

Sales & Operations Plan: Definitions

Original definition of S&OP “SALES AND OPERATIONS PLANNING is the process with which we bring together all the plans for the business (customers, sales, marketing, development, manufacturing, sourcing and financial) into an integrated set of plans. It is done at least once a month and is reviewed by senior management at an aggregate (product family) level. The process must reconcile all supply, demand and new product planning at both the detail and aggregate level and over a horizon sufficient to develop and reconcile financially the Annual Business Plan. A typical Sales and Operations plan will therefore project at least 18 months into the future. It may be longer in order to adequately plan new product launch, long lead time material planning and manufacturing capacity planning.” (Source: Dick Ling 1984)

“Sales and Operations Planning is a set of decision-making processes that balance demand and supply, integrate financial and operational planning, and link high-level strategy to ongoing, day to-day operations.” (Source: **Sales and Operations Planning Institute**)

“A process to develop tactical plans that provide management the ability to strategically direct its business to achieve competitive advantage on a continuous basis by integrating customer focused marketing plans for new and existing products with the management of the supply chain. The process brings together all the plans for the business (sales, marketing, development, manufacturing, sourcing and financial) into one integrated set of plans. It is performed at least once a month and is reviewed by management at an aggregate (product family) level. The process must reconcile all supply, demand, and new product plans at both the detail and aggregate levels and tie to the business plan. It is the definitive statement of the company’s plans for the near to intermediate term, covering a horizon sufficient to plan for resource and to support the annual business planning process. Executed properly, the sales and operation planning process links the strategic plans for the business with its execution and review performance measurements for continuous improvement.” (Source: **APICS dictionary**)

“Using the Integrated Business Planning Process to create one company Agenda, align your planning processes with the business strategy over a 24 to 36 months horizon, with full product portfolio management and financial integration, to ensure the organization is working to a common agenda and single set of numbers.” (Source: **Ollie Wight**)

“Sales and operations planning is a critical process to help businesses become more demand driven. Orchestrating – demand sensing and conscious trade-offs for demand shaping to drive an optimized demand response. The New Five-Stage S&OP Maturity Model - Stage 1: React, Stage 2: Anticipate, Stage 3: Integrate, Stage 4: Collaborate, Stage 5: Orchestrate.” (Source: **Gartner Model**)

« Sales and Operations Planning is the integrated business planning process that provides management the ability to strategically direct its businesses to achieve competitive advantage on a continuous basis by integrating customer focused marketing plans for new and existing products with the management of the supply chain. » (Source: Dick LING 1995)

DDS&OP is a bi-directional tactical reconciliation hub in a Demand Driven Adaptive Enterprise (DDAE) Model between the strategic and relevant ranges of decision making. DDS&OP sets key parameters of a Demand Driven Operating Model (DDOM) based on the output of the

Adaptive S&OP process. DDS&OP also projects the DDOM performance based on the strategic information and requirements and various DDOM parameter settings. Additionally, DDS&OP uses variance analysis based on past DDOM performance against critical metrics (reliability, stability and velocity) to adapt the key parameters of the DDOM and/or recommend strategic changes to the business. (*Source: Demand Driven Institute*)

Adaptive Sales and Operations Planning is the integrated business process that provides management the ability to strategically direct its businesses to achieve competitive advantage on a continuous basis by the protection and promotion of return on investment. Product innovation, customer focused marketing plans for new and existing products, operations strategy and the financial strategy are managed on a continuous basis by an integrated reconciliation team to enable the company management to sense, adapt and innovate successfully across the supply chain. (*Source: Dick Ling & Demand Driven Institute*)

What has changed vs. what is the same with the S&OP process in a Demand Driven Environment?

Not Changed

- Strong Portfolio Management and New activities process
- Integrated Reconciliation process
- Strong Financial Integration
- Documented assumptions
- Driven by Senior Management

Changed

- More focus on aggregate planning rather than SKU forecasting
- DDS&OP process
- Bidirectional process which enables company to become adaptive utilizing an adaptive engine inside the DDOM