

hawkeye planner



WHY IS SALES & OPERATIONS PLANNING IMPORTANT?

Sales and Operations Planning (aka S&OP, aka SIOP, aka IBP) is an idea that has been around for many years. The primary concept is to integrate planning through a series of monthly meetings. Although S&OP is established at most large companies many people have not realized the full benefits of the process. However, changing market dynamics and low-cost sourcing lead times are driving the importance of S&OP. Here are five reasons why S&OP is important and how it helps a business to run smoothly:

1. S&OP develops one plan through an open forum

The most important role of S&OP is to insure that all functions are working from the same plan. Different functions will use the plan in different ways, and the plan may even be modified slightly (for example, the Demand Plan may not be reported verbatim in a Financial Outlook). However, every group has visibility in the integrated plan. More than that, each function has a voice and can give feedback to the plan before decisions are made.

2. S&OP charts expected business performance

With an integrated plan in place, current business performance can be matched with future business performance to understand a full year picture. Key Performance Indicators show actual and projected performance. Also, financial projections are essential to show how the monthly S&OP outlook compares to the Annual Operating Plan (AOP).

3. S&OP highlights both risks (to mitigate) and opportunities (to capitalize on)

Each function develops a part of the total business plan. At the same time, each function should also raise both risks and opportunities. Risks, once known, can usually be mitigated or lessened. Opportunities are often overlooked, but if they are identified and seized upon, they can secure revenue and profitability.

4. S&OP performs cross-functional trade-offs

S&OP is the only process that examines cross-functional trade-offs. Without integrated planning, each function will naturally optimize locally.

With integrated planning, solutions are assessed through multiple perspectives. With alternatives that can be reviewed on a total revenue, cost, or profit basis, the optimal solutions are apparent.

5. S&OP communicates the plan to management

Every business plan has risks. Invariably, some risks will manifest themselves and become potential problems. By running a healthy S&OP process, an integrated set of plans and associated risks are presented to management, who is the true audience of the process. The leadership team needs the “best-thinking” recommendations of their teams, but ultimately management owns the plan.