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# Pamela's Pickle

The Challenge of Integrated Business Planning

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## Introduction

The engaging and ambitious Pamela Petrovsky has recently been hired as a brand manager for pickles at Global Cook's Resource (GCR). While the role has required her to relocate from her beloved Chicago, Pamela feels certain that GCR will be very good for her career. A key part of her duties is to lead an Integrated Business Planning (IBP)<sup>1</sup> team, a process with which she is familiar.

Pamela soon discovers that all is not as she thought at GCR: senior executives seem to be singularly focused on the buy-out potential of their GCR shares. In the interests of bolstering short term profits, her direct boss, with whom she has previously worked successfully, rejects the plan her IBP team has put together for the launch of new packaging and flavour of pickles. She is sent "back to the drawing board" to do more with less.

Is she being asked to stall or fudge her analysis? Does she inevitably have to sacrifice her integrity or her career prospects? Is there a win-win here? What decision should she make about her analysis? How should she deal with her boss and her team? What action plan should she implement to register her decision with others?

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<sup>1</sup> Goods-producing companies have always had processes in place, to increasing levels of sophistication, that **ensure** their supply chain (purchasing, manufacturing and logistics) is fully aware of their company's demand forecast so they are able to deliver to customers, on time, the right products. These processes take into account not only the demand for established products, but also new product and packaging innovations. In some Consumer Packaged Goods companies (CPGs), a form of planning, called Integrated Business Planning (IBP), is integral to their governance process. IBP, in these cases, takes the demand forecasting process further by asking a hierarchy of cross-functional teams, working up from the brand level, not only to signify demand in the normal course of affairs, but also to anticipate risks and capitalize on opportunities and innovation. This cross-functional collaboration at all levels of the organization is intended not only to organize the supply chain but also to maximize volume growth as well as profits/revenues. Some also argue that IBP helps to develop savvy leaders. As, in reality, this cross-functional, upward-facing process often has teams working at cross purposes, opponents to IBP say the process is a poor substitute for good leadership.

## The Global Cook's Resource (GCR) and Its Integrated Business Planning Process (IBP)

The Global Cook's Resource Inc. (GCR) was a new entry into the food business fifteen years ago, an upstart out of Australia with the tag-line "Bringing the World's Condiments to the Home Cook." GCR's strategy caters to the foodie consumer who is increasingly tech savvy and wants to expand their palate with new tastes. The company's three-part mantra to increase share and brand recognition reads: 1) Innovate, innovate, innovate; 2) Deliver value; and 3) Lead with technology.

Offering the tastes of Europe, India, Middle East, Africa, and Southeast Asia, GCR produces a variety of sauces, spice and nut combinations, preserves and pickles that home cooks want to use, but don't necessarily want to make. Within the industry, GCR has become a recognized leader for its innovation, ability to sell through multiple channels, as well as for its consumer research and customer/consumer technology platforms. Products are sold on four continents and shipped worldwide.

Five years ago, GCR went public and is now inter-listed on the London and New York stock exchanges. At the same time, the company moved its headquarters from Sydney to San Francisco to be closer to the financial centres and the California farmers, who now provide much of GCR's fresh produce and with whom GCR have developed close working partnerships.

Since the move to San Francisco, the leadership at GCR has believed that its efficiency and market appeal is fuelled not only by its culture of innovation, and superlative supply chain, but also by its Integrated Business Planning (IBP) process, which ensures every professional and manager in GCR is knowledgeable about the business's dynamics governing customer and consumer needs and trends. IBP helps to ensure everyone is attuned to potential risks and ready to capitalize on opportunities. GCR leaders also think IBP aids the development of their leadership quotient as it requires all middle level leaders to collaborate across functions to make volume recommendations.

Each month, brand managers initiate the IBP process by convening their brand's cross-functional team with representatives from marketing, sales, finance and demand planning to update the brand story, formulate risks and opportunities, and position the volume forecast. Marketing directors, using the information from the brand managers, then formulate the financial forecast in cross-functional teams. The monthly process escalates finally to a review with GCR's Executive Committee. At that time, decisions requiring a capital outlay of over \$10 million are discussed. IBP's quarterly and annual reviews are comprehensive, as they have a direct impact on shareholder sentiment.

