



# Sales & Operations Planning

The route to supply chain effectiveness

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## *How to plan and execute profitability while balancing supply and demand*



“If you’d forecast what you actually wanted, we could have planned to make it.”

*Common cry from the Production Department*

“We’d have filled all the orders if only you’d had more in stock.”

*Common cry from the Sales Department.*

“Not another upturn that didn’t happen, now we’re stuck with tons of inventory and no cash.”

*Common cry from the Finance Department*

Recent years have seen huge changes in manufacturing industry; advances in technology to improve planning and execution, deployment of approaches such as Lean, Six Sigma and the Balanced Scorecard. Yet, despite all of these improvements many companies are still struggling with back orders, dissatisfied customers, high inventories, late shipments, finger-pointing, cash flow problems, poorly balanced demand and supply together with a failure to achieve business plan targets. It’s almost as though there is a disconnect between the strategic intent of the organisation and execution at operational level and a failure to ‘join up’ the efforts of individual functions.

Our experience has shown that there is a key process that has helped many companies lower inventories, reduce lead times, give better customer service, stabilise production rates, give top management a real handle on the business, and build teamwork between sales, operations, finance and product development. The process is commonly referred to as Sales & Operations Planning (S&OP).

### What is Sales & Operations Planning?

S&OP is the cornerstone to any truly effective supply chain. We find that the S&OP process is the defining one in shaping an organisation’s supply chain capabilities and constraints.

S&OP uses a collaborative “consensus planning” approach to ensure that both the sales (demand) and operations (supply) parts of a business are pulling in the same direction and aligned to organisational goals, thus maximising company performance. This “joined up” supply chain management process achieves:

- Higher levels of order fulfilment “On Time In Full”.
- More “controlled flexibility” for customers.
- Greater stability in supply chain procurement, production and distribution, reducing waste and improving profitability.

In our experience, there are a number of key elements to operating a successful S&OP process:

- The Executive S&OP Forum: a regular, high level review of operational and sales plans to ensure alignment to business goals.
- Robust Forecasting and Planning Processes: demand and capacity are aggregated at an appropriate level to allow mismatches to be identified and solutions to be engineered.
- Appropriate Use of Inventory: as a key tool to balance supply and demand.

## Our Approach

### The Principles

Central to our approach is to recognise that every company is different, and that one size does not fit all. We will therefore develop a tailored S&OP solution that, while it builds on a set of well-established and proven principles and methods, is unique to each client's organisation, culture and current capability.

A second key principle is to start from where you are! We seek at an early stage to recognise the existing capabilities of people, infrastructure and technology, based on our firm belief that a system should not be forced to do more than it is capable of – if one bit is forced the rest will adjust to compensate and overall performance is likely to deteriorate. We will therefore seek to stabilise the existing conditions and make best use of these with focussed improvement as a first step.

We will then seek to define and implement an enhanced process with an Executive S&OP forum. Improved planning forecasting and inventory management are key tools in driving overall supply chain effectiveness.

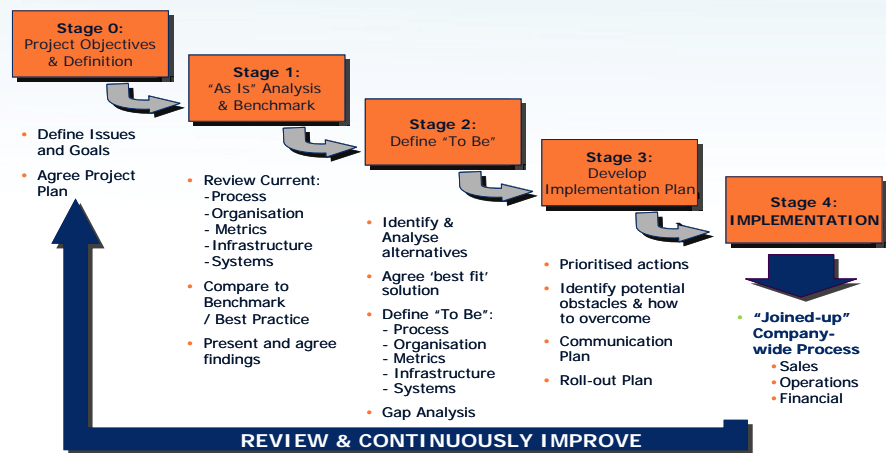


“People are a huge part of successful S&OP. You can't change business processes if you don't have 'buy in' from those whose input and cooperation are key; and for this you need to involve those people at the design stage.”

#### Fraser Geekie

Director

The Consultancy  
Company



### Health Check

Using a series of "hard" and "soft" supply chain measures we assess the operation of the organisation to determine its "S&OP maturity". This is true even if the organisation has no defined S&OP process, as many of the required elements will exist in one form or another, or where an S&OP process has been operating for many years and needs taking to the next level. Our diagnostic assessment covers the full spectrum of the supply chain covering:

- Strategy & Policy
- Organisation & People
- Processes
- Systems Technology
- Infrastructure
- Metrics

This is done by mapping current processes. Our assessment is then benchmarked against best practise before presenting and agreeing our findings with the client team.



“We are keen advocates of the process [S&OP]; it provides companies who apply it properly with much greater visibility and the ability to respond more effectively to change in their marketplace.”

**Tim Richardson**  
*Managing Director*  
The Consultancy  
Company

## Defining & Analysing

As a team we will shape the ideal supply chain structure and the preferred planning process and associated metrics. We look at process, people, infrastructure and technology as part of identifying possible alternative solutions. ‘Best fit’ solutions are tested for alignment against business goals, current organisation state and capability and market position and a detailed ‘gap analysis’ emerges.

## Implementation Plan

Based on the assessment output, we deploy a range of well-proven methods to deliver step-change improvements in the areas identified. Converting the “what” into the “how”, “when” and “who”. We define the procedures, people, roles, tools, and metrics and produce detailed project plans that include prioritised actions, potential obstacles and roll out strategy.

## Long Term Benefits

- Significant improvement in orders supplied “On Time In Full” to customers.
- A better demand/supply balance across the whole supply chain.
- The right inventory in the right place, often at far lower levels.
- More stable production rates and less overtime leading to higher productivity.
- Better visibility into future capacity problems, more effective and less detailed forecasting.
- The establishment of ‘one set of numbers’ for the business that everyone works to.
- Correct reward structures, which promote collaborative working for the whole business.
- Enhanced teamwork among the middle management people from sales, operations, finance, and product development.
- Enhanced teamwork within the executive group; good productive and focused meetings.
- Greater performance accountability
- An attitude of continuous improvement.

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