

SALES and OPERATIONS PLANNING

Executive Perspective

What is preventing an effective S&OP Process?

Executives are concerned

The question about Sales and Operations Planning was recently asked of a number of executives by an industry research organization. Many executives expressed frustration and concern over their seeming inability to continuously and effectively manage Sales and Operations Planning in their companies. Lost revenue, poor customer service, higher inventories and increased manufacturing costs are the result.

Vital asset management

That frustration is understandable considering the importance of Sales and Operations Planning as a critical process to optimizing revenue, inventory and customer service objectives and to effectively using manufacturing resources and the entire supply chain. And Sales and Operations Planning would be a positive driver of better and better overall performance if the numbers could be influenced and managed better.

What's the big obstacle?

Why is Sales and Operations Planning such an intractable problem? After all, more time and talent has probably been directed to production and inventory management than most other business subjects in the past 40 years. Shouldn't we know by now how to do Sales and Operations Planning right? Many companies do, however, at least, 60% or more of manufacturing companies have an ineffective S&OP process.

Yes, but management must initiate change.

The fact is, we do know how to manage a Sales and Operations Planning process. Workable processes, principles and techniques can be developed for manufacturers, but few companies practice Sales and Operations as well as they could and should. And like everything else, the ultimate responsibility for initiating improvement resides with top management.

What do you need to do?

A strong mandate is needed, not just an edict.

First, you must **mandate** it's no longer business as usual. Without clear visibility of determination on the part of top management, the habits and practices of those responsible for demand and supply management are not likely to change for the better. However, just a flat edict to lower the inventory or give better customer service won't do. The executive mandate must be an informed directive, pointing to a better way of managing. And that means that you must become better informed about how a more effective Sales and Operations Planning process can improve business outcomes.

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Use a structured process.

No, you don't have to become an expert. But you do need to know enough to realize that there are many approaches to structure an effective process for Sales and Operations Planning and to insist that proven principles and techniques are used by educated professionals in your company. You need to know that computer technology now makes it possible to apply the best analytical and modeling techniques for optimization of sales, production, customer service and inventory mix and deployment will substantially improve supply chain performance.

Develop a structured method of managing.

But you must take the initiative and mobilize your leadership team for the important second imperative, which is to **develop a structured methodology** for Sales and Operations Planning to replace well-intentioned, but ineffective, practices now being used.

Make improvements permanent.

You must be sure you make **permanent changes** in the way Sales and Operations Planning is managed. There is nothing in business more temporary than a major process improvement forced by a management edict. Don't risk a relapse. Make the changes stick. To make improvements permanent, you will need to institutionalize them in the organization through effective process, measurement, training and accountability. Figure out what you have and what else you need to get control of the vital numbers once and for all.

In summary, there are three imperatives for top management in order to radically improve Sales and Operations Planning:

- First, mandate positive change – it has to come from the top;
- Second, develop a structured Sales and Operations Planning process – you have to know something about the state-of-the-art; and,
- Three, make your process improvements permanent – this may take some investment, but it will pay off dramatically.

Take the first step

We know very well how to develop and implement an effective Sales and Operations Planning process. But the initiative to start must come from you.

Should you want to discuss your situation with us, please telephone Mike Donovan at 727-474-5455 or email him at rmd@rmdonovan.com.

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