### **Change is Afoot**

While GCR annual revenues are now over \$1 billion, growth in the last five years has slowed because the company has already saturated key markets, and its success has attracted more nimble competitors. Consequently, in the last eight months there have been key changes in leadership, the impact of which are not yet widely felt or anticipated outside of the senior ranks of GCR. The founder, George McNulty, has assumed the position of chair of the board, while John Hiscox has been brought in as the new CEO. John previously was the CEO of a competitor out of Chicago and, in previous roles, has worked closely with buy-out specialists who maximize company value by selling product lines or divisions in separate parts.

### **Pamela Petrovsky's IBP Challenge in the Pickle Division**

Six months ago, Pamela Petrovsky was enticed by Sam Gupta to join GCR as one of the brand managers for pickles. Sam had been Pamela's first boss when she was hired as an assistant brand manager at a competitor, soon after completing her MBA. That was over five years and two jobs ago. Sam, the marketing director for the pickle division, and, again, Pamela's boss, is delighted to have Pamela on board because he knows that Pamela is a skilled IBP leader.

It was a big decision for Pamela to move to GCR as it has required her to move from Chicago where she had established a full and happy life, and worked for a company she admires. It also has meant a move for her partner, Paul, although as a tech specialist providing support to bloggers and on-line news publications, he is able to work out of any location. Pamela is very ambitious. Being outgoing and able to make friends anywhere, she feels the relocation and the hard work of re-establishing herself and Paul will be worth it. She is excited by the prospect of not only working again with Sam but also by the prospect of working for GCR. As a food marketer, GCR is widely regarded as the “happening place to be” within the industry. Moreover, her previous CEO was John Hiscox. She thinks she understands what he expects of IBP and, being able to deliver that, she hopes to capture his attention.

Pamela has reporting to her an assistant brand manager, a marketing analyst, and a communication specialist, a group about whose skills she is confident. They all immediately establish a rapport.

She is more concerned about her ability to demonstrate leadership within the complex network of cross-functional relationships in which she and her group must work effectively. To develop marketing strategies as well as promotional and advertising product, for example, Pamela needs to be sure there is a good working relationship with consumer insights, which brings the consumers’ voice to the table, and the internal corporate marketing groups which oversee the technologies and agency relationships. IBP adds further complexity as her team needs linkages not only to the innovation pipeline, but also to sales who manages customer relations, finance who inputs the economics, and demand planning who brings forward the needs of the supply chain and completes the statistical modelling for the plan. Many of those from the other functions are peers or even more senior than Pamela, meaning her ability to make an impact requires a leadership of influence: she had no positional power unless she wants to go above their heads to Sam.

While Pamela believes that Sam would likely stick up for her if she has issues with other functional players, she also knows that if she relies on that it will suggest a weakness that might lead to Sam losing confidence in her ability manage on her own.

Indeed, Pamela's first six months has been an ordeal because the pickle division has been launching both a new product and new packaging. Working with well-respected Israeli and Middle Eastern chefs, GCR introduces this month a Middle Eastern mixed pickle, accompanied by chef-developed recipes. This new product, as well as all other GRC pickles, are also being packaged in the cost-effective, easy-ship, distinctively-labelled mason jar developed by GCR's packaging innovation team. Extensive consumer testing has shown that consumers will try GCR's pickle products simply because they are very attracted to the new jars, which they can later re-use for their other storage needs.

Pamela is feeling the pressure. The launch has required not only complicated planning in coordination with GCR's supply chain, it also has meant the development of extensive consumer research, promotion with customers, and the development of high-tech promotions and media advertising. There are high expectations for the volume forecast developed by Pamela's IBP team. As this is her first "big forecast" and the first high profile outcome for the IBP team she is leading. Pamela feels her credibility as a leader as well as her future prospects at GCR are on the line.

