

January 2013

Sales & Operations Planning

Upcoming Events

- CAM-I First Quarter Meeting
March 11-13
Alexandria, VA
- APQC 2013 Knowledge Management Conference
April 29-May 3
Houston TX

People in the News

- Elaine Jones, recipient of the 2012 Robert A. Bonsack Award for her Distinguished Contribution in the Advancement of Cost Management
- Glenn Gilder promoted to Director of Sales and Operations for Logan Oil Tool
- Jon Gotte promoted to Senior Manager for Service Growth for Best Buy

For the last couple of years, the January edition of One Eighty has been devoted to Forecasting, Planning, and Budgeting processes that are broken and obsolete in most organizations.

The annual January message has always been the same: If you want to improve your forecasting, planning, and budgeting capability, **START NOW**.

This year the topic for January is Sales and Operations Planning (S&OP). Unlike budgets and often forecasts that are prepared once a year and cast in stone, S&OP is more of a continuous integrated business management process updated either monthly or quarterly.

S&OP begins with an updated forecast that leads to a sales plan, production plan, inventory plan, customer lead time (backlog) plan, new product development plan, strategic initiative plan, and resulting financial plan.

S&OP is best described as a set of decision making processes to balance demand and supply, integrate financial and operational planning, and to link high-level strategic plans with day-to-day operations. Done well, the S&OP process enables more effective supply chain management.

The business goals of S&OP include determining the balance between supply and demand, avoiding wasteful production, improving top line revenues, and optimizing resources for production.

S&OP starts by understanding that competitors, customers, suppliers, markets, and unforeseen events have the most impact on sales and operations planning and are uncontrollable by management. Continuously outdated sales forecasts and operations plans is a basic S&OP requirement.

The S&OP focus is on more information, less data. Another key is clean, current, credible, and accurate data. Plans are often slowed down by the effort of gathering data of minimal importance. Asking the question “what business problem are we trying to resolve” will dictate the minimum data required.

S&OP is more an integrated set of business processes and technologies than a single, all-encompassing process or technology. The results and value of S&OP is driven by the executive and leadership teams that take actions to achieve focus, alignment, and synchronization among all functions of the organization.

This year take our advice, START NOW to improve your forecasting, planning and budgeting capability...

John A. Miller