Strategy Implementation of Supply & Demand Planning System for Sinarmas Consumer Product Division (SCP) as Pilot Project for Digital Business Transformation of Supply Chain Management System in Sinar Mas Group (SMG)

Executive Summary

This report is divided into nine sections. These are (1) purpose of the project, (2) people (key stakeholders) involved, and (3) process leading to its successful implementation.This is classified as stakeholder value management of a project.

Project management context is next. This embraces (4) project canvas of the project incorporating (5) support for completion (i.e., money, manpower, machine, material and method), and (6) schedule milestones from start to finish.

Strategy implementation via a project is the final section of the report. The strategy (7) is operational excellence for best cost. It is supported by (8) a projectized structure to track and manage with (9) a balanced scorecard to monitor (people), and control (process) to measure the execution capability of an organisation (SCP) and its project management maturity level in successful strategy implementing.

Figure 1 captures the executive summary of the report.

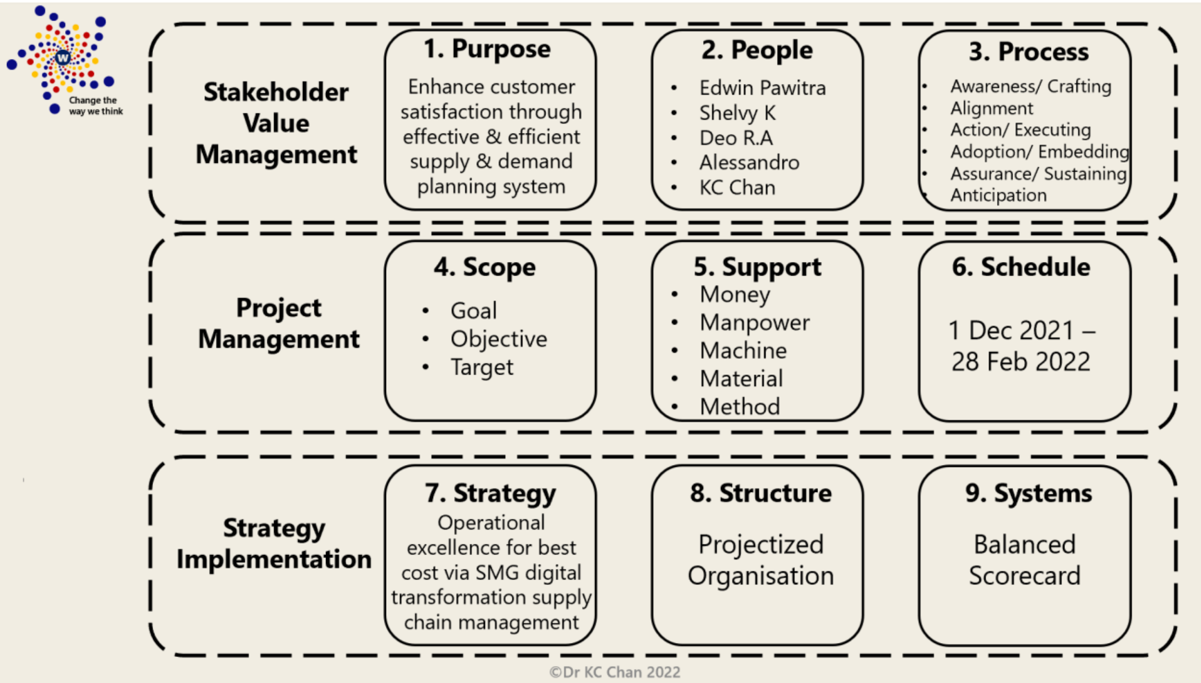

Figure 1.The Strategy Implementation Model for Sinarmas Consumer Product (SCP)

Stakeholder Value Management: Purpose, People & Process

1. **Purpose:** The purpose of the project is to enhance customer satisfaction through an effective and efficient supply and demand planning system, a pilot digital business transformation of a supply chain management system in Sinar Mas Group (SMG), for Sinarmas Consumer Product Division (SCP).

2. **People:** The key stakeholders for the effective and efficient strategy implementation are - Edwin Pawitra (Chief Operating Officer), Shelvy Kurniawan (General Manager for Demand and Supply Planning), Deo Reynaldo Alwi (Manager for Demand Planning), Alessandro (Manager for Systems Development) and KC Chan (Trusted Advisor and Strategy Implementation Professional). To implement the strategy it is essential to convert it into a tactically viable project by appointing the right people (internal stakeholders). These are internal stakeholders who are committed to the 5QPs of SMG strategy for attaining SCP business values of enhancing customer satisfaction through an effective and efficient supply and demand planning system. See Figure 2.

Figure 2. 5QPs of SMG Strategy Convert to SCP Business Value

3. **Process:** The 6As process of engender awareness, ensure alignment, enable action, encourage adoption, enforce assurance, and empower anticipation of risk, is endorsed by SMG management for overcoming resistance to change in SCP during the strategy implementation via a project, viz:
   - **Awareness/ Crafting**: to engender awareness during the kick-off meeting by communicating clearly on the need for digital business transformation of the SMG supply chain management system – to enhance customer

satisfaction through an effective and efficient supply and demand planning system for customer retention, market & product development, and penetration for increasing sales revenue & growth. This will improve Sinarmas Consumer Product Division (SCP) sustainable competitive advantage. See Figure 3.