Exhibit One summarizes the team's forecast assumptions, based on the forecast's Ten Building Blocks.<sup>2</sup> Assuming the drought in California does not necessitate an increase in price, and competition does not take early retaliatory action, the brand is in good shape. Its new packaging, a new product launch, and significant consumer and media promotion should result in a volume lift of 5% to 6%. Should there be price and competitive pressures, growth might reduce to 2% to 3% through the next fiscal year.

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<sup>2</sup> The Appendix defines the Building Blocks.

## Exhibit One: Assumptions for the Pickle Brand Volume Forecast

Building Block (Function Owner)		The Assumptions Driving Volume Forecast for the Pickle Brand in Fiscal Year	Forecasted Impact
1	Distribution (Sales)	<ul style="list-style-type: none"> <li>Velocity continues to be sluggish, but continuing downward trend is not expected</li> </ul>	0
2	Consumption & Share Trends (Marketing)	<ul style="list-style-type: none"> <li>The continued rise in consumer interest in new global tastes and the desire to cook at home favours GCR-type pickle offerings</li> </ul>	+0.5%
3	Pricing (Finance)	<ul style="list-style-type: none"> <li>Value seeking continues as a trend and it is imperative that GCR's offering retain competitive pricing. There is some risk that the drought in California will cause upward price pressure.</li> </ul>	0 to -1.0%
4	Competitive Activity/ Competitive Price Gap (Marketing)	<ul style="list-style-type: none"> <li>To date, no competitors have substantively matched GCR's innovation or cut prices. As GCR becomes more aggressive in the marketplace with new innovations, there is a risk that competitors will take counter action through launching a price war and/or releasing products that imitate those of GCR.</li> </ul>	0 to -2.0%
5	Consumer Promotion (Marketing)	<ul style="list-style-type: none"> <li>GCR's on-line platform that allows consumers to compare prices, access recipes featuring GCR products and download coupons is expected to increase demand, particularly in combination with the launch of the media campaign.</li> </ul>	+1.5%
6	A&P/Media (Marketing)	<ul style="list-style-type: none"> <li>The launch of the media campaign this month, to continue for 6 months, is expected to provide a significant boost to the brand by the end of the fiscal year, although there is some dispute as to the lift current campaigns provide due to change in consumers' viewing habits.</li> </ul>	1.0% to 2.0%
7	Promotional Events and Associated Trade (Sales)	<ul style="list-style-type: none"> <li>No impact anticipated</li> </ul>	0%
8	Product Portfolio Changes/ Innovation (Marketing)	<ul style="list-style-type: none"> <li>The launch of the new Middle East Pickle Mix as well as the new innovative mason jar packaging for all GCR pickle products is expected to have a positive impact on demand. Product testing showed that first time GCR buyers, in fact, bought a product in large part because the jar was reusable. They subsequently liked the product and converted to the brand.</li> </ul>	+2.0%
9	Cannibalization (Marketing)	<ul style="list-style-type: none"> <li>No impact anticipated</li> </ul>	0
10	Customer Inventory Change (Demand Planning)	<ul style="list-style-type: none"> <li>No impact anticipated</li> </ul>	0



When Pamela presents the forecast to Sam and his colleagues, she receives, much to her surprise, considerable push-back. She is sent away to figure out a way to ensure a 6% increase in volume demand over the next fiscal year without the ongoing expensive marketing and advertising support, which her current forecast has assumed.

In light of total revenues being down due to shortfalls in other divisions, she is told, the media spend in all divisions is curtailed for two months to improve reported profit to shareholders in the current quarter. “Be more innovative,” Sam said. “Think of what else you can do to cost-effectively promote the innovations.” Pamela is astounded by the feedback. She feels the team has fully explored opportunities and carefully established possible impacts based on history and collective experience. She also feels she had kept Sam informed along the way. Why would he not have not given her this kind of feedback earlier? In addition, she thinks a delay in the media launch will significantly hamper results. Not only will the brand not get the lift from the advertising, the delay allows the competition two more months to engineer a larger retaliatory impact.

