

# 8-4-3-1 Approach to Successful S&OP

October 20, 2010



## The 8-4-3-1 Approach to Successful S&OP Design and Implementation

John E. Boyer, Jr.  
J. E. Boyer Company, Inc.

www.jeboyer.com  
jeb@jeboyer.com  
(801) 721-5284

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## Objectives



- 8 - S&OP Process Steps
- 4 - Keys to Success
- 3 - Phases of Design and Implementation
- 1 - Key Champion's Role

**39 Slides**

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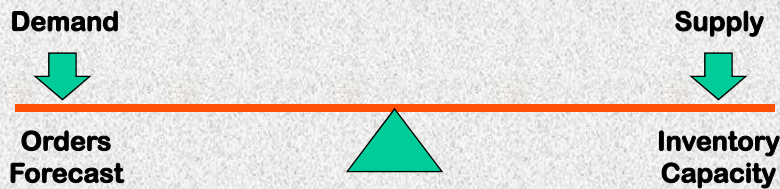
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## Sales & Operations Planning



### Top Management's Handle on the Business

*It is the activity for effectively balancing demand and supply on a regular and formal basis.*



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## S&OP Objective



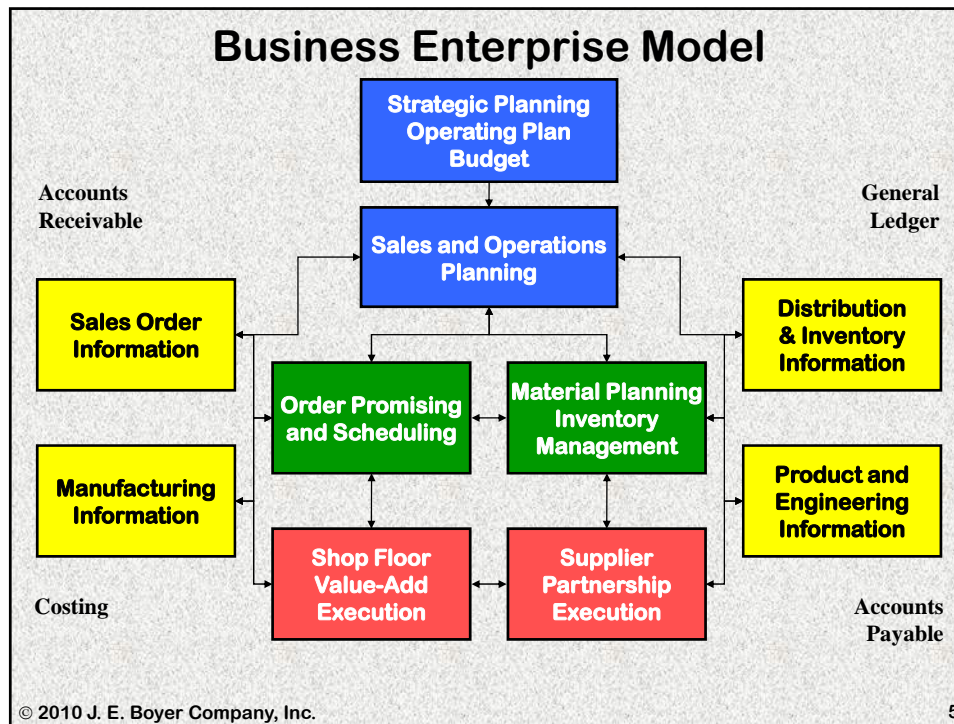
The objective of S&OP is for the top management team to reach agreement on booking, shipment, and production rates; backlog and inventory levels; and capacity requirements in terms of units and/or dollars by product family (new and existing) on a monthly basis through an appropriate planning horizon. All detailed planning must derive and flow seamlessly from this plan.

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## Questions Addressed by S&OP



- Does the rate of demand support the business plan?
- Will shipments provide planned revenue?
- What is the plan, impact, and risk of a new product?
- Is the backlog at the desired level?
- Should inventory be increased or decreased?
- *What is the rate of output at each plant by line?*
- How many people are needed?
- What long-lead time materials need attention now?
- Is additional capital equipment required?