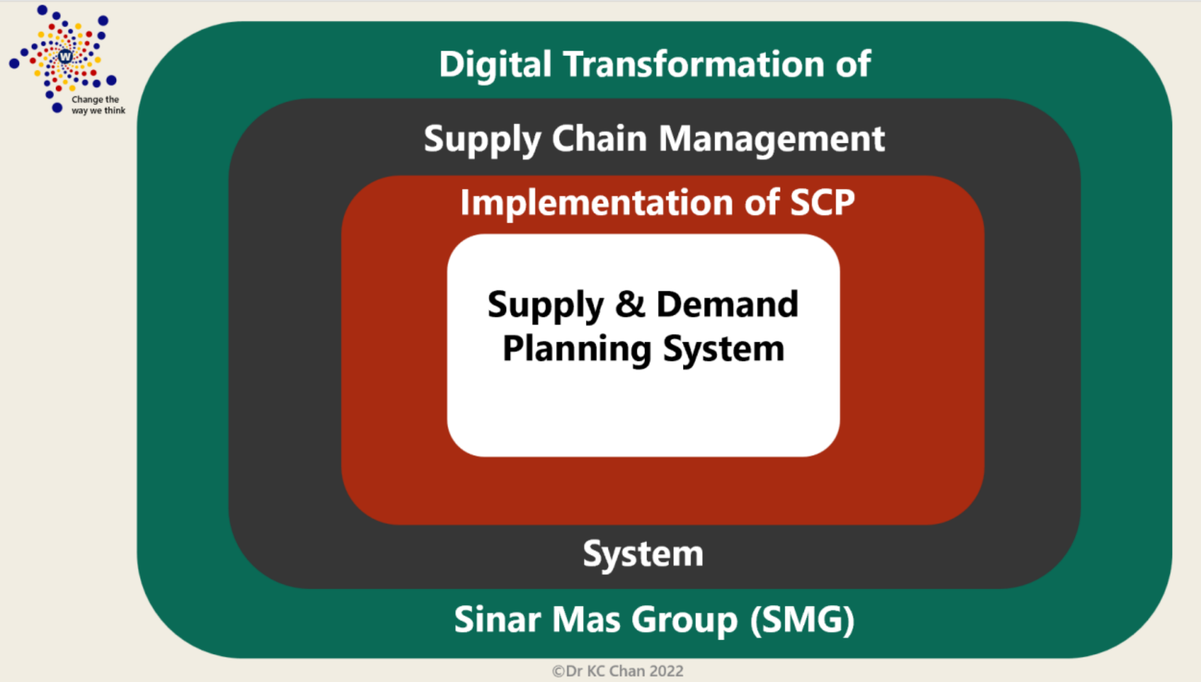

Figure 3. Digital Transformation in Sinarmas Consumer Product of Sinar Mas Group

- **Alignment**: to ensure alignment it is essential to use facilitation workshop, whenever the need arises, to bring all the operational stakeholders together to determine who are the process owners. Every stakeholder is accountable for their process ownership for the successful implementation of the project. The criterion is – any process that has more than one owner, equals no ownership. The goal, objective, and target (GOT) must be clearly defined by answering the five Whys'. See Figures 4a and 4b.

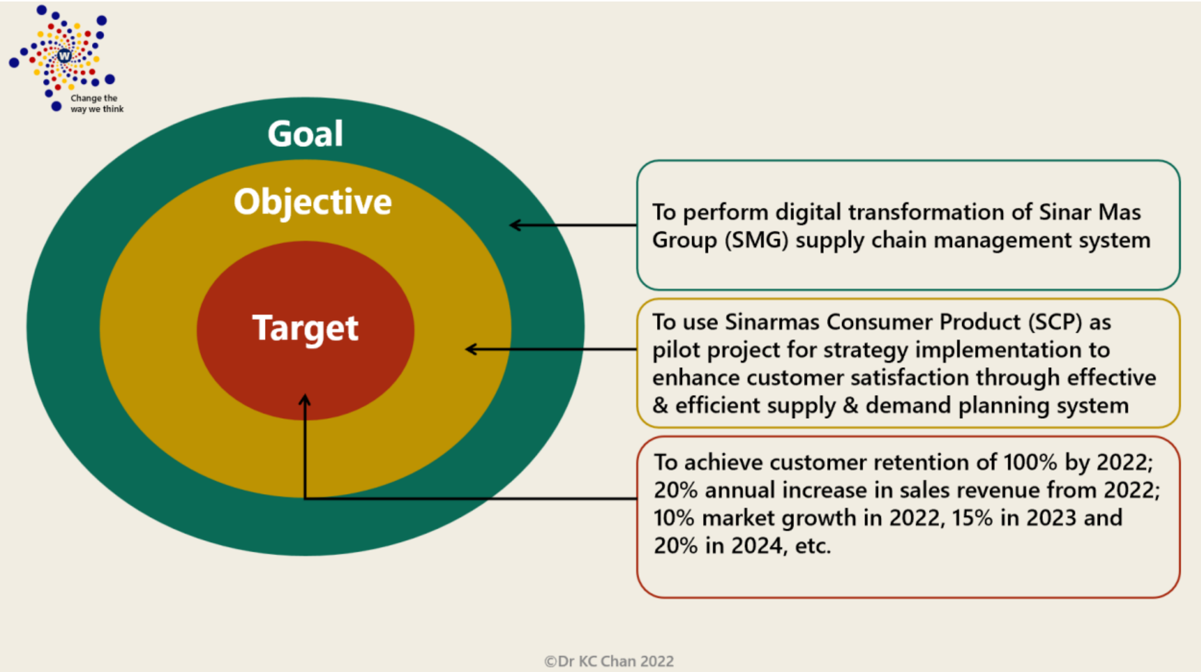

Figure 4a. The GOT Diagram for Sinarmas Consumer Product (SCP) Project

Figure 4b. The 5 Whys of Alignment for Strategy Implementation

- **Action/ Executing**: to enable action it is essential to strategize, implement, and operate using a proven paradigm. See Figure 5. It consists of seven domains and each domain must be clearly explained, understood, and deployed by the stakeholders of this project – both internally and externally.

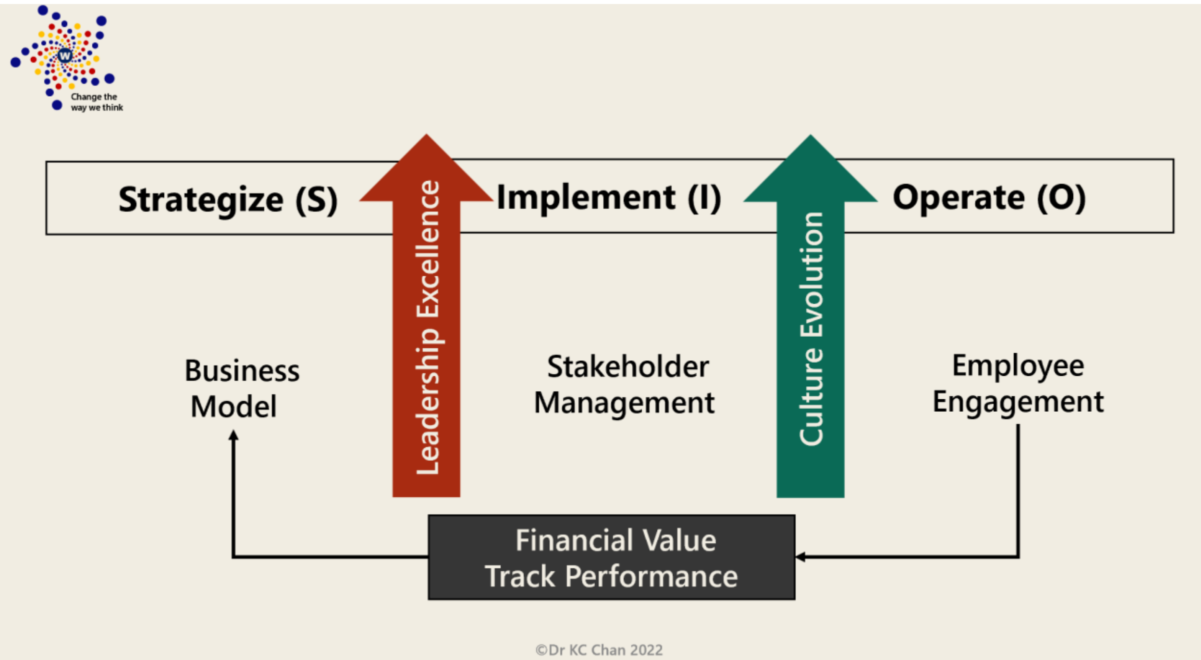

Figure 5. Strategize-Implement-Operate (S-I-O) Paradigm for SCP

i. Business model for the project is prepared by the COO and approved by the CEO of SCP in consultation with the SMG-CEO & Chairman.

