

A practical guide to understanding
& implementing Sales & Operations Planning

The art of sales & operations planning



*Discover a powerful decision-making platform
that drives the world's best organisations*

Business Integration Evolution

Given all the benefits of Business Integration, it is not surprising that many companies commence the journey. However, one of the mistakes we often see is companies diving into a Business Integration implementation and trying to implement all the “bells and whistles” of an advanced model, without the supporting infrastructure and culture.

To assist in the implementation, and how to prioritise where to deploy scarce resources, described below are the three stages of business evolution, which all businesses need to pass through. Some move through the stages very quickly, but some never get out of Stage One. Suffice to say, you cannot get to Stage Three without starting at Stage One, and moving through Stage Two.

Figure 1: Evolution of Business Integration



Stage One

The top of the first stage is one where the business can effectively express and gain control over the tactical plans and horizon, i.e. being confident that the next two-to-three months of demand, sales, production, cash flow, and people plans, are valid. At the bottom of this level however, the business is characterised as being in a state of crisis and chaos, driven by a high level of informal processes and decisions. People are thrust into a “do-your-best” culture, with as little education as , “give

things a go and if they work, keep doing them”, or “just follow what your predecessor did and you’ll be fine.” The problem with this is that knowledge is either held by individuals (who often do not want to give it up because of power and security considerations), or is old and out-dated knowledge. Consequently, in this environment there is precious little time or desire to acquire knowledge and learn about best practices or benchmarking against the best-in-class companies to strive for excellence and improvement.

This type of environment is what we call people dependant, i.e. people are making it up as they go along. This is not to say we have bad people, it just means that without structure, people are resourceful and will get the job done – it just may not be as effective as it could be.

With regard to systems, even in companies that have purchased the best possible enterprise resource planning (ERP) systems, at the bottom of Stage One, there will be an uncoordinated proliferation of spreadsheets, whiteboards, memos, and E-mails. Spreadsheets in themselves are not bad, but when they are used to hold fundamental data to operate the business, it exposes the business to errors and multiple sets of numbers. In one organisation with about 1,000 employees, a systems review team found that they had nearly 80,000 data holding spreadsheets, with about 9,000 still active. The question is, “How do you control all that data?” The answer is, “You don’t.”

To get to the top of Stage One, resources need to be allocated to people development, process definition, and systems support, in terms of getting core plan alignment for the next three months. The important thing to note is that you cannot get into Stage Two unless you have Stage One worked out, and you can’t get to Stage Three until you’ve got Stage Two worked out. It is therefore truly a prioritisation and resource-allocation model.

To re-cap on what Stage One looks and feels:

- *The tactical horizon is being effectively planned and executed for core plans, i.e. demand, supply, inventory, and financial*
- *People will be familiar with, and using, best approaches such as demand control, master production scheduling (MPS), material requirements planning (MRP), and short-term (three months) cash-flow projections*
- *People and processes will be supported by basic MRP systems to generate one set of plans and numbers for the next three months that everyone follows*

The business however still has a limited horizon. , It will find it difficult to manage more operational activities, such as innovation, budgeting, CapEx, recruitment of key roles, and any other longer-term initiatives.

Stage Two

Stage Two evolves from tactical-execution management, to being capable of expressing and managing the “operationalisation” and execution of the AOP. The business is confident of being able to meet budget without too much “fudging”. This stage requires cross-functional integration and decision-making processes to express and effectively manage our trajectory to the AOP. Typically, the forward horizon for core plans is a rolling 18-24 months, with people routinely using best approaches to innovation and renovation, forecasting and demand management, rough-cut resource planning, and longer-term cash-flow analysis.

Stage Three

Stage Three is the most exciting stage, because if the business is effectively managing at Stages One and Two, it can now focus more vigorously and purposefully on the strategic horizon and achieving its strategic goals. It requires a collaborative approach, both internally and externally, with connected value chains, processes and technologies, to support expression of strategy. In a business operating at this level, if you were to review the tactical plans, the annual projections and the strategic plans, you would find they would all be congruent and synchronised from top to bottom. Not because everything is held static, but because there is an effective change-management and decision-making structure that does not allow changes to occur without assessing, integrating, and correcting the impact on the three levels of planning.

To support this, each of these stages requires a specific Business Integration model, and as you might expect, each level builds on the one before it (but more on this later).

Key Note

Even though systems are important in delivering the right information to support the Business Integration process, systems in isolation, will not deliver the evolutionary progression. Evolution to more advanced stages is a consequence of people’s knowledge and application, and process integrity – technology and systems facilitate but we believe are subservient to these higher outcomes.