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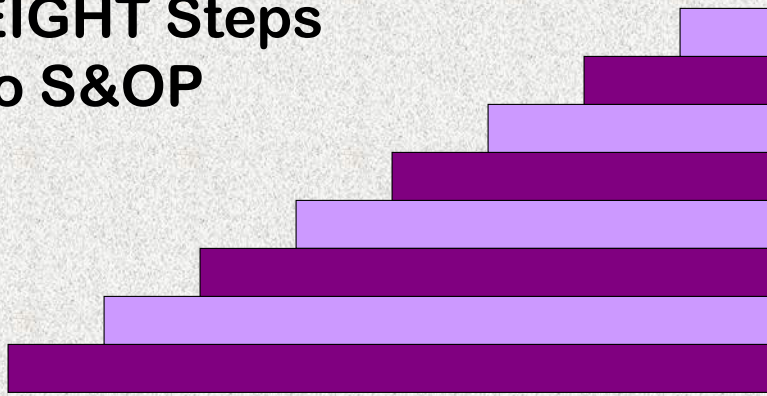
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## EIGHT Steps to S&OP



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## Throughout the Process ....



- The basic questions:
  - What are we going to do?
  - What did we do?
  - Why the difference?
  - What are we going to do about it?
  - What are we going to do in the future?
- Basic accountability:
  - Who is doing the asking?
  - Who is being asked?


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## S&OP Process Steps




