



Sales & Operations Planning: the human factor as the critical success factor

Written by Alain Beerens

Warehouse efficiency and transportation costs were in the not too distant past the first places to focus on for means to realize logistical savings or to improve customer service; however, today the spotlight has shifted to Sales & Operations Planning (S&OP).

S&OP relates to a set of internal organizational company processes and - techniques which enables a company to respond to fluctuations in supply and demand. According to S&OP philosophy, these decisions are taken in a timely and data-driven manner. For these purpose, demand forecasts are translated into concrete production- or distribution plans. Within the plan, customer demand, production and financial means (under which inventory falls) are balanced to reach an optimal and integral distribution plan.

S&OP is not just regarded as the responsibility of the supply chain department in successful organizations; but instead, all departments must be proactively involved. As is often the case, besides logistics, the sales & marketing and the financial department are also especially concerned with S&OP. S&OP must match the strategic goals of the overall organization. For example, if a company were to have a market strategy aimed at customer service (On-Time-In-Full), S&OP decisions would need to be aligned to achieve this particular strategic objective. This means, there would need to be a common commitment to the additional costs related to higher levels of safety stock. S&OP guarantees deliberate decision making.

S&OP implementations are all too often initiated to improve customer demand forecasts, and as is frequently the case, the use of specific IT-systems is no stranger. However, this should never be a goal in itself. S&OP is not a "technical" improvement, but a way of working that enables all elements of an organization to both communicate more effectively and to better handle deviations from earlier plans.

The implementation of an effective S&OP process is therefore based on three pillars:

1. An adaptation of the organizational structure, by which the S&OP planner holds a neutral position (not integrated within the production or sales & marketing departments). Moreover, this position should have direct sponsorship on an executive level. S&OP decisions require courage in that they can directly oppose individual interests.

2. The design, implementation and securing of new business processes and communication structures. This includes aligning functional descriptions for all business disciplines with the integral S&OP philosophy. In general the S&OP process is according the structure below.



3. Having an IT-system or even an S&OP plan is not enough. The ultimate success is determined by the discipline of the people involved throughout all management levels. An S&OP therefore must be reflected within the Key Performance Indicators (KPI's). By design, these KPI's and S&OP should be part of personal evaluations and bonus schemes. For example, a sales manager should not just be compensated on the turnover, but also on the margin and quality of his customer demand forecast.

Thus, the success of any particular S&OP process is determined by humans rather than information technology. Understanding the supply chain issues of other departments is often a first step in the process of improvement.

For further information please contact Alain Beerens, Principal Consultant & Partner
Tel: +31 (0)76 533 04 40 / +31 (0)6 5025 2832 or e-mail: [Alain Beerens](mailto:Alain.Beerens@groenewout.com). For additional information on Groenewout's services, please visit www.groenewout.com.



Alain Beerens is Principal Consultant & Partner with Groenewout Consultants & Engineers. He is responsible for the supply chain management consulting group. Before joining Groenewout, Alain worked in the field of logistics & supply chain management for St. Gobain and JD Edwards. Alain has led major designs and redesigns of European supply chain concepts for numerous multinationals such as Ideal Standard, AvayaTenovis, Syngenta, Canon, JohnsonDiversey, Ciba, AstraZeneca, Nestlé, Solectron and Philip Morris. He has a Masters degree in Industrial Engineering & Management Science from Eindhoven University of Technology with a specialization in International Distribution Logistics. Alain obtained a CPIM certification in 1999. In 2008 Alain was awarded a position in the TOP 25 supply chain Consultants in The Netherlands, as published in the Supply Chain Magazine December 2008.