



OLIVER WIGHT CASE STUDY SERIES

Improved SAP Functionality and Effective Demand Management Enables Aviation Fluids Manufacturer to Surmount September 11 Disaster

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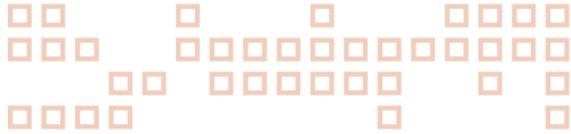
Kurt Martin
MRPII Project Leader and Demand Manager - Solutia

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together we make a difference



Solutia Inc

Solutia Benefits from Having Integrated Planning and Scheduling in Place

The Aviation Fluids division of St. Louis-based Solutia is the leading supplier of fire-resistant aviation hydraulic fluids to the world. With operations in 13 countries, the company achieved this dominant position through excellent product quality and an equally high level of customer service. The manufacturer's primary customers include commercial airlines, general aviation, and airplane manufacturers such as Boeing and Airbus, all of whom use Solutia's market-leading products such as Skydrol® aviation hydraulic fluids and SkyKleen® aviation cleaning solvents.

The Challenge

The September 11 tragedy at the World Trade Center and the Pentagon rocked the entire nation and its economy. The airline industry, including all of the market's suppliers, was certainly one of the most profoundly affected sectors of the economy. As a leading supplier to the airlines Solutia was no exception.

"All the assumptions I had about what the market was going to do were gone," said Kurt Martin, the MRPII Project Leader and Demand Manager at Solutia. "Now we needed to think about what this is going to do to our business. There wasn't much we could do to change what was going to happen but we needed to analyze what the impact would be and develop the plan to make sure our business stayed successful."

At a time when, at first, all air travel was halted and, later, severely curtailed, it was clear that the Aviation Fluids division of Solutia was going to face its toughest test.

The Solution

Fortunately for Solutia, well prior to September 11, 2001 the company had, as part of an effort to obtain Class A Certification with the consulting organization Oliver Wight, put in place a sophisticated demand management system tied into a prior SAP implementation. The resulting improved planning process, among other things, enabled the business, heavily dependent upon the airline industry, to adjust its operations to the post-September 11 business climate.

Before undertaking that ERP implementation, Solutia's Aviation Fluids business did not use a formal demand management process. The group's supply manager forecasted sales with very little input from the sales force. In addition, the Sales and Operations Planning (S&OP) meetings were seen as primarily a data review for production planning.

What contributed to Solutia's ability to withstand this blow to its Aviation Fluids business? First of all, working in partnership with consultants from



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Oliver Wight, the company began to fully utilize its SAP implementation. Doing so enabled the company to establish a truly integrated planning and scheduling process.

“Oliver Wight helped us refine our understanding of the concept of integrated planning and scheduling,” said Bob Howard, Director of Supply Chain Optimization at Solutia. “Once we understood and deployed the business strategy, we could use the S&OP process to generate operation plans and measure our performance.”

That meant that company managers were now able to refine their forecasting over any time horizon and communicate that to the IT department, which would configure the SAP program appropriately. It also meant that the group could now integrate financial analysis into the S&OP process, thereby more fully understanding the financial implications of the business decisions they made.

Now the Aviation Fluids Business can take its S&OP plan and clearly see how it supports the group's financial plan and move it directly into master scheduling. The result was an effective demand management program that enabled the team to understand the impact of the 9/11 events and develop an appropriate plan to move forward.

The Results

The overall business results that the Aviation Fluids Business of Solutia obtained as a result of both achieving Class A certification and optimizing its SAP functions have been impressive.

The company has increased on-time delivery against first promise from 82 percent to nearly 100 percent. At the same time Solutia cut overtime by more than half and reduced worldwide finished goods inventory - also by more than half.

“As a result of the integration, everyone from the people developing the strategy to the people ordering the raw materials now better understand how their roles impact the entire business,” said Martin. “The production schedule supports the production plan at the business level, which supports the demand plan and that determines the strategy for the business.”

And that strategy made it possible for the Aviation Fluids division of Solutia to not only survive the jolt it received after the September 11 tragedy but also to function smoothly and prosper.



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