

Sales & Operations Planning

Integrated Business Planning



Principles - Pure & Simple

Introduction

Sales and Operations Planning was developed in the 1980s to better align production plans, capacity, and inventory levels with sales forecasts over a determined planning time horizon. It culminated in a monthly S&OP meeting in which forecast/demand plans were reviewed at specified levels of product aggregation, the resulting supply plans were presented, and any imbalance issues were discussed. Decisions from this meeting fed into demand or supply actions.

Over time S&OP evolved to include business strategy input, marketing input, and a more rigorous financial analysis and view of the organization. Oliver Wight pioneered these advances and appropriately called the new process Advanced S&OP and most recently Integrated Business Planning (IBP). The monthly process expanded to five meetings – Business (Executive) Management – Product (Marketing) Management – Demand (Sales) Management – Supply (Operations/Supply Chain) Management – Financial Integration.

The American Production and Inventory Control Society (APICS) defines S&OP as follows:

Sales and Operations Planning (S&OP) Definition:

“A process to develop tactical plans that provide management the ability to strategically direct its businesses to achieve competitive advantage on a continuous basis by integrating customer-focused marketing plans for new and existing products with the management of the supply chain. The process brings together all the plans for the business (sales, marketing, development, manufacturing, sourcing, and financial) into one integrated set of plans.”

APICS Dictionary, 14th edition

Introduction

It is interesting to note the following from the APICS definition:

1. APICS was established in 1957 by 20 production control managers. As its title indicates the focus was on production and inventory control. I believe this was the genesis of Sales & Operations Planning
2. APICS' most recent definition of S&OP resembles the Oliver Wight Integrated Business Planning model very closely. It demonstrates the evolution not only of APICS, but also of S&OP.

All of the APICS and S&OP developments started before the emergence of a new discipline, **SUPPLY CHAIN MANAGEMENT**. As we show in our supply chain management education, the supply chain can be defined as broadly as starting with raw materials (in the earth) and ending with final product/service consumption by the consumer. Managing the supply chain effectively in essence is the same as today's definition of Sales & Operation Planning, with one exception:

Supply Chain Management itself does not require the cadence of monthly meetings and decision making processes. These meetings provide transparency, the opportunity for buy-in to plans, integrated decision making, and broad communication. They require and instill disciplines that might otherwise not exist in the organization.

It is therefore my strong recommendation to develop a robust supply chain management process first, including the right organizational structure and software support systems. Then, or at the same time if possible, "bolt on" a disciplined and comprehensive S&OP/IBP process. I encourage you to use project management to precisely scope out the S&OP/IBP process you want. In the following pages I will briefly discuss some of the principles of a good S&OP/IBP process.

Introduction

The Path to S&OP/IBP

We recommend the following steps to achieve a functioning S&OP/IBP process:

1. Development of a strategic plan, or revision of the existing strategic plan to include S&OP/IBP. We offer a two day strategic planning workshop. Click on [Strategic Planning Workshop](#) .
2. Implement a robust supply chain management program. We offer a three day course/workshop to get started. Click on [Supply Chain Management Course & Workshop](#) .
3. Develop the appropriate S&OP/IBP process for your organization using project management discipline to properly scope your requirements, develop an implementation plan, and execute the plan. If you are new to project management we can help with our one day project management course. Click on [Project Management Course](#) .

All of these courses are downloadable and designed for you to do them yourself. If you require facilitation help or support, we will be pleased to provide it on-site (Canada) or via web.

Tom Sauder , P.Eng.

