Implementation of TM1 by Ballance Agri-Nuturients Ltd

I first came across Ballance many years ago when I was running a benchmarking service for accounting functions. They were already hungry for data comparisons and showing leadership in a number of areas. So it came of no surprise when I recently heard about their planning tool implementation. I consider it one of the best I have come across and a case study for others to replicate.

Background to Ballance

Ballance is a farmer-owned co-operative with 700 employees and more than 18,000 shareholders, who in 2013 were paid $61million in rebates. Ballance is one of New Zealand's 'Top 50' businesses, controlling assets of $568 million and in 2013 company turnover was $878 million (in a drought impacted year).

Ballance has been moving from commodities "processing chemicals" to delivering best results with agri nutrients. This requires greater conversion of data into information and open sharing of information with shareholders. The recently developed Agri-Hub software is an example. The Shareholder has their farm mapped in detail by satellite. The system also captures a range of data, recorded on-farm and from external sources – from pasture covers to effluent irrigation patterns. Thus giving shareholders greater data about their lands performance.

Ballance also has one of the New Zealand's largest SAP software implementations, including SAP applications for business intelligence (BI), supply chain management, finance, and process integration. Ballance instigated online ordering 24/7. Allowing clients to view all prior purchases and then order in farm hours rather than in business hours.

Ballance's Finance Team

The Finance team in Ballance knew they had to move on from their excel forecasting model not only was it unable to deliver the decision based information required it had, like an architect's house, become a monstrosity with many additions over its 15 year life. The excel model had grown to 254 separate workbooks that had to be manually consolidated in a five hour nerve racking consolidation. Staff dreaded the possible appearance of the "ref", "ref", "ref" across their screens.

They needed a tool that could help their dynamic organization focus on the future opportunities and threats.

They also need to migrate away from the annual planning process where budgets were prepared between 3 to 15 months prior to that period starting. Each month the Ballance team was tied in the circle of chasing their tail to explain why a guess so long ago was wrong.

Scoping the needs and planning tool selection

As an organisation with a "thinking approach" to management Ballance set about assessing which planning tools could deliver their requirements. They used a consultancy firm to ascertain that were two options for them, the planning tool linked to their GL provider and a tier one standalone planning product.

They hired a planning tool developer to be a facilitator during the blueprint design making it clear that the blueprint must be capable of "going to market" and be implemented by another planning tool provider. In fact they lost out albeit they were paid for all their facilitation work.

Tool selection and implementation process

sell concept	1	Secure senior management team (SMT) commitment outlining purpose of solution and benefits both financial and non financial
	2	Gaining approval for capital expenditure request (CER) for preparation of blueprint for RFP process
Build in-house team capability	3	Socialise with key business players to; • Identify the business requirements for Financial Forecasting • Identify the outputs that the process will generate • Identify the decisions that will be made from the forecasts generated • Identify the data required to provide that information • Selection of a project team • Establish a steering committee – needs to include project sponsor and business owner for solution and meet regularly at least monthly
	4	Conduct workshops with facilitator to scope business requirements; • Start with the business requirements; need to be clearly defined • Establish the data requirements and sources of data • Establish the technical requirements and interfaces • Establish the outputs and reporting requirements
	5	Develop the framework of a comprehensive blueprint – needs to be of such detail to enable a developer to build

Buying the right planning tool	6	Use the blueprint as the basis of an RFP process • Clearly lay out expected outcomes • Select recipients of RFP and outlines the terms • Go through selection process
	7	Organise test of the best two PT applications. • Having selected developers complete the blueprint with their solution • Gain demonstration of solution • Negotiate the pricing terms • Close deal subject to Board approval • Gain Board approval for capital spend supported by comprehensive business case

