning at the aggregate level proved to be another skill that Otter Products needed to develop. The concept of aggregate planning was hard to grasp,” according to Brent Helton, Supply Chain Analyst and Supply Review Facilitator.

“The supply organization was accustomed to planning at a detail level over a short planning horizon. Rolling up SKUs into higher levels of aggregation was a challenge, and the company is not yet satisfied with the definitions of product aggregations.”

The virtues of aggregate planning are now recognized, however. Helton and his team create an aggregate supply plan and use it to define the requirements for key resources.

This analysis has proven worthwhile. The supply organization is now able to more accurately anticipate and address future capacity constraints before they become problems – even in the coming year.

Aggregate planning is a necessary skill for executives, too. The leadership team has learned to look at the big picture and not get down to the individual project level, according to CFO Gerald Chen.

Aggregate planning has forced the executive team to “raise our gaze and look at the business as a whole and more holistically,” says Chen. “The details are available when needed.”

### Planning Over a Longer Horizon Allows Time to Ensure Plans Can Be Executed

Lifting one’s gaze involves seeing further ahead in time. Planning over at least a 24-month rolling planning horizon is an IBP best practice.

Otter Products has not yet developed plans over a 24-month planning horizon but strives to do so. Even with a planning horizon of 15 months rolling, the company has been better able to position its business for the future.



“One of the greatest benefits that IBP brought was the cultural improvement. It took some of the emotion out of discussions associated with the mismatch of plans.”

*Kyle Pettine*  
Chief Operating Officer



“There is greater visibility of our planned revenue versus the budget. We know whether we are expecting to hit the budget or not. With greater visibility down the road, we can plan how we will close the gap.”

*Jim Drobnick,  
Sales Operations Director*

One of the greatest impacts from a longer planning horizon is the integration of product development plans with demand plans and supply plans. Prior to IBP, the demand plan extended only three months, and the product roadmaps communicated to the demand and supply organizations extended six months.

“These plans were not aligned, and that resulted in a lot of unorganized guesswork,” Helton recalls.

Planning further out in the future, especially for product development, is a challenge in the smartphone industry. Life cycles are short, and information is closely guarded.

As a result, Otter Products may receive the specifications for new smartphones only a few months prior to their being introduced to the marketplace or not at all. Given this characteristic of the industry, it was natural for people at Otter Products to doubt whether planning beyond six months in advance was feasible.

The flip side of that coin, however, is called opportunity. Product delays translated into missed sales, which caused frustration throughout the organization.

The product development organization was challenged to communicate product roadmaps over a 15-month planning horizon. It turned out that some information was already available to help plan over that longer time period.

As part of strategic planning, revenue ramps are developed looking forward three years. These ramps projected revenue and market share. In developing the revenue ramps, financial business cases were developed for new product lines.

The revenue ramps and business cases became a good starting point in developing product plans for IBP. Seeing the product roadmaps for the future 15 months has given Otter Products a leg up on preparing for the future.



Assumption-based product roadmap plans are used as critical input into the demand plan. The demand plan is then used as input by the supply organization to develop a supply plan and capacity models. Any misalignment between these plans is made visible to leadership via the Integrated Reconciliation process.

"For the first time, tooling requirements in support of next year's product launches are being considered in the IBP process," Helton says. The capacity models are also used to structure conversations with key suppliers. The focus of these conversations: How to ensure suppliers have "burst" capacity available to support next year's product launches.

Through this type of modeling over the longer planning horizon, the leadership team has a better understanding of what will drive future business. Tooling and capacity scenarios trigger discussions at the Management Business Review about total expenditure required to support demand -- and the impact on customer service and revenue delivered late when capacity is lacking.

"Before IBP, we rarely looked at resource constraints to analyze what we can do versus what we cannot do," Chen states.

Chen observes that IBP has forced the leadership team to predict what will happen in the future. In doing so, it has forced cross-functional conversations that rarely occurred before.

"Some of those conversations can be uncomfortable," Chen says. "It is not unusual for the conversations to center around investment – unless we invest X amount of money, we cannot meet demand."

"That causes us to look at the best financial business cases for new products. One of the biggest changes with IBP is that we now look forward and determine what we can control," Chen says.

### **Being Roughly Right Is Better Than Being Precisely Wrong**

To gain control – and stay in control – requires a roughly right approach to IBP. A roughly right philosophy for IBP unleashes the power of aggregate planning over a multi-year planning horizon.