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<u>Performance</u>	<u>Demand</u>	<u>Supply</u>
<b>Month-End Actuals S&amp;OP Coordinator Day 1</b>		

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## Report Actuals



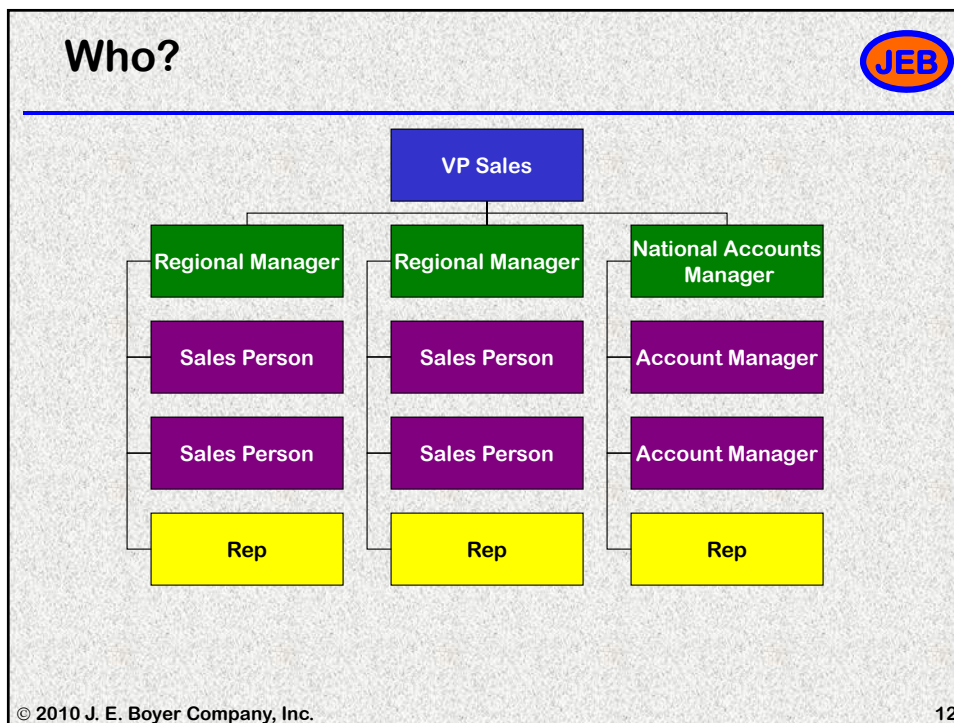
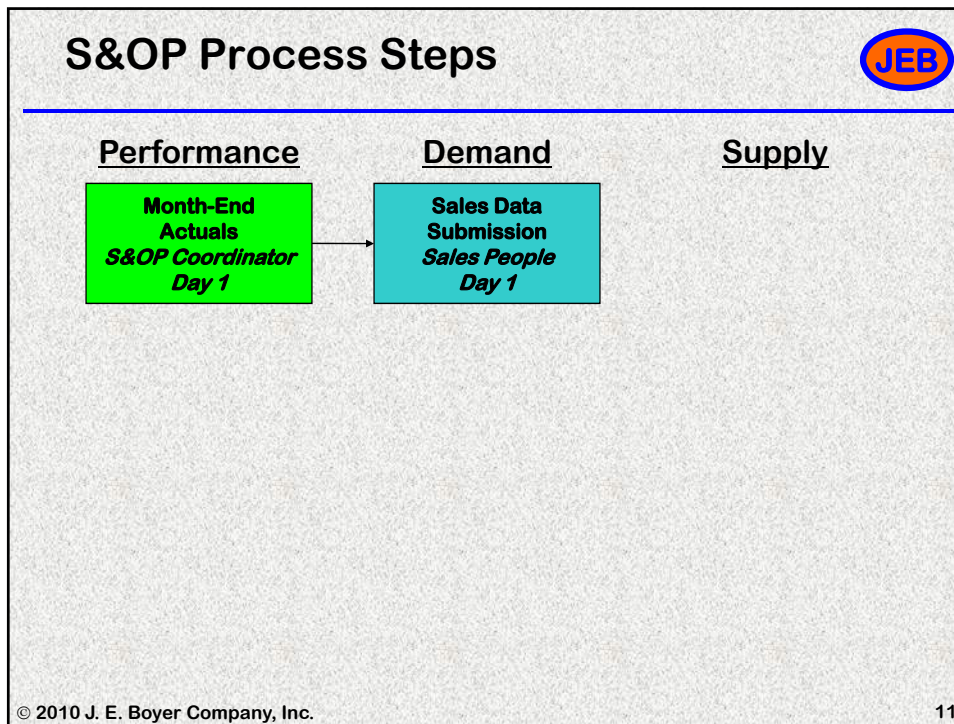
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- At the close of business on the last day of the period, run these reports:
  - Bookings, shipments, production (range)
  - Backlog, inventory (cutoff issues)
- Make sure the cutoff is clean!
- Two things are required:

