

Business success:

Why a robust Sales & Operational Planning process is essential for your business

The objective of any business is to increase profit year-on-year, underpinned by a business model that answers the key questions:

- 'What will we sell?'
- 'To whom will we sell?'
- 'How will we operate?'
- 'How do we produce an adequate return for our investors?'

Sales & Operational Planning (S&OP) is at the heart of all of these questions, as it essentially provides a common communication process for senior management to coordinate the various planning activities and to produce an overall business plan.

Here are 4 ways that S&OP can help your business:

1. Increasing Profit & Productivity

S&OP should be top of the senior management agenda. It provides important visibility of the critical interactions between Sales, Marketing, Production and Finance/Procurement. If actual inventory levels do not agree with planned inventory level, it's either a Sales and Marketing problem (the products didn't sell according to plan) or a problem with the demand management activity (the wrong individual items were made). Too much or too little inventory can severely affect profit.

Functional Integration and collaboration are key...

2. Ensuring Better Collaboration

Better integration between functional areas is one of the major benefits of S&OP, as it enhances communication and trust. Once collaboration between the top levels of the functional areas is established, it can be translated into detailed plans that are in line with top level objectives. This results in a set of common goals, improved communication and transparent systems. Employees that understand their role and purpose feel more >>

engaged, passionate, innovative, and committed. Their focus is on serving the organisation, rather than just their job or their function.

Without S&OP, the job may get done, but at a cost. That cost may be a result of excess inventory, poor customer service, excess capacity, long lead times, panicked operations, or poor response to new opportunities. Decisions may be made with no guiding policy other than “get it out as best we can”. The annual budget cycle won’t, if not tied to S&OP, be consistent and could well be out of date within weeks or months. An effective S&OP process can help to remove these challenges.

Customer loyalty may also be affected...

3. Maintaining Customer loyalty

Happy customers are those who receive exceptional standards of service.

If, for example, your demand planners understand the S&OP process and are aware of likely sales, production capacity and inventory, they can assess whether products can be produced in sufficient quantity to meet customer demand and inform the Sales and Marketing effort.

This is just one example of the powerful ability to shape demand, which can only come after demand planners collaborate with Production and Sales and Marketing which helps you...

4. Plan for the future

We live in rapidly changing times. Consider that, in a single generation, businesses have had to adapt to entirely new marketing channels (web and social), decide how to invest in and utilize new technologies, and compete on a global stage — things that were barely imaginable to our parents’ and grandparents’ generations. S&OP can bring structure and focus but may mean a major change in the organisation. The change involves establishing the framework for S&OP, getting the right team together, participating in the process and strategy. Strategy is about change, a plan of action to get there and a framework for taking that action.

Strategic design of a business is tough. It’s important to be both nimble and nuanced; nimble to change course when required quickly, nuanced by applying knowledge, skills and experience to do so brilliantly. The most successful companies nuance the experience of their staff, leverage it to be adaptive and responsive to change, and deliver sales strategy as a core competence.

View the S&OP process as a planning and change process instead of scheduling process. This will seem obvious to many, but in companies without an S&OP process, you can be >>

forgiven for viewing S&OP as simply a means to produce a certain volume by certain dates, when it is so much more. This way, the company goes beyond simply producing a defined amount, and starts thinking strategically to maximise profit. Remember that the operation plan is not a forecast, but a managerial statement of desired production output.

Reviews of performance against sales and operations plans are needed to prompt re-planning when necessary. Overall, the company must consider continuous improvement to be an important ingredient in further improving the S&OP process. A successful, supply chain focused company, views S&OP as a journey, not a destination! ●

ABOUT US:

The Supply Chain Academy is part of a large group driven by experienced supply chain professionals, meaning we are led by the needs of business. Our delivery is communication driven and focused on collaborative, sharing and comparing methods, which includes learning from our peers and sharing of best practice.

We are the only worldwide learning resource centre that focuses solely on the subject of supply chain. We provide a range of educational services for business leaders and executives, delivering collaborative best practice supply chain experiences and solutions from world class facilities.

*We promote **Intrapreneurial thinking** and develop **T-Shaped Leaders**.*

*An **intrapreneur** is an individual that behaves like an entrepreneur, while working within an organisation. Intrapreneurs take new ideas and turn them into profitable new realities, through assertive risk-taking and innovation.*

*A **T-shaped leader** has depth and breadth of knowledge and skills. They will typically be an expert in at least one field but also have capabilities and a good understanding of the entire supply chain.*

We have developed a [strategic S&OP course for senior leaders](#) and believe every position from finance to operations/productions should go on this programme to develop their understanding of the end to end process.

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