Here's an example: The product development team was willing to communicate their roadmaps once they were assured that precision in the details was not expected 15 months into the future.

"With each monthly cycle of IBP, the organization, as a whole, is getting better at planning in the aggregate and then refining the detail as a consequence of time," according to Todd Miklos, Global Product Director and Product Management Review Facilitator. "The organization is learning to work out in the fog and then see the detail closer in."

Miklos explains there are three keys to success in moving to roughly right planning: 1) Making assumptions about the future, 2) Having the discipline to evolve plans over time, and 3) Having faith in the process and system.

The leadership team is beginning to see the benefits of roughly right planning. Company leaders now have a good view of what the business will look like in the upcoming years. They see how the company's business entities can evolve over time. And they know actions that need to be taken today to ensure the expected

performance 12 and 24 months from now, according to Miklos.

### **IBP Exposes Problems – People Solve Those Problems**

Everyone agrees that the company's IBP process is not perfect and is getting better over time. Even with an imperfect process, there is also agreement that decision making has improved.

Integrated Business Planning has exposed problems, and the leadership team has created the expectation that the problems will be addressed at the appropriate level in the company.

Sales Operations Director Jim Drobnick tells how making a decision used to involve going through layers of management. With IBP, the decision-making process is streamlined.

The process also involves cross-functional teams in making recommendations to the executive team. Involving people in design, tooling, sourcing, sales, marketing, and supply when needed, helps to uncover more robust solutions than in the past.

"We are able to make decisions that are less of a financial burden to the business," Drobnick says.

Examples of those decisions include determining approaches that negate the need to expedite customer shipments or shipments from suppliers; all of which help the company be more profitable.

Not all decisions are elevated to the Management Business Review. Tyler Smith makes a concerted effort to pinpoint decisions that are going to have material impacts on the business. Those are the decisions addressed in the Management Business Review.

"We are really trying to focus on the top issues that make a difference," Smith says.

The company's CEO appreciates the structure for decision making that IBP provides. "IBP helps our leadership team make sure that when people bring us problems, there is an organized forum and level of rigor for recommending solutions," Jim Parke says.

### **Integrated Business Planning Helps People Live the Company Values**

Otter Products has used IBP as its management process for just over one year. Already, its impact on the company's culture has been deeply felt.

The company is strengthening its cultural footing. Leaders early on recognized how IBP, with strong leadership and clear definition of roles within the company, went hand in hand with Otter Product's core values. Today, the leaders cite examples of how the company values are being "lived."

Strategy Operations Director Stacey Pearson calls the impact of IBP on the company values "monumental, a huge thing." She tells how the company is now starting to do what they say they are going to do. This has been accomplished by utilizing IBP to align operationally with the company values.

Chen sees the executive team and IBP teams holding themselves accountable for decisions made and what they promised to do, reinforcing the value of integrity. Chen also sees the Golden Rule at work as people increasingly work cross-functionally with one another. People are sensitive to treating each other the way they want to be treated.

COO Kyle Pettine explains his perspective on values, culture, and IBP. "This management team is here in part because our owner and founder absolutely

believes that performance follows culture,” he says.

Pettine gives several examples of integrity as a value:

“If people are at each other’s throats, you cannot show integrity.

“If I have integrity, I will not ask employees to do 60 hours of work in a 40-hour week. We have to make choices. We cannot have it all.

“IBP forces managers to look at how resources stack up. IBP gives us a way to model integrity throughout the process.”

## Resources

These books and papers are useful for learning more about Integrated Business Planning:

*The Transition from Sales and Operations Planning to Integrated Business Planning*, by George Palmatier with Colleen Crum

*Enterprise Sales and Operations Planning: Synchronizing Demand, Supply and Resources for Peak Performance*, by George Palmatier with Colleen Crum

*Demand Management Best Practices: Process, Principles and Collaboration*, by Colleen Crum with George Palmatier

*Roughly Right or Precisely Wrong? Insights on Decision Making*, by Greg Spira and James Matthews

*Aggregate Planning: How to Overcome the Mindset and Perils of Detail Dysfunction*, by Robert Hirschey

*Confident Decision Making Through Scenario Planning*, by Timm Reiher

For more information, see the Resources section on the web site – [www.oliverwight-americas.com](http://www.oliverwight-americas.com)



## 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 nearly 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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