ii. The financial value and track performance are accepted by all the key stakeholders who are accountable and responsible for achieving the key performance indicators (KPIs) as individuals, teams or departments as appropriate. Those who are underperforming will be coached and mentored instead of reprimanded and punished.

iii. Employee engagement is assured based on SMG strategy, a fair and transparent rewarding/ incentive system, e.g.,every quarter there is a competition between different teams on the successful completion of their deliverables and sharing their lessons learnt through a formal presentation. The best team will eventually compete in the "Annual Managers Conference of SMG" known as "Management By Olympic System (MBOS)". The top price is USD 100,000 after auditing the business value add/ real savings. The MBOS started in 2000.

iv. Stakeholder management must be monitored (people) and controlled (process) throughout the strategy implementation project life cycle.

v. The two pillars/columns of SCP - leadership excellence and culture evolution depend on project management maturity capability. They are interdependent. SMG established a project management office in 2001.The COO was trained and became fully competent by 2006. In 2020 he initiated an "Office of Strategy Innovation Management (OSIM)" for SCP, based on the advice of KC Chan, focusing on the implementation of the digital business transformation of its supply and demand planning system. OSIM will be relinquished once the project is complete.

vi. Figure 6 depicts the essence of an unified process-driven and stakeholder-driven approach. Communication is imperative to connect, and for strategy implementation via the project.

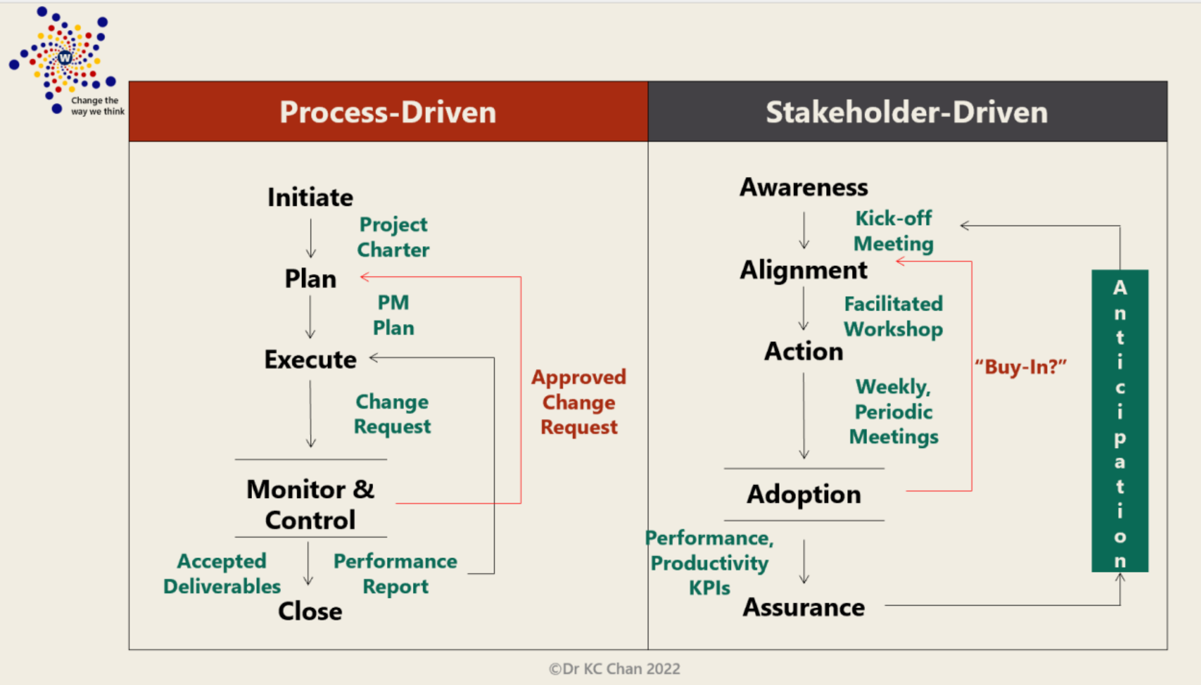

Figure 6. Imperative of Communicate to Connect Throughout the Project Life Cycle

<u>Project Management: Scope , Support & Schedule</u>

4. **Project Canvas for Clarity in Planning**

The project canvas (Nieto-Rodriguez 2021, 2019) is applied to SCP viz:

- **Foundation**: as part of corporate digital business transformation in SMG, the supply chain management system is the first project to be implemented. SCP is used as a pilot project to implement the operational excellence strategy to achieve best cost as an outcome of effective and efficient supply & demand planning system to enhance customer satisfaction.

- **People**: the **sponsor** is the CEO of Sinarmas Consumer Product. The core team responsible and accountable for the strategy implementation are Edwin Pawitra (Chief Operating Officer), Shelvy Kurniawan (General Manager for Demand and Supply Planning), Deo Reynaldo Alwi (Manager for Demand Planning), Alessandro (Manager for Systems Development) and KC Chan (Trusted Advisor and Strategy Implementation Professional). The **external stakeholders** who will benefit from the successful completion of the project are its customers, suppliers, contractors, and vendors. The **internal stakeholders** are its employees (enjoying better renumeration), management (**optimisation & utilisation of assets/resources** for cost, speed, reliability, flexibility, and delivery promise with competitive advantage). People must have discipline in executing. They must be trained and developed for their ability to execute, and be equipped with the tools for speed of execution. In today's digital transformation era, the tool is classified as planet, i.e., the internet-of-things. SMG has had a well-established

Project Management Office (PMO) since 2001 and has now had 20 years of experience. It has attained **level 3 project management maturity competency** – organisational standards & institutionalised processes. SMG established an "Enterprise School of Project Management" in 2001. Project management is one of the core competencies for all managers, and one of the common languages for non-routine work. Every employee has to be trained to meet the company's competency standard before managing different types and complexities of projects. The criteria are set by the Head of PMO who reports to a Vice-President (below C-suite). This is not ideal (till 2006, it was managed by a C-suite corporate director reporting directly to the Group CEO & Chairman). That is one of the main reasons why the project management maturity capability has stayed at level 3 for the past 20 years.

