

Complexities of executing on plans in a global supply chain

Aligning decisions across a company is no easy task. Ensuring that all functions and people are pulling in the same direction is crucial to gain competitive advantage. A small misalignment can trigger an avalanche of problems that puts a company at risk.

In our master thesis we have studied how the business unit GPHE at Alfa Laval balances the number of products they can sell with how many they can produce. This process is called Sales and Operations Planning, and it includes that various functions in the company come together to unite on a single plan for how this should be done. For GPHE to improve on this process they should drive product modularization, incentivize people to work towards a common goal, and invest in a knowledge development initiative. We have titled the research *“Supply Chain Management: Increasing Performance and Coordination in a Sales & Operations Planning Context”*.

GPHE are experiencing two problems. Despite them running a well-functioning process, GPHE find themselves with an excessive amount of inventory and people making contradictory decisions to the agreed upon plan. In this thesis we analyze the cause of these problems and what can be done to address them.

Aligning people on objectives is crucial to achieve results in any circumstance. In a supply chain context, the dependency between jobs and individual goals of people creates tensions which leads to problems. In a manufacturing company for instance: a sales manager would like fully stocked shelves to boost sales. Meanwhile a factory manager would like to have no excess products to save cost. This scenario is not only an example of why supply chain problems exist, but it highlights the

importance aligning people. Should they try to sell more products or save money?

In the case of GPHE, similar problems exist which create dilemmas when the business unit tries to unite on one plan to pull in one direction. Making people understand the impact of their decisions is important to eliminate counteractive behavior which has costly consequences.

This study concludes that GPHE exhibit many Sales and Operations Planning aspects that would suggest a best practice process. On top of this, the general strategic objectives are understood and supported through resources. Yet, problems remain.

Much of the improvement suggestions for this specific case evolves around knowledge and motivation. How to incentivize collaboration and make people understand the impact of their actions. However, the recommendation to GPHE also suggests that it is not only the people. By designing products to be more modular, benefits can be gained that enable GPHE to better plan their supply.

This case study is of use for GPHE as it has studied their unique setting and provided recommendations to address experienced issues. The analysis and conclusion can be used in both academics and business cases. The problems could possibly be experienced on a more general level. This thesis then provides a case for how supply chain management can be used to improve business performance.

Authored by:
Theodor Jener
Jacob Knutsson

Dept. of Mechanical Engineering Sciences
Division of Engineering Logistics
Lund University, Faculty of Engineering