

Sales & Operations Planning – The Bang for the Buck

By Tom Wallace
SCDigest Contributing Editor

One reason why so many companies today are implementing S&OP concerns the *benefits* it provides. When companies get excellent results from S&OP, people feel good about it. They tell their friends in other companies; the word gets around.

Executives who use it become true believers in the process. As they move from one division to another or from one company to another, they take S&OP with them. They believe it's too good not to use.

Let's look first at hard, quantifiable benefits, which include:

- ❑ higher customer service
- ❑ lower finished goods inventories
- ❑ shorter customer order backlogs, hence shorter lead times
- ❑ more stable production rates, hence higher productivity
- ❑ shorter supplier lead times
- ❑ reduced obsolescence
- ❑ reduced premium freight costs

Just for the record: these are real world results, not blue sky. I'm currently working on a new book, *Sales & Operations Planning: Best Practices*, due out in about six months. It's a compilation of the actual experiences of over a dozen companies that are leading edge users of S&OP, and they are reporting the benefits cited above.

One of the soft (non-quantifiable) benefits is **better teamwork**. If you implement S&OP in your company – and do it right – you will experience enhanced teamwork at both the executive level and with operating management. The increased teamwork results from the holistic view of the business provided by S&OP. Here's a quote from the president of a major U.S. based pharmaceutical company: *"This process enables my staff to see the business through my glasses."*

Another soft benefit: **greater control of the business**. A vice president/category general manager in a leading consumer packaged goods company stated: *"Before we had S&OP, I used to spend lots of time turning knobs that weren't connected to anything."* What he meant was that the decisions he made at his level may or may not get translated down to the real world: the plant floor, the customer order department, the shipping dock, and so forth. This gentleman went on to say: *"It's a lot better now; S&OP connects the knobs."*

And another soft benefit: S&OP provides **a window into the future** and thus **enhanced decision making**. It's uncanny, but executives and managers in companies with S&OP can see future changes in demand sooner than they could before. They have more time to respond and thus can manage more proactively. A CEO, at the conclusion of a pivotal Executive S&OP meeting where some very major decisions were made, turned and said to me: *"Tom, when I think back to a year ago, before we had S&OP, I wonder how we were able to run the business without it."*

Coming up in the next issue of Supply Chain Digest: the future of S&OP. What will it look like in five years or so?

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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For more information, contact SupplyChainDigest at:

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