Build and test model	8	Establish Project build team • Ensure dedicated business resource appointed to team • Conduct initial training to ensure familiarisation with solution toolset • Ensure business project manager appointed and developer appoints a project manager
	9	Build new model using in-house teams with external advice • Conduct daily status meetings with the two project managers (in-house business project manager and the external developer's project manager) and business owner • Must have dedicated work area separate from business area • Steering committee should be meeting at least fortnightly through this phase • Establish project milestones and ensure project tracks to milestones • Do not compromise on developer unit testing and business UAT testing
	10	Pilot planning tool on two business units • Carefully select pilot business units – they must be supportive to the solution and have had been involved in the scoping phase • Change management has a significant role in this phase – communications and business solution • Use business developer to support pilot not external developer
Rollout use	11	Change Management is critical to new rolling forecast process • No surprises – communications in advance emphasising the why as well as to the what • Outline the long term requirements of forecasting emphasizing the benefits to the users and to the business
	12	Roll out training of PT (using in-house experts) • Should be staged and conducted by business developer and possibly pilot users • Ensure rollout is timed to coincide with requirement to prepare forecast so users gain ongoing practical use of solution • Ensure helpdesk facility is available to support users and defects are resolved quickly
	13	Complete QA processes on the forecasting model in the PT
	14	Commence first quarterly rolling plan run

	15	Post Implementation Capital Review • Should be conducted one or two years after implementation by an independent third party • Review should compare actual results to business case – did solution meet stated benefits, on time on budget, lessons learnt • Review should be presented to the Board

Implementation of the planning tool

The blueprint design process was based around the Toyota principle "make decisions slowly by consensus, thoroughly considering all options and then implement the decisions rapidly". They held three two week workshops. Yes, that is six weeks of workshops. This incredible front up investment ensured they had a clear understanding of their needs from the model, how the model should work, that every process in the model was using well thought out logic, and that wherever possible a "helicopter" big picture view was retained.

An important feature was that the implementation was a business rather than finance owned. It was foremost a business tool for the business, by the business, of the business. System testers came from the business not the system provider. This had mutual benefits in that the business had users who understood the system prior to launch and the provider had testers who could ask questions with industry insights.

Rolling Forecasts

The rolling forecasting system balance developed had the following features:

- Forecasts belong to the business
- They need to be rolling, business view. Not Finance annual years
- They have a specific period, 18 months ahead in detail and skeleton 36 months
- Updated every month with inventory planning data and quarterly with financials
- Assumptions are detailed, monitored and reviewed
- Must link into an ERP(Enterprise Resource Planning)system (Remember excel is not a system)
- This will flow into the S&OP (Sales and Operations Planning)

Whilst the forecast is owned by the business this does not mean Finance are sitting in the grandstand watching the process. Finance test the process to ensure the right questions were being asked. They test the "what ifs" and understand what the key result indicators are. For Ballance their input ensured that the company's impressive record on reducing costs and increasing revenue would continue to be supported by this development.

Benefits To Ballance from the rolling planning

The first aim of any benefit is have a great first impression. People will look at the new development and think is this another lemon for us to suck on or is this a star I can follow?

For Ballance the two keys were having the testers in the business and a fast first win with the forecast being produced a month earlier. With this people believed the new TM1 system was better and worth supporting.

The benefits of the model have been profound. Two years on the organisation has:

- saved money through better understand of bank facilities requirements
- solid accuracy in predictions of profitability and dividend payments
- rebates paid to shareholders six weeks earlier improving their cashflow.
- enhanced Ballance's cultural shift into a more future focused organisation
- has enabled Ballance to fully recover raw material cost fluctuations through managing margins
- the business now see the planning tool as theirs and are active users

Five insights you could apply to a planning tool implementation

1 With forecasting the business focuses on a future view
2 The business compiles the forecast. Setting forecasts by Finance is like a parent deciding a child's life; at some point they need to live their own life. Like a parent Finance are there to advise and ask the right questions.
3 When developing your rolling forecast; ensure you are working to a robust Blueprint. Otherwise the business will not receive the right information and will set up bootleg channels; downgrading the value of the official forecast.
4 Focus on the business key drivers. E.g., do you only want to know sales; or is average sales value, repeat sales or sales of high margin products what you want to measure?
5 Build in what if scenarios. By reviewing what could be all those SWOT items can be covered. In the case of Ballance they continue to uncover opportunities.