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## The Call for Data



- The basic question:
  - What are we going to sell?
- Bookings or shipments?
- Units or dollars or both?
- What about ASP?
- Should backlog be included?
- How far into the future? Buckets?
- How often is the forecast updated?
- How do new products fit in?
- What is the level of detail and hierarchy?
  - Product group? Product line? Class? SKU?
  - Manufacturing line/cell? Customer? Rep?



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## #1 Enabler



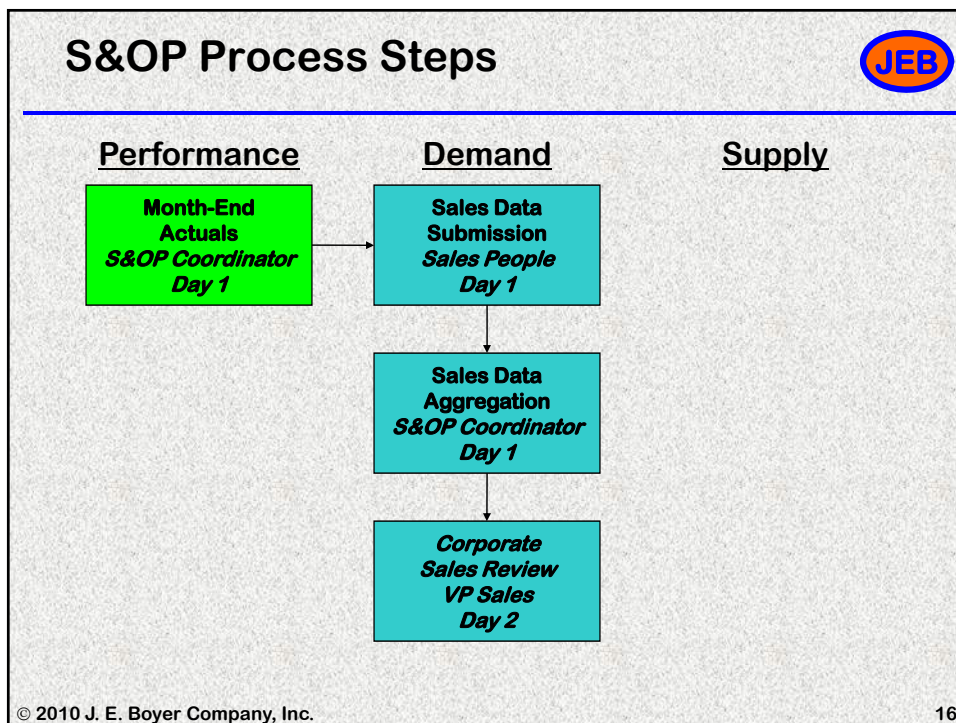
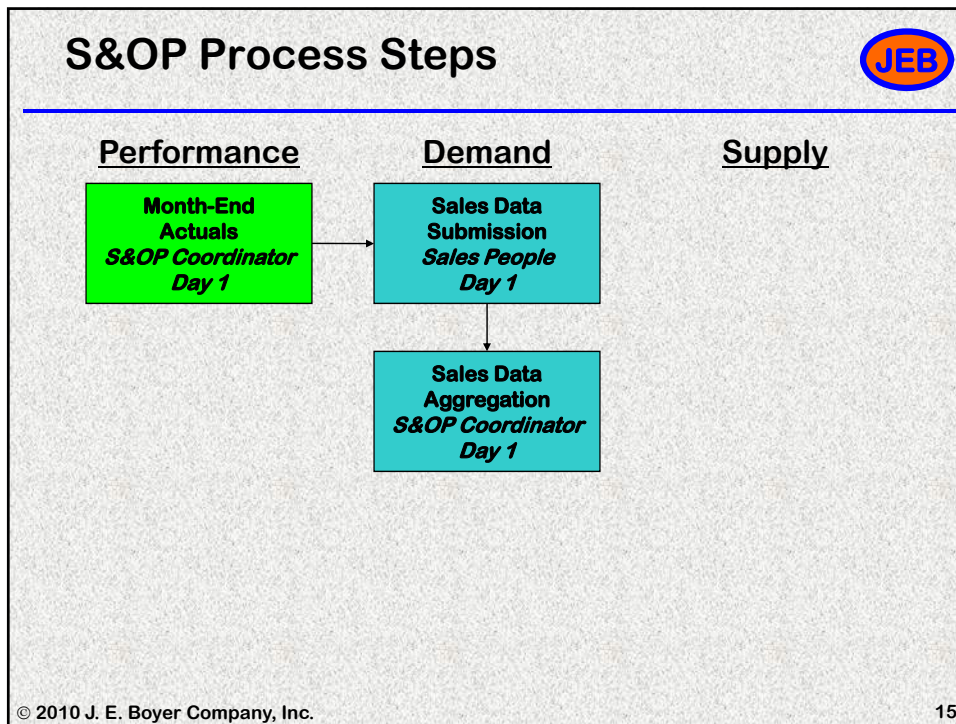
# Fit-For-Use Data!

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# 8-4-3-1 Approach to Successful S&OP