- **Creation**: the deliverables for the supply & demand planning system of the digital business transformation strategy are (see figure 8):

  i. Automatic updating of master data for supply and demand planning.
  ii. Advance forecast-trend analysis for more precise & accurate data to synchronise with customer demand for just-in-time inventories.
  iii. Implementing a digital supply and demand planning system using AI and cloud technology systems that enable continuous improvements that adapt dynamically to changing requirements or resource constraints.
  iv. Implementing the digital transformation model for setting targets in warehousing, transportation and stock automatically. This fosters better practice in agile lean management.
  v. Enforce digitalisation of order management from order intake and order confirmation through to just-in-time delivery to customer.

The 5Ws and 2Hs for the SCP project are shown in Figure 7.

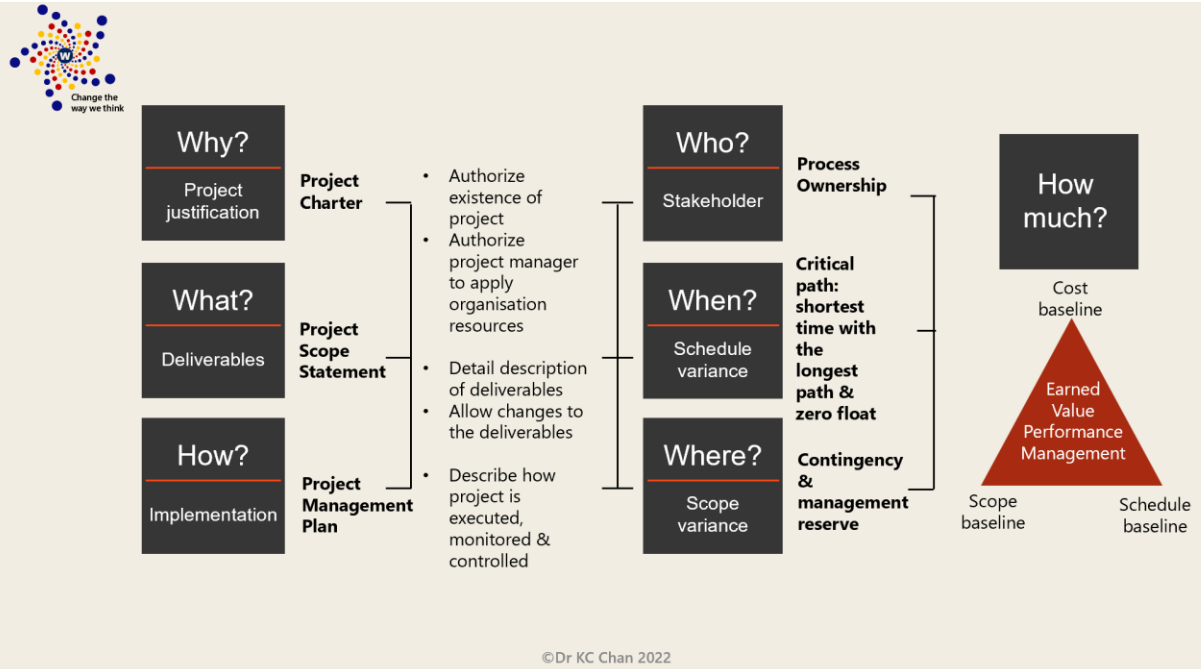

Figure 7. The 5Ws & 2Hs of SCP Digital Business Transformation Project

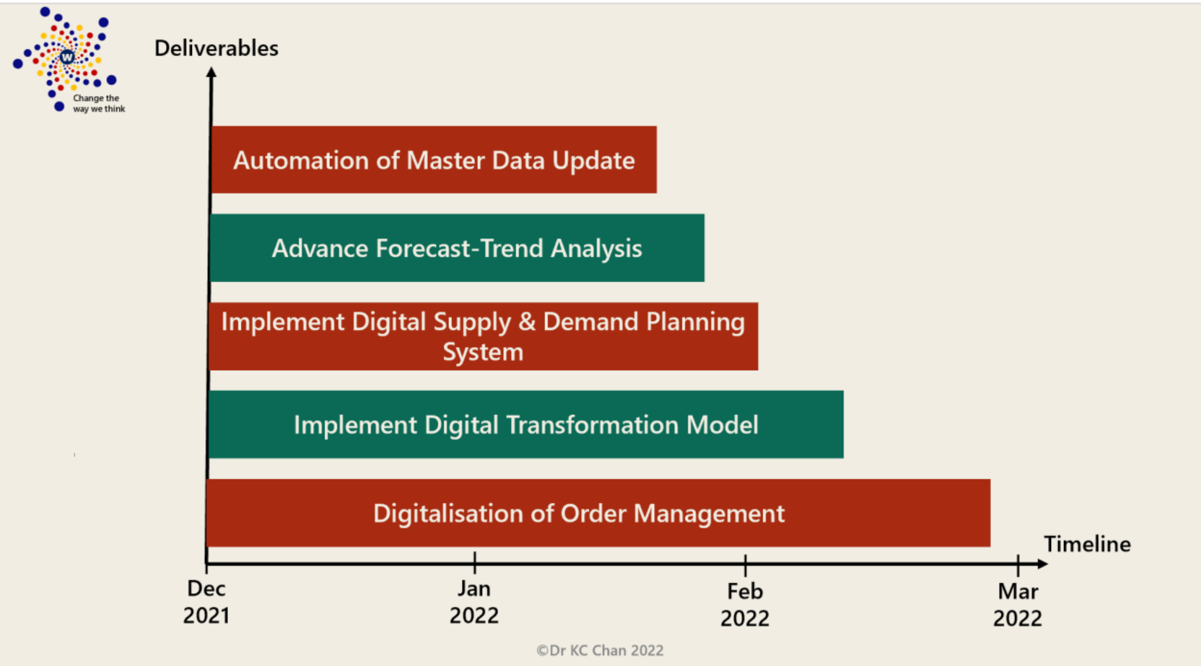

Figure 8 above is the Milestone Deliverable Schedule for SCP Digital Business Transformation Project Monitored & Controlled on a 30-Days Periodic Cycle

5. **Investment**: using bottom-up estimation, initial indirect project cost/ overheads are estimated to be USD 510,000. Direct cost of the digital transformation SCP pilot project varies from USD 1.2m to USD 1.35m based on three quotations from established vendors. The acceptance criteria for the benefits/costs of development are a ratio of 5. The internal rate of return is a minimum of 35%.

6. **Where**: are the pain points of a complex and adaptive organisation like SMG and its impact on SCP? The essence of successful implementation of a project is inculcating an agile mindset and entrepreneurial spirit to stay lean and proficient by bitesize deliverables/ work packages. The business agility concept of minimum business increment to overcome the fear of failure, resulting in poor performance indicators that affect career prospects, must be removed. This is made possible with the Olympic Spirit which was implanted in 2000 as a "way of working", driven by stamina power to stay resilient through continuous improvements. This is "Management by Olympic System". It is different from the original concept of "Management by Objectives" advocated by Drucker (2006).

Figure 9 is the change management process for smooth and swift transition of the SCP digital business transformation project.

