

Why Is Sales & Operations Planning So Hot?

By Tom Wallace
SCDigest Contributing Editor

"Tom, S&OP is the hottest strategic issue I've seen in years," stated Dave Caruso, a Vice President at business research firm AMR. That agrees with how lots of people see it. Many, many companies today are jumping on the Sales & Operations Planning (S&OP) bandwagon.

Why? After all, S&OP has been around for quite a while: about 20 years. What's causing this sudden surge in interest? Well, there are several reasons:

One is the very fact that it has been around for 20 years or so. Thus its current popularity conforms to what I call the *process adoption curve*. This says that there is a 15 to 25-year lag between the development of major new processes and their widespread adoption.

Think about it. MRP was invented shortly after 1960, but didn't really gain momentum until the early '80s. Total Quality also got its start in the '60s and didn't get big until the mid- to late-80s. Just-in-Time came over from Japan in the late 1970s but it's taken until recently for it to become very popular as Lean Manufacturing. Ditto for Six Sigma.

Another reason S&OP is so hot is its power as a *coordination tool*. As such, it's very different from tools to increase reliability (Total Quality, Six Sigma, and so on). Further, it's different from tools to reduce waste and time (Just-in-Time, Lean Manufacturing, and the like.) S&OP's job is to help people deal with complexity and change.

Here are two questions for you: If a business is very simple, and if things rarely change, does it need S&OP? I doubt it. Whatever coordination and forward planning is required can probably be done on the back of an envelope.

The second question: have you seen many companies like that lately? I haven't. This is the 21st century; change is a way of life. Further, despite the wonderful simplicity that Lean provides, most businesses are becoming more complex, not less.

S&OP can help greatly to manage in a complex, rapidly changing environment. Complexity is increasing – due in part to global sourcing, off shoring, and extensive use of contract manufacturers. Change is accelerating, due in part to demanding customers such as you and I who want quicker response, more product variety, and the next big thing sooner not later. Companies are turning to the powerful coordination tool known as S&OP to help them cope with this complexity and change.

A third reason for S&OP's popularity: the sizeable benefits realized by companies using S&OP well. We'll talk about those in the next edition of Supply Chain Digest.

About the Author

Tom Wallace is a writer, educator and consultant specializing in Sales & Operations Planning, Sales Forecasting, Demand Management and Resource Planning. An independent consultant since 1972, he is currently a Distinguished Fellow of The Ohio State University's Center for Excellence in Manufacturing Management. He can be reached at www.tfwallace.com.

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PO BOX 714
Springboro, OH 45066
937-885-3253
info@scdigest.com
www.scdigest.com