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## Corporate Sales Review

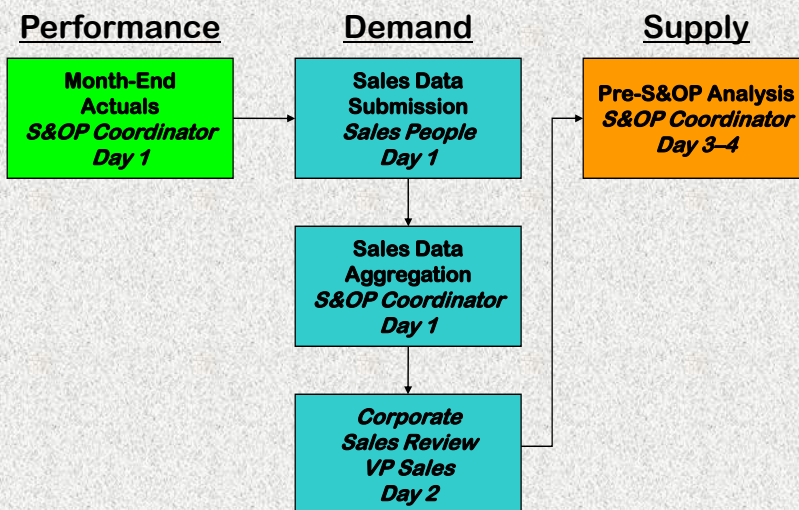


- Who:** VP sales (chair)  
Regional sales managers  
Business unit managers  
S&OP coordinator
- When:** Day 2, 1:00p.m.–3:00p.m., conference room
- How:**
1. Review sales performance by person, customer, product
  2. Review 6–12 month sales forecast
  3. Review action items
- What:**
1. Updated sales (shipment) plan in the appropriate detail
  2. Related assumptions

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## S&OP Process Steps



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## Pre-S&OP Analysis



- Evaluate sales impact on backlog, shipments, finished goods inventory, and supply (production and buy to resell).
- Conducted by operating management:
  - Plant managers, master scheduler, order administration, material planners, buyers, and the S&OP coordinator.
- Completed on days 2 and 3.
- Develop alternative plans.

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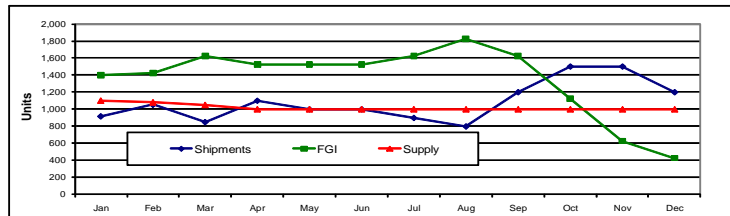
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## The S&OP Document



Product C - S&OP - Any Company, Inc.

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Bookings	Units	1050	900	825										
	Dollars	\$231,000	\$198,000	\$181,500										
Backlog	Units	400	246	221	200	21								
	Dollars	\$88,000	\$54,120	\$48,620	\$44,000	\$4,620								
Shipments	Units	918	1,054	850	1,100	1,000	1,000	900	800	1,200	1,500	1,500	1,200	13,022
	Dollars	\$201,960	\$231,880	\$187,000	\$240,000	\$220,000	\$220,000	\$198,000	\$176,000	\$264,000	\$330,000	\$330,000	\$264,000	\$2,862,840
	Bus Plan	\$200,000	\$200,000	\$200,000	\$250,000	\$250,000	\$250,000	\$200,000	\$200,000	\$300,000	\$300,000	\$300,000	\$300,000	\$2,950,000
FGI	Units	1,400	1,426	1,626	1,526	1,526	1,526	1,626	1,826	1,626	1,126	626	426	
	CGS	\$224,000	\$228,160	\$260,160	\$244,160	\$244,160	\$244,160	\$260,160	\$292,160	\$260,160	\$180,160	\$100,160	\$68,160	
Supply	Units	1,100	1,080	1,050	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,230
	Plant 1	600	580	600	600	600	600	600	600	600	600	600	600	
	Plant 2	400	400	450	400	400	400	400	400	400	400	400	400	
	Plant 3	100	100	0	0	0	0	0	0	0	0	0	0	



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## S&OP Document Content Outline

