
Transformation Target – S&OP

You cannot control that which you don't measure.

You cannot manage that which you don't control.

Inability to manage properly creates waste!

S&OP Overview

Sales and Operations Planning (S&OP) is a formal business process that is used by an organization's leadership team to improve the organization's ability to create integrated monthly, quarterly and annual plans. The plan establishes a single version of the truth which drives the management of each department to understand their sources of demand and how to plan their resources effectively and efficiently.

By using the process correctly, the organization is able to launch initiatives that will reduce wasted time, human effort and cost while improving risk management.

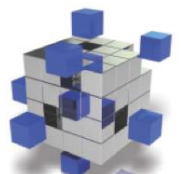
If you're thinking that S&OP can only be effective in manufacturing or distribution, you may be surprised to know that professional services organizations (law offices, accounting firms, etc.) have also adopted S&OP processes to improve their organizations.

- The goal of the monthly S&OP process is to have the five stages of the process completed, on a monthly basis, by the afternoon of the third business day of the fiscal month. Completion = The CEO of the organization signs off on the plan, and all continuous improvement initiatives that will be driven by the plan, before the end of business on the third business day of the month. Note: It normally takes a few months to hit this goal.

The S&OP Balancing Act

Although there are five primary drivers for S&OP planning, there are many supporting functions that are required to make it work effectively. The five primary factors are:

- 1 Forecasted demand by product or service family
- 2 Actual demand by product or service family
- 3 Current resources available to offset demand
- 4 Resources currently scheduled to arrive in time to offset demand
- 5 Total resource capacity within demand timefence



The term 'family' means that your organization groups products or services that utilize the same resources used to satisfy the demands of the individual products or services. For example, a professional services firm that I am familiar with has services that support for-profit business, non-profit business and individuals. These are 'service families' that have a number of types of services and specific types of resources that are required to offset the requirements of those families.

There are seasonality factors and general resources that can be involved in planning supply.

Needless to say, the information needs to be set up properly and, when needed, both timely and accurate in order to make this initiative work.

Support of the Implementation of S&OP

There are three primary areas that support the team that successfully implements S&OP:

- Information technology.
 - Integrated within all areas of your organization
 - Integrated with significant stakeholders of your organization
 - Has the ability to automatically generate the required information for several areas of the organization
- Human resources.
 - Senior management that understands what S&OP is, what it can do for their organization and the leadership required to make it work
 - The S&OP team that has the appropriate level of education in S&OP methodology and the types of continuous improvement methods that can be deployed as a result of issues arising from the S&OP analysis
- Organizational change management (OCM)
 - In order to improve both the S&OP process and the resulting initiatives, OCM leadership is a necessary component

Outcomes of the Implementation of S&OP

Other than the organization have much better competitive and financial results, one of the most interesting outcomes is that the CEO becomes very aware of teamwork factors with their management team and opportunities for improvement.

The One-Day Workshop

Emercomm offers a series of activities that results in a one-day session for executives and the immediate management team. The workshop itself consists of education and, based on some activities prior to the session, recommendations regarding Lean Management initiatives that would immediately benefit the organization. For more information, contact us at services@emercomm.com

