

Sales & Operations Planning

KEY S&OP OUTPUTS

Businesses around the world have adopted Sales & Operations Planning, or S&OP. It's a process for anticipating imbalances between supply & demand and taking action to resolve them. Done right, S&OP helps anticipate and prepare for risks that might befall the business. See Figure 1.

The output of the S&OP process is a high-level plan, typically looking out a year or more. Preparing for the monthly review meeting brings different teams together to reconcile the bulk of the known demand and supply issues.

Other important outputs of the process are less tangible. The senior participants in the final review meeting must make hard decisions, weighing critical risk and reward tradeoffs for the remaining supply and demand issues. By aligning on a common plan for the entire organization, they provide a compass for the smaller decisions needed to set the final plan in motion.

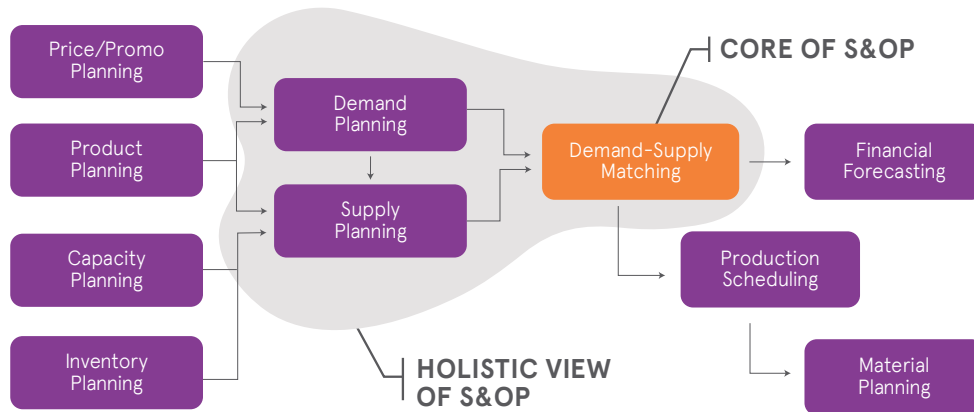


FIGURE 1
S&OP Process Overview

TIPS FOR SUCCESS

Any process can benefit by leveraging best practices. Here we highlight a few things to strive for with your S&OP process and a few to avoid.

USE SCENARIO PLANNING. Identify known risks, establish likely outcomes, and evaluate the expected consequences. Position assets so you can execute Plan B if Plan A goes awry. Some good decisions will have bad outcomes. Preparing in advance can make it easier to turn things around.

FOLLOW A PLAYBOOK. Anticipate common scenarios – big deals, say, or product launch delays. Then script your responses. Agree before the crisis how you intend to respond. When it’s go time, you’ll be ready.

AVOID ANALYSIS PARALYSIS. Don’t try to solve all the company’s problems at once. Know when to wait for more information and when to decide and act. You can’t know everything, so aim for “good enough” 80% solutions and let your teams work out the details.

RELY ON APPROPRIATE TOOLS. Use a hammer for a nail, not a piledriver. Simple and approachable tools will facilitate their use. Also, let participants participate. Engaging in real-time analysis stimulates participation and buy-in.

STAY OUT OF THE WEEDS. S&OP should take the long view. Solving near-term issues like the latest part shortage or hitting this quarter’s numbers are topics for another forum. If you need MRP-level detail for the S&OP discussion, you’re in too deep.

CASE STUDY

A successful consumer electronics company faced formidable competition from a rival’s breakthrough product. Planning discussions were derailed by unsubstantiated stories, anecdotes, and conjecture. The company’s response stalled.

Introducing a tool to use in the monthly S&OP review meeting broke the logjam. Objectively presenting the data for all to see enabled mature discussions about why views differed. The team formulated a consensus response. See Figure 2.

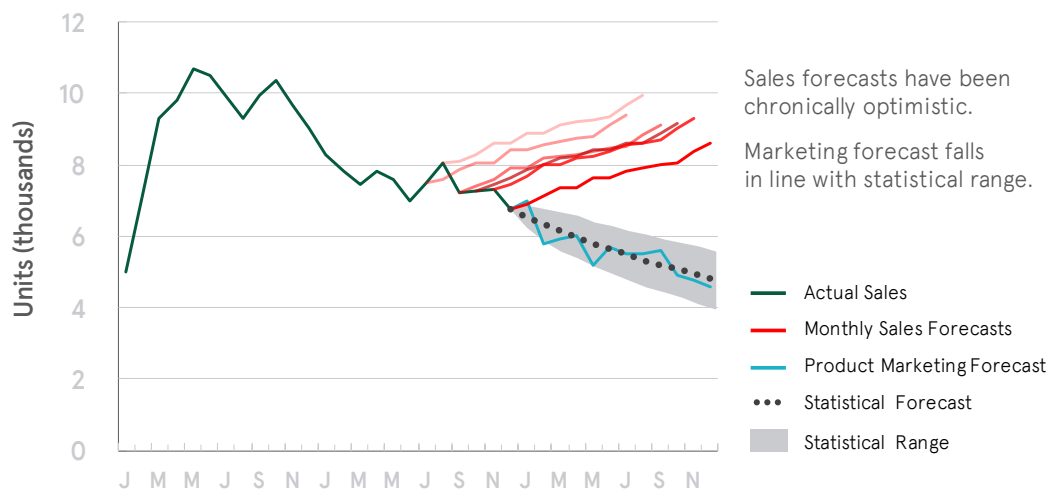


FIGURE 2

Data Visualizations
Provide a Reality Check



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