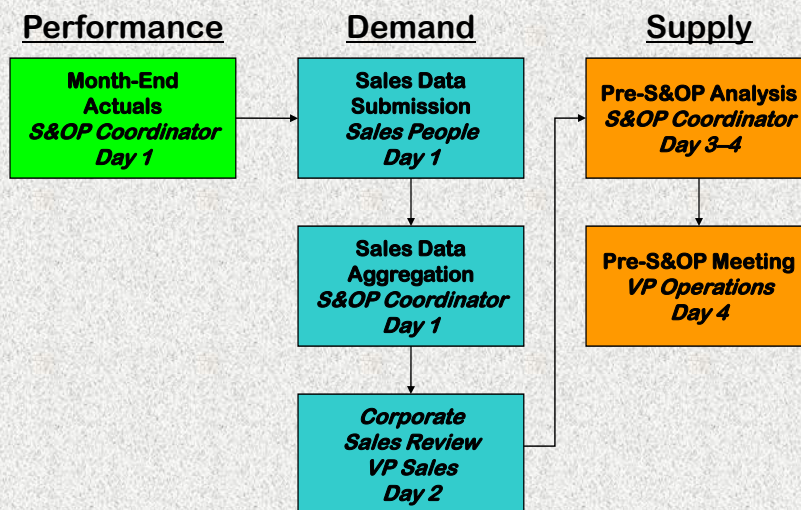


- Cover
- Top-tier performance
- Bookings
- Backlog
- Sales performance
- Sales forecast
- Assumptions
- Pass-on-pass
- FGI
- Supply
- Plant (page for each)
  - Capacity
  - Line rates
- Was-Is
- Charts
- Executive summary

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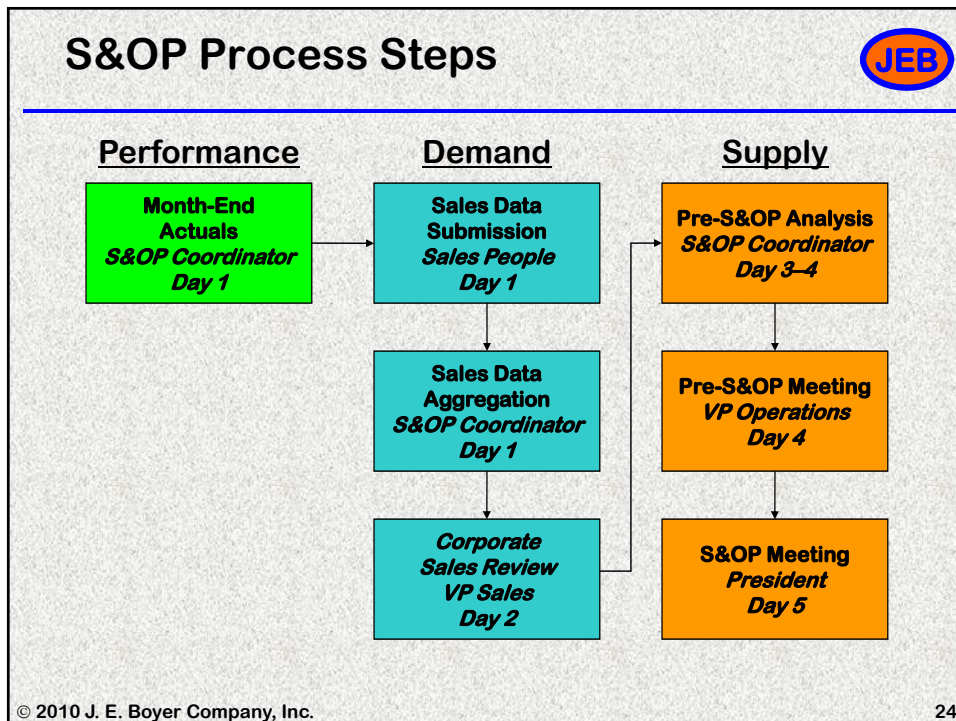
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## Pre-S&OP Meeting

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<b>Who:</b>	VP operations (chair) Plant managers Materials manager Purchasing manager	S&OP coordinator Supervisors Planners/buyers Inventory managers
<b>When:</b>	Day 4, 2:00p.m.–4:00p.m., conference room	
<b>How:</b>	1. Review performance: supply, inventory, cell, on-time shipment 2. Review 6–12 month outlook: supply, inventory, cell rates, material and capacity issues 3. Review action items	
<b>What:</b>	1. Plant supply rates by line/cell 2. Inventory positions	