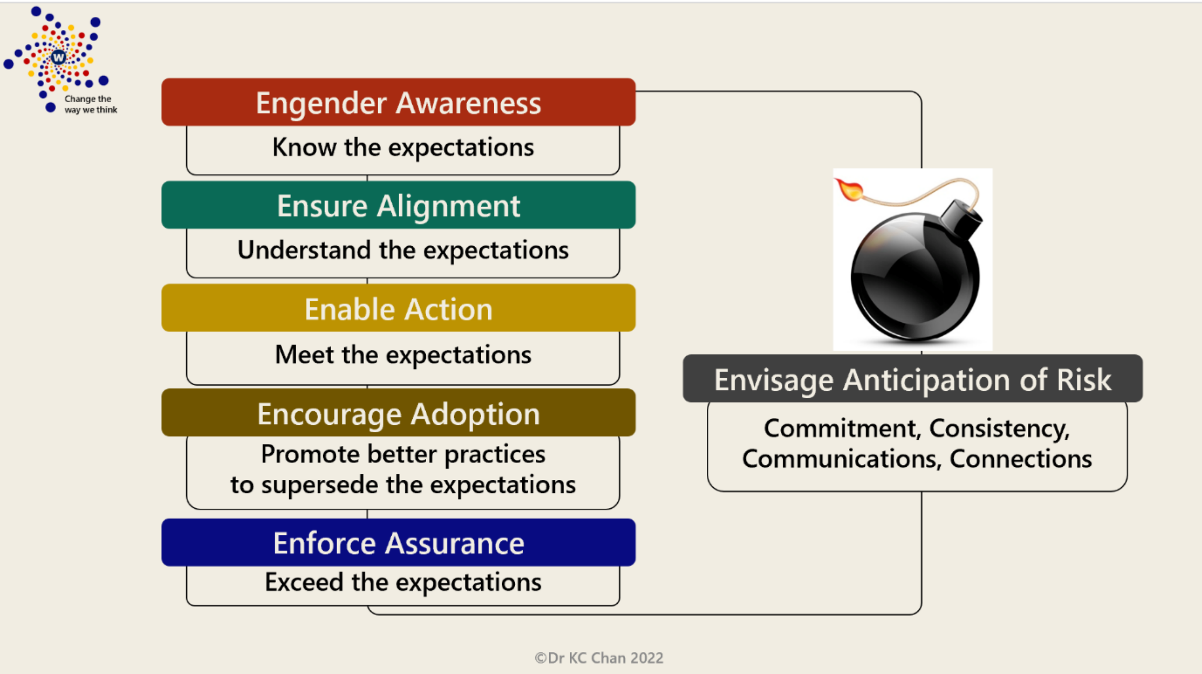

Figure 9. Envisage Risk Using the 6As Transition Process by Embracing the 4Cs.

Strategy implementation is considered successful when all five key performance indicators (KPIs) are met. This is described in Systems (as item No. 9).

<u>Strategy Implementation: Strategy, Structure & System</u>

7. **Strategy:** Operational excellence for best cost via SMG digital transformation supply chain management, using SCP as a pilot project. Table 1 captures the four process groups and seven domains for strategy implementation of Sinarmas Consumer Product (SCP) digital business transformation viz:

Stages	Crafting	Embedding	Executing	Sustaining
Leadership Excellence	This is the awareness stage. People don't resist change; they resist being changed. So it is essential to explain Why five times - the need for change.	The outcome of change is to transition from an "old" to a "new" positive behaviour by inculcating the values of ACE (attitude, commitment & empathy).	Strategy implementation via project with the right team to execute (empowerment), full process ownership, and equip with the right planet/tool (IoT) for speed of execution.	Balanced Scorecard (BSC) is designed to measure successful implementation of strategy via projects for individual, team & organisation performance.
Financial Value	The benefits for SCP digital transformation project has ROI of 3 yrs.	Cost saving after digital transformation attains customer satisfaction of 10% increased in sales revenue	The roll-out starts from Mar' 22, for 3 years before reaching its peak target USD $20million.	Aim for highest business value & lowest risk development. Adapt to latest product needs.
Business Model	Business model deals with four building blocks: action learning, implementation, business, and project canvas for SCM digital transformation	©Project-based accelerated action learning for continuous improvement; learning ≥ rate of change in VUCA business environment	Business model applied systems approach for effective monitoring of people & efficient control of process	Digital transformation SCM roadmap with AI for dealing with VUCA business ecosystem changes.
Stakeholder Management	Alignment is to empathise; apply lateral thinking to get support and reach consensus; to minimise resistance to change until benefits are realised.	Stakeholders are responsible for success or failure of project (+ve is reliable; neutral reactive; -ve is resistance to change); to succeed create win-win for all key stakeholders	Stakeholders have most influence at the start, least at the end; whereas risk, leading to cost of changes, is least at the start and most at the end.	To be sure, utilise the stakeholder matrix to determine the four strategies to engage key stakeholders throughout the project life cycle & stakeholder engagement plan
Culture Evolution	SMG corporate culture is "Management By Olympic System" (MBOS) for breakthrough performance; SCP has to inculcate MBOS	To reach project management maturity level 5 capability, SMG-PMO needs directive role of CEO for a projectized structure.	There are 11 principles of good project management practices given in Annex-1, developed by SCP & empowered core team	The 5QPs of SMG strategy are translated into business values of SCP: cost, speed, reliability, flexibility & dependability

Employee Engagement	Employee buy-in needs diversity and inclusion to attain process ownership and influence by leadership authenticity.	Accomplishment beyond target & going the extra mile – attaining a sense of belonging and ownership for business result.	Individual, team & organisational execution capability needs agile & lean mindset for performance of empowered team.	Values drive behaviours; behaviours drive results. It is vital to convert values into measurable KPIs to track performance
Track Performance	Assurance to be SMART: specific, measurable, assignable, realistic & time bounded with targets aligned to strategic and business goals & objectives.	Business result: revenue growth, profitability & liquidity are performance indicators. Commitment to attain individual & team key performance indicators/ targets are better than being forced which is demotivating – resulting in drop in productivity.	Project targets: on-schedule, on scope & quality, on-cost; critical path, milestones deliverables & earned value management, to monitor, control variance for risk of scope, cost & schedule overrun.	Enterprise balanced score card for people (innovation & growth), lean & agile internal business processes, customer experience & sustainable financial performance reflect on maturity level of strategy implementation capability.

Table 1 Four Process Groups and 7 Domains of SCP Digital Transformation Project

8. **Structure:** the projectized structure, see Figure 10, is recommended for the strategy implementation of SCP digital transformation project called “OSIM”. The empowered team reports directly to the CEO who spends about 60% of his time on vital projects, to ensure that the project is on-scope/quality, on-schedule & on-cost. The advantages of a projectized structure are accepted. However, how much time the CEO is involved in each of the three critical mission projects must be planned using the Pareto’s 80/20 principle. This prioritises 20% of the critical activities which are responsible for 80% of project performance. This must be planned using a facilitated workshop with the team and key stakeholders for accountability.

