

# How **ACH** FOOD COMPANIES, INC.

## Became a Consumer-Focused Business Accelerating Planning and Product Development Processes

by **David Hannon**, Features Editor



**"Selling the benefits of technology is relatively easy, but setting the right expectations to executive management for what it will take to get to those benefits is difficult — that includes setting the expectation for what level of people you'll need and what level of dedication and commitment it will require from the organization."**

**— Donnie Steward,  
CIO, ACH Food  
Companies**

**EIGHT YEARS AGO,** when ACH Food Companies, Inc. decided to adopt a new business model and transition from a commercial food company to a consumer-branded firm, the organization knew there would be a lot of change to manage. Certainly its customer base would transform — hopefully through exponential expansion. Also, the company's agility and product development processes would have to accelerate to meet the more rapid pace of the consumer market. And to support this level of growth and process change, the business's IT infrastructure would have to change. The company could no longer rely on a myriad of disparate legacy systems to develop, produce, and distribute its expanding line of products to its new customer base.

Today, ACH Food Companies has completely shed its roots as a commercial food manufacturer for the food service and food ingredients markets, and the business is now flourishing as a food maker in the consumer products food market, with a clear growth plan in place.

Its recently expanded IT environment now supports all stages of the company's operations — from planning and optimization to sourcing and product development to manufacturing and product costing. And the story of how the business got from point A to point B — after a dual-wave SAP implementation — provides a unique lesson for nearly any manufacturing company.

### **Change Comes Calling**

In 1995, ACH Food Companies took its first step in a new direction when its current parent company, Associated British Foods, purchased AC Humko — the culmination of mergers between Kraft Foods' ingredients division, Anderson Clayton, and Humko Oil Products. This acquisition resulted in what is now called ACH Food Companies, Inc. In 2002, the company continued moving further away from its legacy business by acquiring several well-known consumer food brands from Unilever, including Mazola, Argo, Kingsfords, Karo, Henri's, and Golden Griddle. That leap into the consumer market opened

up a world of new opportunities for the company, but it also required a change in how the business operated.

"We had to be much more agile and flexible as a consumer-branded company," explains Donnie Steward, CIO of ACH Food Companies. "From an IT perspective, all of our legacy applications were designed when we were still predominantly a food ingredients maker — not to mention that many of the applications were 20 or 30 years old and had been bolted together. They didn't have the consumer-branded functionality to facilitate the new business model."

After migrating the acquired businesses onto ACH Food Companies' existing back-end systems, the business continued to operate for a few years in this legacy environment — with a consumer side and a commercial side each running on these legacy systems independently. However, this setup would not effectively support the company's business strategy, which called for more acquisition-driven growth.

### **Building an ERP Platform (Wave 1)**

Steward recognized that to successfully grow in the consumer market, ACH Food Companies had to move to an integrated suite of applications quickly. After thoroughly evaluating the market — including benchmarking what systems were most prevalent in the food industry — ACH Food Companies selected SAP software as the IT platform to drive its growth.

In 2007, the business began implementing SAP ERP, specifically the functionality for finance, order management, procure-to-pay, and business intelligence. And even with a mix of businesses and legacy systems that required a good deal of customization, the SAP ERP implementation went live in June 2008.

And then, more change came.

Shortly after the SAP ERP go-live, ACH Food Companies announced it was divesting the commercial side of its business to focus solely on the consumer side. From a strategic perspective, the move was aimed at pursuing new business growth and stepping away from its historical business model.

From an IT perspective, however, the sale meant the business had to strip out

much of the customization work it had done to bring the food service and food ingredients production systems onto the SAP ERP platform. The IT team then focused on creating a “vanilla” ERP system, as Steward describes it, to set the stage for the implementation’s second wave.

### **Planning for New Product Development (Wave 2)**

In late 2009, ACH Food Companies began planning for its second wave of SAP solutions. That meant identifying which solutions could help the business thrive as a consumer products company, as well as developing the best team to implement those solutions. This wave included implementing additional SAP ERP functionality for product costing and quality management, as well as the SAP Manufacturing, SAP Product Lifecycle Management (SAP PLM), SAP Advanced Planning & Optimization (SAP APO), and SAP Recipe Management applications with extensive build-out of the business intelligence capabilities.

For the solution evaluation and selection process, executives within the various functional areas of the company were asked to present a case for the solutions that their part of the business would benefit from most — such as planning. “Historically, we had very disparate planning systems for the business,” Steward explains. “So moving to SAP APO, which is an integrated suite of planning applications, was a priority for wave two. We knew we could reduce inventory substantially and reduce costs through a better planning process.”

At the same time, ACH Food Companies’ product development processes needed to change to accommodate the new consumer focus. Because the consumer market is driven in large part by new product launches and expansions into new markets, the product development team at ACH Food Companies needed to be faster and more agile — and that change required the right IT infrastructure.

“Implementing SAP PLM in wave two allowed us to move from multiple product development systems across the company to a single integrated system,” says Steward. “And that completely streamlined the new product development and

engineering change management processes. Now, we can get products from idea to market much faster than we used to, because of the collaboration that the new system drives and facilitates.”

Of course, in food manufacturing, quality and auditing processes are always of the utmost importance. But they became an even higher priority for ACH Food Companies as the number of products being developed was due to increase. Fortunately, the quality management functionality of SAP ERP allows a more rapid



distribution of quality notifications for logging and tracking food quality issues than in the legacy environment.

“Basically, in the new product development arena, we went from a lagging organization to a leading organization,” Steward says, with the suite of integrated solutions facilitating much of that change.