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## S&OP Meeting

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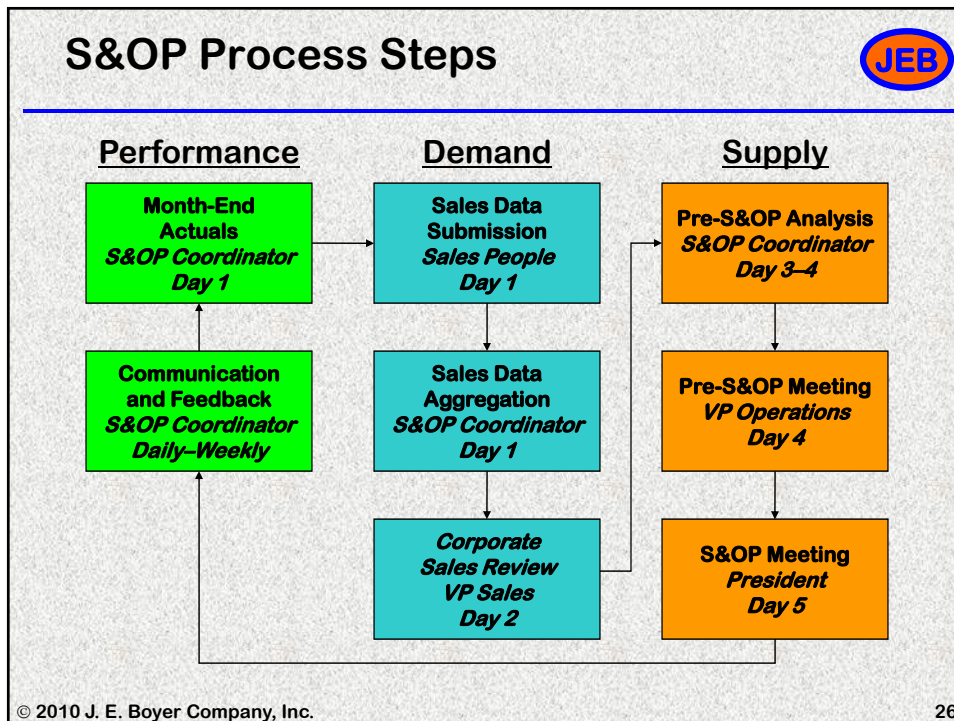
**Who:**      President (chair)                      S&OP coordinator  
                  VP sales/marketing                      VP operations  
                  VP finance                                      VP materials  
                  VP engineering                              VP human resources

**When:**      Day 5, 1:00p.m.–3:00p.m., conference room

**How:**        1. Review performance:  
    sales, production, finished goods, backlog  
    2. Review 6–12 month outlook:  
    sales, production, finished goods, backlog  
    (new and existing products)  
    3. Review action items

**What:**        1. Plant production rates by line/cell  
    2. Sales plan (U & \$) tied to financials  
    3. Backlog and inventory positions

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### Communication



- S&OP coordinator's job.
- All affected people must have access!
- Complete S&OP document:
  - Performance review
  - Outlook by product family
  - Plant run rates by line
  - Action items
- Timing is one hour after the meeting.
- Must have actuals available in a fit-for-use condition as the month progresses!

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## FOUR Keys to Success

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# Show Up

## (Accountability)



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## S&OP Calendar



Period End	Wks	Period Actuals Joe Smith	Sales Data By Noon Jim Brown	Sales Review 1:00-3:00 Jim Brown	Pre S&OP 2:00-4:00 John White	S&OP Meeting 1:00-3:00 Bob Jones
31-Jan	5	3-Feb	3-Feb	4-Feb	6-Feb	7-Feb
28-Feb	4	3-Mar	3-Mar	4-Mar	6-Mar	7-Mar
28-Mar	4	31-Mar	31-Mar	1-Apr	3-Apr	4-Apr
2-May	5	5-May	5-May	6-May	8-May	9-May
30-May	4	2-Jun	2-Jun	3-Jun	5-Jun	6-Jun
27-Jun	4	30-Jun	30-Jun	1-Jul	3-Jul	7-Jul
1-Aug	5	4-Aug	4-Aug	5-Aug	7-Aug	8-Aug
29-Aug	4	2-Sep	2-Sep	3-Sep	4-Sep	5-Sep
26-Sep	4	29-Sep	29-Sep	30-Sep	2-Oct	3-Oct
31-Oct	5	3-Nov	3-Nov	4-Nov	6-Nov	7-Nov
28-Nov	4	1-Dec	1-Dec	2-Dec	4-Dec	5-Dec
26-Dec	4	29-Dec	29-Dec	30-Dec	5-Jan	6-Jan