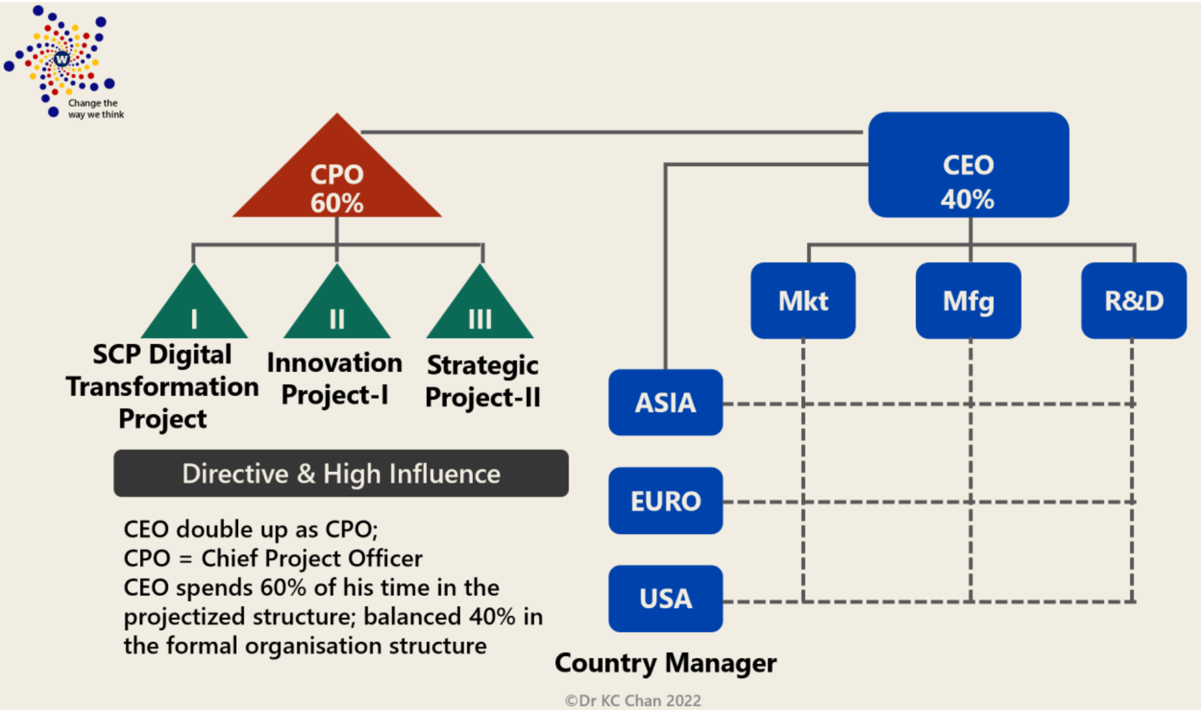

Figure 10 Office of Strategy Innovation Management (OSIM)

Figure 11 reveals the interdependent relationships between strategy, structure and culture which affect project management organisational maturity level in the successful implementation of strategy via prioritized projects. The axiom, "structure follows structure" is valid. This will enrich an organisation's culture by making projects the school for developing and nurturing leadership. The common sense that strategy is only doable if it is implemented by an effective team is also valid. SCP organisational maturity level for strategy implementation capability is a valid measure.

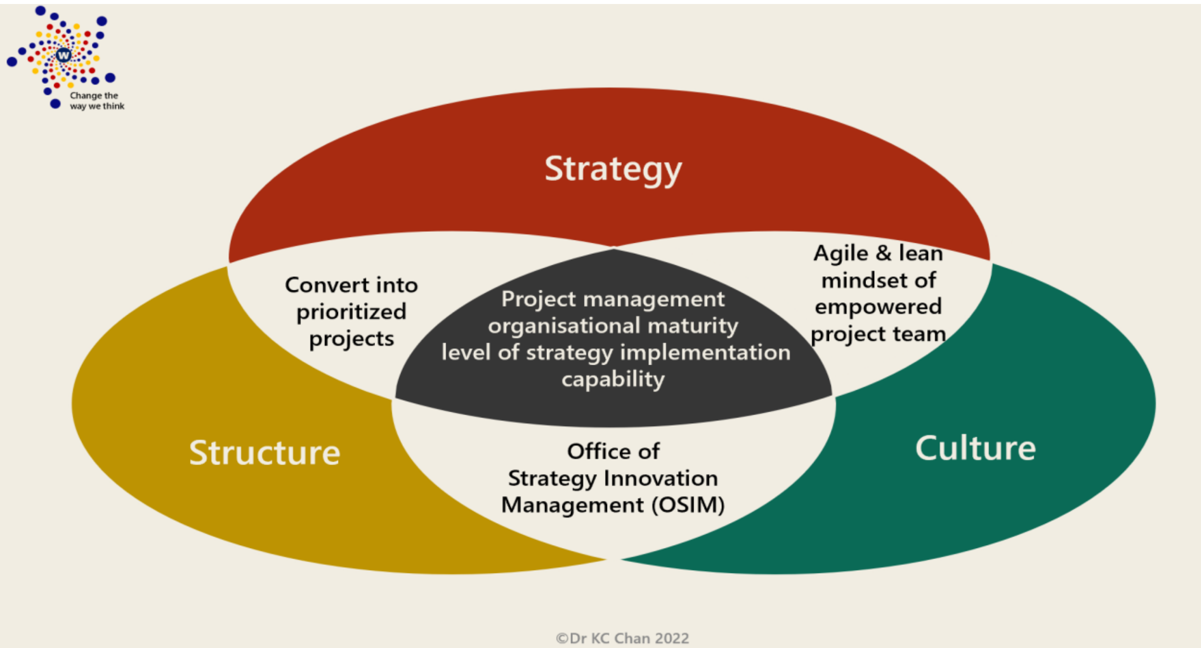

Figure 11 Relationships of Strategy, Structure and Culture Affecting Implementation

9. **System:** the successful execution of SCP operational excellence strategy for best cost (optimisation of cost and quality) cuts across five key performance indicators:

Key Performance Indicators	Chief Operating Officer	Vice-President	General Manager	Head of Department & Managers
Operational Performance	20%	30%	30%	50%
Leadership in Execution Capability	30%	20%	20%	20%
Strategic Planning	25%	20%	15%	10%
Implementation of Innovation Projects	15%	20%	20%	10%
Teamwork	10%	10%	15%	10%

Table 2 Five Key Performance Indicators (KPIs) and its Resource & Time Allocation.