As a first step, Pamela asks for a follow up meeting with Sam. She begins by saying, “We have known each other a long time, Sam. I thought I had kept you well informed about the team’s thinking as we went along. What happened?”

In response, Sam got up and closed his office door. “What I am about to tell you is strictly confidential. This week, all of us who own some shares in GCR were told that the company is in play and we need to ensure our bottom line is maximized for this next quarterly review. It means a lot to existing shareholders.”

“Really, Sam!” Pamela remarked, “This is what this is all about? What about the rest of us who have no shares? What about maximizing the future for GCR? What about me who will probably be out on my butt after this all goes through? Remember me, Sam? I am the one who turned her life upside down to work here at GCR because you asked me to.”

“I get why you are angry right now, Pamela. You need to calm down, though. What’s the big deal? You should know I will take care of you. And, really, after all the years you have participated in IBP, you don’t think we have had to talk out of one side our mouths before the quarterly reports? Get with the program. Otherwise, you are right, you might get hurt. By the end of next week, I want your team’s revised forecast. If you like, as this is an innovation we are taking about, I will put you on the roster for you to be present when results are discussed with John and his team. Let me know tomorrow what you want to do.”

Before she sits down to brainstorm possible options with her team members, she phones Paul and asks him to meet her outside of the office for coffee. She wants to vent. She explains to him her frustrations, her sense of betrayal, and her concerns that there is no credible way to present the numbers given the loss of budget and the threat from competitors.

## Appendix: The Ten Building Block Definitions

BUILDING BLOCK (FUNCTION OWNER)		DEFINITION
1	Distribution (Sales)	<ul style="list-style-type: none"> <li>Baseline volume impact from distribution changes, excluding innovation and supply limitations.</li> </ul>
2	Consumption & Share Trends (Marketing)	<ul style="list-style-type: none"> <li>Underlying change in baseline volume that is <u>not</u> accounted for by GCR's or competitors' actions, but is driven by macro factors such as economic or demographic changes.</li> </ul>
3	Pricing (Finance)	<ul style="list-style-type: none"> <li>Baseline volume impact that is driven by company-announced price changes and related customer responses. Including, but not limited to, right-sizing.</li> </ul>
4	Competitive Activity/ Competitive Price Gap (Marketing)	<ul style="list-style-type: none"> <li>Baseline volume impact of Competitors' Pricing/Right-sizing (initiated by competition, not GCR), Marketing, Trade and New Items.</li> </ul>
5	Consumer Promotion (Marketing)	<ul style="list-style-type: none"> <li>Baseline volume impact resulting from consumer promotion investments including, but not limited to, Shopper Marketing, Digital Coupons etc.</li> </ul>
6	A&P/Media (Marketing)	<ul style="list-style-type: none"> <li>Baseline volume impact resulting from advertising investments.</li> </ul>
7	Promotional Events and Associated Trade (Sales)	<ul style="list-style-type: none"> <li>Incremental volume resulting from trade promotions.</li> </ul>
8	Product Portfolio Changes/ Innovation (Marketing)	<ul style="list-style-type: none"> <li>Baseline volume impact of new items including base incremental and inventory change.</li> </ul>
9	Cannibalization (Marketing)	<ul style="list-style-type: none"> <li>Baseline volume impact on existing items due to new items and impact of other activities including, but not limited to, distribution, trade promotions and A&amp;P.</li> </ul>
10	Customer Inventory Change (Demand Planning)	<ul style="list-style-type: none"> <li>Change in trade inventory as a result of distribution changes on incumbent items, pricing- and promotion-related forward buys, and customer inventory policy.</li> </ul>

## Questions

1. In addressing the issues with the forecast, Pamela wants to be able to maintain her professional integrity as well as build her reputation within GCR. As brand manager and leader of the Pickle Brand IBP team, what steps should Pamela take to address the issues raised by Sam?
  - a. What instruction should she give to the team?
  - b. How should she deal with Sam?
  - c. Does she inevitably have to sacrifice her integrity or her career prospects?
2. What leader characteristics and organization factors would help Pamela effectively implement her action plan? What can she do to create a favourable context?