



The need to lead

Sales & operations planning (S&OP) is key to integrated business management, says George E. Palmatier, but responsible leadership is essential for success

Sales & operations planning

(S&OP) is in resurgence. It has regained interest in manufacturing, engineering and distribution because of the controls that it gives an executive management team, and the benefits that can accrue from a properly implemented S&OP process. It has also become a standard practice for integrated business management.

But the levels of results that are achieved through S&OP are directly linked to the dedication and quality of an organization's leadership. Leadership, in my opinion, is the single, most important element that determines the degree of success of an S&OP process.

S&OP is an integrated business management process through which the executive/leadership team continually achieves focus, alignment and synchronization among all the functions of the organization. The monthly S&OP plan includes an updated sales plan, production plan, inventory plan, customer lead time (backlog) plan, new product development plan, strategic initiative plan and resulting financial plan. Done well, the S&OP process also enables effective supply chain management.

A properly implemented S&OP process routinely reviews customer demand and supply resources and "re-plans" quantitatively across

an agreed rolling horizon (typically 24-months). The re-planning process occurs at least monthly and focuses on changes from the previously agreed sales and operations plan. While it helps the management team to understand how the company achieved its current level of performance, its primary focus is on future actions and anticipated results. Companies that have an integrated business management process use the S&OP process to monitor the execution of the company's strategies.

It is essential that the person in charge of an organization actually lead the Management Business Review step of the process and review demand, supply, new product, financial and resource projections and make the appropriate decisions to ensure the execution of the business strategy. One grave error that some organizations commit is to delegate/abdicate the implementation of the S&OP process to a cross-functional middle management team. Based on our observations, where S&OP is a middle management led process the achievements are not at the highest levels and often the business performance results fall short of expectations. This occurs because in a cross-functional middle management process any single senior level executive can interfere and over-ride the decisions that were made by the

team, effectively negating or delaying receipt of anticipated benefits.

By accepting ownership of the S&OP process, the leader can manage by and with it, and make it mandatory for the individuals reporting to him/her to participate in and work the S&OP process to manage the business. This action will also encourage middle management and affected staff to more readily accept the process' philosophy and practice.

Some organizations we've encountered take over a year simply to design their S&OP processes. That's not necessary. With proper coaching and direction, a company can expect its process to be up and running within three months/cycles for a significant part of the business, and be fully operational within six cycles. Oliver Wight's FastTrack S&OP, as an example, is a program that is designed specifically to minimize the time-to-benefit for a new S&OP installation.

Recent studies and surveys by independent research organizations have shown that there is definitely an economic benefit for companies that implement S&OP. However, there are heightened benefits of improved productivity, sales revenue, forecast accuracy, on-time delivery, inventory reduction and internal communications for companies that perform S&OP really well. ■