The description of each of the five KPIs are given below:

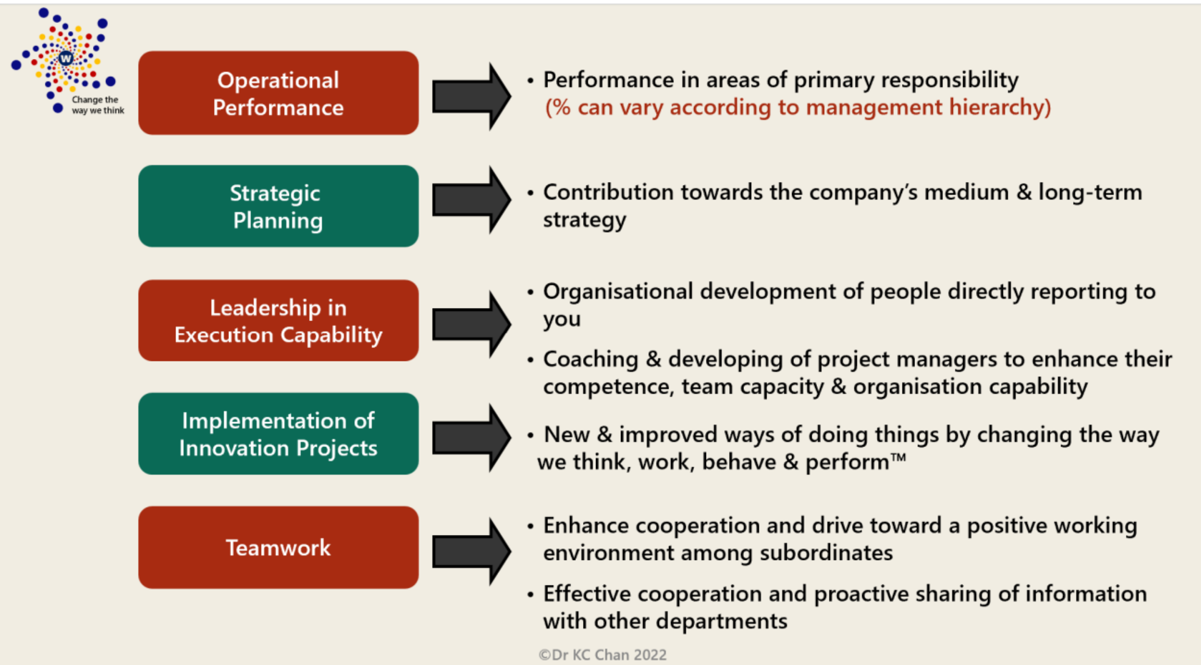

Figure 12 Description of Each of the 5 Key Performance Indicators (KPIs)

Insight of Strategy Implementation for SCP Digital Transformation Project

A Strategy Implementation Professional (SIP) needs to be a whole-brain thinker to serve a wide variety of projects. From the works of SII there are four process groups and seven domains of knowledge. I have consolidated and integrated these using the **6As change management process** supported by the appropriate tools. Figure 13 shows the summary with insights of Sinarmas Consumer Product Division (SCP), for the successful implementation of Operational Excellence Strategy to achieve Best Cost.

i. **Awareness (I know)**: translate organisational values into common business values that are measurable KPIs.
ii. **Alignment (we understand)**: the goal, objective & target must be explicitly explained, the 5 Whys' (reasons) for implementation of the project. To gain consensus, communicate to connect & reduce risk of resistance to change.
iii. **Action (we can)**: the strategize-implement-operate model incorporates a balanced scorecard that measures enhancement of individual competence, team capacity, and organisation execution capability. These are created, designed, and developed together with all key stakeholders whose KPIs will be scored.
iv. **Adoption (we want)**: the framework of strategy implementation comprising four process groups and seven domains for clarity in planning for "buy-in".
v. **Assurance (we excel)**: the balanced scorecard has five KPIs to measure individual, team, and organisation contributions from the key stakeholders involved in the strategy implementation for responsibility and accountability.
vi. **Anticipation (we change)**: it is essential to anticipate risk to project management maturity execution capability. When actual performance of key stakeholders falls short of the expectations of senior management, there is a reverse of motivation and it takes longer to build speed of trust.

Lessons learnt, see Figure 14, are pivoted for enhancing the expert power of individuals, teams and organisations, unifying the ability to integrate, implement, innovate, and improve continuously, which is a measure of its execution capability.

To be sure, strategy implementation for lightweight, medium-weight and heavyweight projects are measured by the number of competent managers, proficient leaders, and agile entrepreneurs/technopreneurs/intrapeneurs an organisation has developed and nurtured. Without a pipeline of human capital, where management, leadership, and entrepreneurship skills are enhanced by managing projects of varying complexity, KPIs are only short-term strategy. Medium & long-term stratgies are measured by development of a pipeline of talented whole-brain human capital - also known as Corporate Olympians (Chan, 2001).