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Purpose/Requirements

The purpose of S&OP/IBP is:

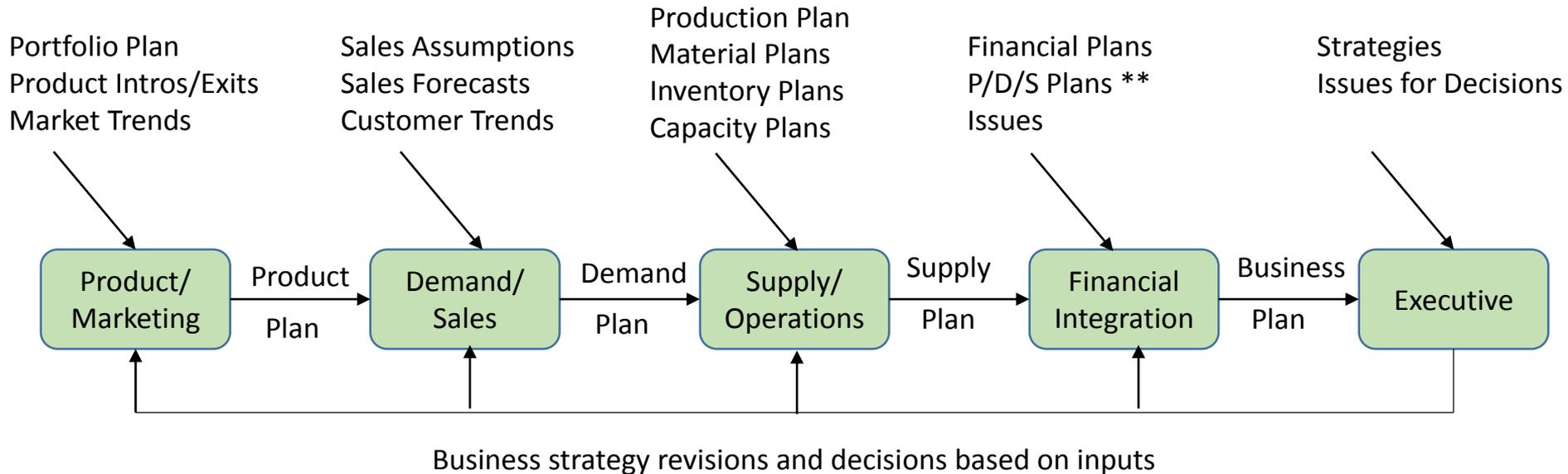
- To improve the financial performance of the organization
- To drive the organization with one strategic plan
- To integrate all organizational functions making the best decisions for the organization as a whole
- To improve transparency and communication across the organization

Some essential requirements are:

- Development of a product hierarchy from SKU to Product Family which can be aggregated at all levels and for the entire business.
- A planning horizon appropriate for the business
- A clear understanding of the vision, mission, and goals of the S&OP/IBP process
- A monthly cadence of meetings and processes leading up to the meetings
- A clear understanding of how decisions are made
- Executive leadership commitment and ownership of S&OP/IBP

Monthly Process

The monthly process can vary based on the goals of S&OP/IBP. Also exact days for meetings and attendance vary based on the requirements of the organization. Below is an example of a comprehensive process. Meetings are in the boxes showing major inputs.



** P=Product, D=Demand, S=Supply

Plans can change every month, therefore this is a continuous plan – replan process

Meeting Content

We recommend all meetings should have the same structure. The exact content for each of the agenda items needs to be developed. One caution is to ensure that the KPIs within a function or between functions are not in conflict. Each meeting should be attended by functional coordinator, functional executive leader, and relevant functional and cross-functional staff. Exact attendance to be developed in implementation plan.

| AGENDA ITEM | PRODUCT | DEMAND | SUPPLY | FINANCE | BUSINESS |
|--------------------|---|--|---|---|---------------------------|
| Executive Summary | Applies to all meetings. It should show the main focus of this month's meeting, any special topics covered, and decisions that need to be made. | | | | |
| Attendance | Applies to all meetings. Shows who needs to be there and who attended or sent a representative | | | | |
| Action Item Review | Applies to all meetings showing actions that arose from past meetings and status | | | | |
| KPI Review | Applies to all meetings showing KPIs, targets, past month and year to date results. Actions arise from KPIs that are missing target | | | | |
| Plans | Product launches, exits, future trends, projects | Consensus forecast = demand plan = request for product | Inventory plans, capacity plans, supply/demand imbalances and opportunities to resolve them | Financial plans based on new product/demand /supply plans | Business strategy changes |
| Decisions Made | Decisions that can be made at the meeting by those attending should be made and summarized. | | | | |