

Introduction

This is a book that needed to be written.

As one of the most important business processes of the last twenty years, "Sales and Operations Planning - S&OP" sounds like something every company is already doing - and probably doing well. Yet while it is certainly true that most manufacturing companies are doing something with S&OP, just what they **are doing** generally falls far short of what they **could be doing**, or what they thought they would be doing when they launched into it.

For some companies S&OP is mostly "forecasting", for others it's mainly production scheduling and monthly meetings. For some it's detail, for others, high level numbers for management. For those disappointed in the results from S&OP, some attribute it to S&OP being "just another layer of meetings, without any real decision-making." Others blame it on the lack of leading edge software tools.

At the start they're hopeful, but eventually they scoff at the possibility of an S&OP process that fosters cross-functional communication and consensus based decision-making. They no longer see it as the magical link between demand and supply, between the sales people and the manufacturing people, between strategy and tactics, between optimistic objectives and real business results.

As time goes by, the range of definitions and opinions grows. So too the need for a clear understanding of what S&OP is truly about.

Although there has been an increasing amount of material on the subject - books, articles, and instructional videos - there's a real shortage of information from, or about, the best users of this management communications and decision-making process. There are literally hundreds, if not thousands, of companies who have achieved ever increasing benefits from the use of S&OP. So the real challenge is to understand the keys to their success.

How We Got Started Telling Their Stories

Our colleague Tom Wallace saw it first. Having contributed several important texts to the field, including one of the most recent on this subject¹, he wanted to "hear more

¹ *Sales & Operations Planning: The How-To Handbook, 2nd Edition* by Thomas F. Wallace, T F Wallace Company

from the frontlines". We've always believed that the best way to guarantee success with any new process or method is to learn from those that have done it well. And for Tom and for us, that meant going back to the best practitioners to document their methods and practices.

People who know us won't really be surprised by the approach. We've been helping companies improve their performance - reduce inventory, increase productivity, reduce cost, improve cross-departmental communications and decision-making- for thirty years now, and our method has always been the same: learn from the best and pass it on. The real "state of the art" in our field, and we suspect others, is driven by practitioners, not by consultants, not by academics and not by software suppliers.

So in early in 2004 Tom recruited one of the authors (John) to organize the effort and do the bulk of the work in organizing the research and writing the book itself. At John's request, Tom agreed to help with the writing, in addition to contributing two model companies for the case studies.

Later, because of shifting priorities, Tom had to drop off the writing team, and was replaced by the other author (Chris). We owe Tom a debt of great gratitude for his overall contribution to this book: helping launch it, contributing two significant case studies to the content, as well as the writing that he did to help us move the manuscript along towards publication.

How We Arrived At These Model Companies

It all seemed pretty simple at the beginning. Identify ten or fifteen of the "best" S&OP users in the world. Send them a questionnaire. Get it back. Write a chapter for each company and then a couple of chapters with "Lessons Learned". Done in a couple of months - a year on the outside. Sit back and wait for the applause.

Needless to say, there was a lot more work than anticipated - and all of it took significantly longer than expected.

First was the problem of identifying the best practice companies. Our strategy was to ask our most trusted colleagues for their clients who did the best job with S&OP. These are all leading consultants in the field - people we have worked with and who have established credentials in getting S&OP successfully operating in companies around the world. We contacted over twenty different individuals, asking each of them to nominate one or more model companies. In the end, about a dozen consultants contacted nearly twenty different companies about the project.

As you might expect, the next problem was to get the companies to participate in the project. For several, the problem was that some of the information was perceived to be confidential. In other cases, it was even worse (or better) - those companies felt that

S&OP was one of their key competitive advantages. Not wanting to give away the corporate "jewels", they bowed out before we ever got started. A few were just too new to the process and felt uncomfortable that it had not yet been sufficiently institutionalized. In a couple of cases, once excellent S&OP users had slipped in performance, recognized it, and chose not to pretend that they were operating at a "best practice" level of performance.

But we did end up with thirteen excellent examples of how S&OP should work. These unselfish companies felt that they had benefited from the experiences of companies before them, and now wished to "pay it back" to other companies. (But to be honest, we think they were all justifiably proud of what they'd done and wanted to show it off a bit!)

How We Got Their Stories

Generally speaking, the information that the companies provided is not publicly published anywhere else - the only place you will find it is in this book. But nothing falls into the category of "highly confidential" - you'll find no secret formulas, detailed business strategies, organizational charts, or other company confidential information.

What you will find is an explanation of how S&OP and supporting business processes work at each of the companies - information provided by them, reviewed by them and then validated by them. It isn't just our idea of how it *should* work; it's their description of how S&OP *actually does* work for them.

Initially we sent a detailed questionnaire to each of the thirteen companies, gathering information in the categories listed on page xi and xii above.

The initial responses from the model companies were reviewed and critiqued by the consultants who nominated them. Each of them played a major role in collecting the company information and, even more importantly, making sure we understood it properly. They were the primary point of contact with the model companies, and they provided color commentary on the most interesting aspects of the company and how it uses S&OP.

When one of them would say "you really need to check this out" or "you need to get more detail in this area because what the company is doing is really different", it was a major advantage in getting the full story. We certainly owe them a debt of gratitude for the work they put into this book.

As a final step in this process, each of the thirteen companies reviewed the appropriate sections of the final manuscript to ensure that all the facts were accurate, and that their

story was clearly told.²

What Can The Best Practice Companies Teach You?

This is really the point of the book - how can your process be improved based on the experiences of these model companies. Here are a few of the things that you may find in this book that will help you:

- How to describe the benefits of the process to help enlist the participation of executive management, as well as key players from sales and marketing, engineering, finance, manufacturing, materials and logistics.
- How to ensure decisions are made at the appropriate organizational level
- Strategies for integrating S&OP with supporting, detailed processes like MPS and forecasting
- The proper approach for using S&OP in make-to-stock, make-to-order, finished-to-order and design-to-order environments
- The best way to integrate new product development processes with S&OP
- How to deal with various configurations of downstream, demand-side sales and distribution channels, and various upstream, supply-side configurations of plants, suppliers, co-producers, etc.
- How S&OP works best with lean manufacturing and/or TQM/6 Sigma
- How you can structure a process that is truly global, one that works well in the often complex, sometimes matrix organizations of global companies
- In general, how to make the S&OP process more effective and more efficient

² One company, Unicorn Medical Products is a real corporation, but this is not their real name. They were a full participant in this project, provided us with all the necessary data, and were kind enough to review and verify the information being published about them. However, they have also asked that their real name not be used in the book. Respecting their wish to remain anonymous, some of the descriptive data about the company - annual sales dollars, number of employees, number of plants and locations - has been somewhat changed to disguise their identity. However, none of the information about their basic business processes has been modified.

Your Job Versus Ours

We put a lot of work into this book. But in the end our job was easy - we asked questions, we listened, we assimilated and organized the answers, and then we wrote it down and passed it on.

Your job is significantly more difficult.

You must listen and interpret - without getting confused by the differences between companies - taking advantage of the similarities to see how these concepts apply to your situation. Then you have to convince your colleagues and management to implement the concepts in a way that may be different from what they were originally thinking. Having done that you reach the really critical part -making the changes to actually improve how you manage your business through S&OP, with significant benefits the result.

We believe this book can be a valuable tool to assist you in this difficult work ahead and we send you our sincerest wishes that you too will join the ranks of the sales and operations planning best practice companies.

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