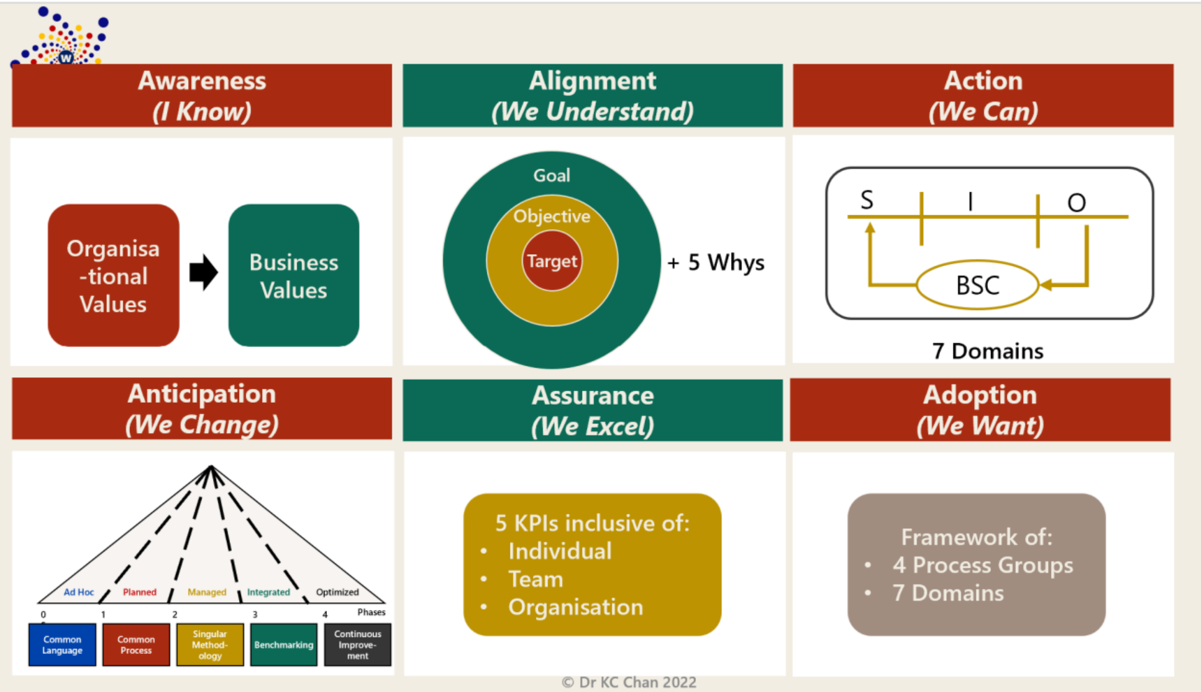

Figure 13 Insights of Successful Strategy Implementation of SCP Project

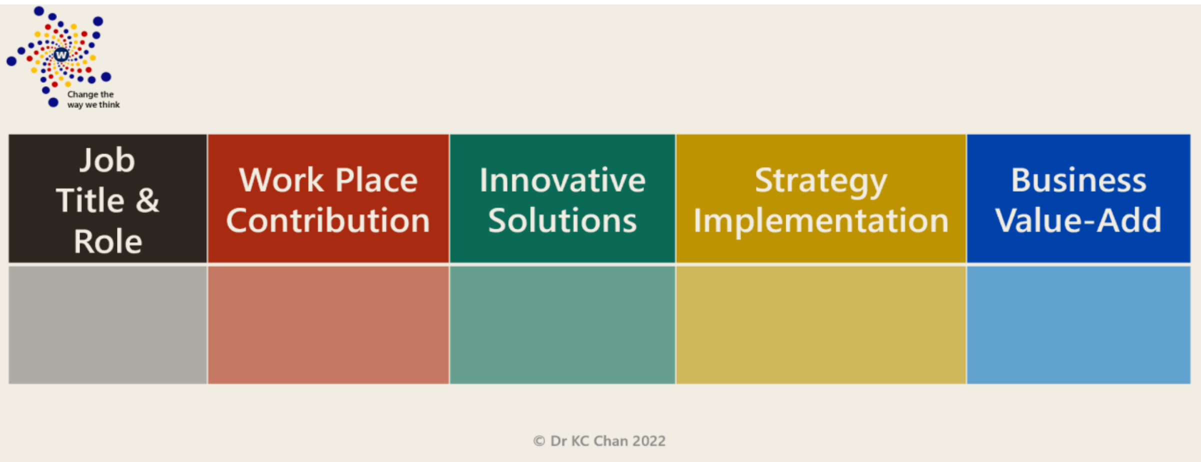

Figure 14 How Much I Contribute in Business Value for Strategy Implementation

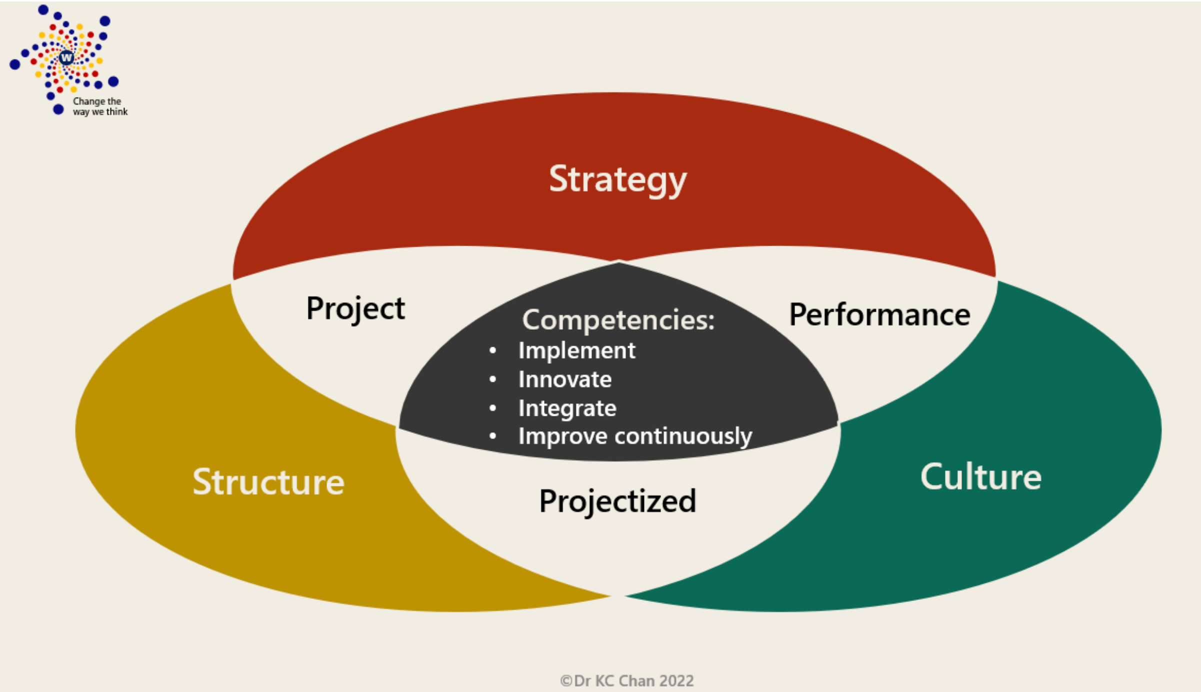

Figure 15 Interrelationships Between Strategy, Structure, Culture on Competence

Conclusion

In conclusion, projects need to be prioritized for order of execution. The projectized organisation structure is most effective and efficient for successful implementation of projects because the CEO doubles up as "Chief Project Officer" – critical resources are available as scheduled. Culture is the "way of working". Achieving a high-performing culture depends on how fast the project management maturity level can be achieved from stage I to stage V. Both hard and soft skills, i.e., competencies, need to progress from one maturity level to the next. This is defined as paradigm shift – to change the way we think, work, behave and perform™. The five levels of competencies are: intrapersonal skills of a capable individual to interpersonal skills of managing a team, managerial skills to managing a department, organisational skills to managing a strategic business unit; and the final level of being a trusted advisor, developing and nurturing a pipeline of future talented managers, leaders, intrapreneurs, entrepenuers, and technopreneurs in the era of digital business transformation in search of the highest business value adding human capital. See Figure 15.

There is little space left for human resources in Industry 4.0 to 5.0, which are replaced by artificial intelligence. Transform from human resource to human capital or perish – "To Be or Not to Be a SIP!".

References

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ANNEX-1

Principles of Good Project Management Practice

1. No sponsor = no project
2. Process owner = 1
3. Good project management = good documentation
4. Do not execute, unless you know what to monitor & control
5. Do not make any corrective or preventive actions, unless you have ascertained the root of the problem.
6. Stakeholder is anyone who can influence the success or failure of a project
7. Clarity in planning is achieved by focusing on the primary objective
8. Whenever in doubt, ask (except corruption)
9. There is no over communcation, only under communication
10. Check-recheck-and-check one more time
11. We are trying to do a precise job with imprecise information; adopt an agile and lean mindset with facilitation workshops for replanning whenever the need arises