S&OP Coordinator <b>Joe Smith</b>	Sales and Marketing Sue Williams Jack Kemp Marvin Alred Wally Unseld Mary White <b>Jim Brown</b>	Sales and Marketing Sue Williams Jack Kemp Marvin Alred Wally Unseld Mary White Joe Smith <b>Jim Brown</b>	Production and Materials Wendy Ward Joe Vecheck <b>John White</b> Randy Urbana Sue Williams Joe Smith	Top Management <b>Bob Jones</b> John White Jim Brown Joe Smith Gary Pike Vince Winter
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# Flawless Data



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## Two Aspects to the Document



**Steak**

**Stake**



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## Saels reView



Sales	Q1	Q2	q3	Q4	Totle
Joe	320456	453857	537243	374854	1686410
Ralph	23954.00	73649.00	48594.00	38764.00	184961
Susan	635243	948373	374632	836434	2794682
Deb	63745	69685	48365	49865	231660
Total	1043398	1545564	1008834	1299917	4897713

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## Sales Review



<u>Sales</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Total</u>
Joe	\$320,456	\$453,857	\$537,243	\$374,854	\$1,686,410
Ralph	\$23,954	\$73,649	\$48,594	\$38,764	\$184,961
Susan	\$635,243	\$948,373	\$374,632	\$836,434	\$2,794,682
<u>Deb</u>	<u>\$63,745</u>	<u>\$69,685</u>	<u>\$48,365</u>	<u>\$49,865</u>	<u>\$231,660</u>
Total	\$1,043,398	\$1,545,564	\$1,008,834	\$1,299,917	\$4,897,713

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# One-Plan Process



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# Top Management

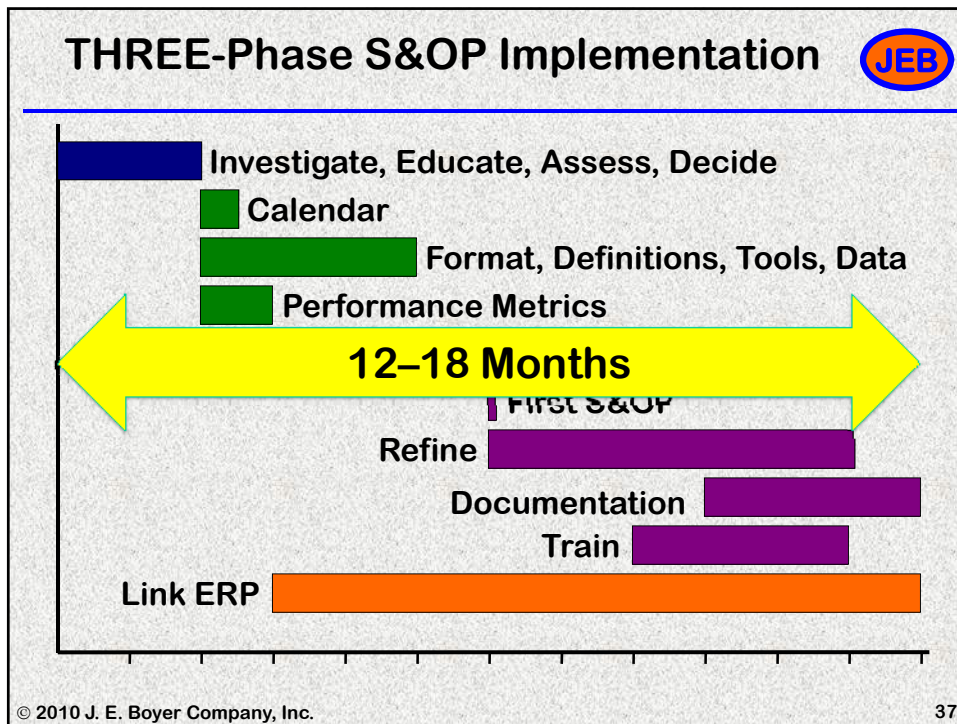


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### The ONE Champion's Role

- Show up!
- Learn it!
- Set the expectation that S&OP is NOT optional!
- Participate heavily in the design phase.
- Must be in an authority position.
- Lead ... lead ... lead ....

**Have  
Courage**

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Questions?

Comments?