### **Assembling the Team**

In addition to employing a unique strategy for evaluating solutions, ACH Food Companies also took a unique approach to developing its implementation project teams and keeping them on track. For the first implementation wave, the company relied mostly on Deloitte Consulting for its guidance and implementation services. And for help in planning the scope and design of the second implementation wave, the company again turned to

Deloitte and also brought in some independent consultants as well as one SAP consultant. (For more information on how Deloitte was integral to the success of both implementation waves, refer to the sidebar on the next page.)

According to Steward, the process of selecting the project teams for wave two was more solution-focused because, this time, the business tied specific goals to many of the solutions being implemented. “We interviewed for each area of the implementation project independently because we had our own strengths and weaknesses in each area and wanted to complement them adequately,” he says.

Heading into the second wave, each area of the project had a dedicated three-person team-lead approach, consisting of a business lead, a consultant, and a business process analyst from ACH Food Companies’ IT organization. And throughout the project, that team was to work very closely together, taking the “three heads, one brain” approach, according to Steward.

### **Keeping the Project on Track**

As with any project that has so many moving parts and teams working independently, the business was concerned about concluding the project on time. Steward decided that the implementation required a dedicated overall project manager to exert the proper amount of discipline and pressure to keep the implementation on schedule. “We needed a task master to keep everybody accountable and on track,” he says.

With that final piece in place, the wave-two implementation got under way in mid-2010. Every Thursday, each team had to provide a rolling two-week update of where they were on their part of the project. If a team was falling behind schedule, it was discussed openly at that meeting where other teams could provide suggestions or lend help. While the goal of this weekly meeting was not to embarrass teams that fell behind, it proved to be an effective motivator.

According to Steward, throughout the entire project, there was only one “all hands on deck” weekend of work. “We put a lot of things in place on time and under budget,” he says. “During our Lessons Learned workshop, everyone

acknowledged that our strategy achieved the results we were after and was the right one for us."

### Advice from CIO **Donnie Steward**

ACH Food Companies went live with its SAP solutions from wave two in March 2011, and by all accounts, the project was an unqualified success. Six weeks after the go-live, the company was moving rapidly into a steady and stable state with the new solutions.

"This was one of the smoothest go-lives I've ever experienced, and I've heard the same from the consultants that were involved," Steward says. "Everyone — from the CEO to the CFO to the project steering committee — is fairly ecstatic about it. At the same time, we know we've only just begun. But now the door is open to capitalize on opportunities, drive efficiencies, and start achieving the benefits."

With five ERP implementations under his belt, Steward has a wealth of experience to share with his peers. He says one factor that made this project so successful was the amount of time ACH Food Companies spent on change management. He advises others to carefully consider how an implementation will affect each individual's job and what opportunities for improvement can result from each change.

"Change management is an area that some organizations might overlook as too touchy-feely, but it really is what will determine the success of this kind of project," he says.

In the broader sense, he says the most important thing a CIO can do for an ERP project is to set the proper expectations about what will be required to execute the project. "Selling the benefits of technology is relatively easy," he says. "But setting the right expectations to executive management for what it will take to get to those benefits is difficult — that includes setting

the expectation for what level of people you'll need and what level of dedication and commitment it will require from the organization."

Steward also recommends identifying which metrics are most important to the business and then determining how much of a decline is acceptable before corrective action may need to be taken. "For us, within the first two or three weeks, we were back to a steady state and, in some cases, surpassing our pre-go-live metrics," he says. "But it's still so important to set those expectations at the right level; otherwise, all the effort is going to be overshadowed by the few things that didn't go as well as they could have."

According to Steward, the make-up of the project team and the team's experience with the wave-one implementation were two key factors to achieving a successful implementation. "At the end of the day, it was the dedication and commitment of our project teams — our business team members, our consulting partners, and our IT staff — that made the difference," he says. "We took the lessons learned from wave one and applied them to our wave-two approach. And putting these changes in place ensured our success." ■

## at a glance

### ACH Food Companies, Inc.

**Headquarters:** Cordova, Tennessee

**Industry:** Manufacturer of food products, including cooking oils, corn starch, and spices

**Company details:**

- Indirect, wholly owned subsidiary of Associated British Foods
- Founded in 1995 when Associated British Foods purchased Kraft's food ingredients business
- Its 11 brands include Mazola, Fleischmann's, Argo, Karo, Spice Islands, Durkee's, and more
- Manufactures and sells products in the US, Canada, Puerto Rico, and Mexico

**SAP solutions:**

- SAP ERP
- SAP APO
- SAP PLM
- SAP Manufacturing
- SAP Recipe Management

## Deloitte. Helps **ACH Food Companies** Realize Its Vision

Deloitte, an SAP Global Services Partner, is a leader in delivering process-enabled transformation projects leveraging SAP's integrated suite of products. With a long history of implementing SAP solutions in the food and beverage industry, Deloitte's consultants bring a unique combination of industry, process, and SAP experience that allows clients to implement comprehensive solutions and realize business benefits while also completing projects on time and under budget.

Having grown through acquisition, ACH Food Companies previously operated under a siloed set of processes and systems that did not interact well. The organization's leaders had a vision of a new set of integrated processes, linking its multiple locations and business functions together to improve business performance. Designing and gaining buy-in across a diverse set of employees without established working relationships presented a major challenge. Deloitte successfully led the project team through the process design using several proprietary accelerators, including process maturity models, industry-specific process flows, and interactive prototyping within pre-configured SAP template systems. Under the framework of these tools, the project team was able to collaboratively focus on moving to a newer and better future.

The work at ACH Food Companies demonstrates Deloitte's capability to help a client maximize its use of SAP solutions and achieve benefits. The collaborative nature of the project and a commitment to new processes enabled ACH Food Companies and Deloitte to implement leading SAP functionality in the areas of product development, food safety and quality, forecasting, and production planning.

For more information, visit [deloitte.com/sap](http://deloitte.com/sap).