

“The Chicken or the Egg”

Does the Master Supply (or Production) Schedule emanate from the Sales & Operations Planning process or is the S&OP process a review of the Master Scheduling process?

The answer to this question may unlock the mystery of why so many Sales & Operations Planning implementations fail to provide the expected benefits and therefore fail altogether.



All Texts, APICS and most consultants profess that a Sales & Ops Planning process “creates” a Master Supply Schedule by “disaggregating” family supply plans via a pre-determined product mix ratio. This implies that existing customer orders are ignored along with detailed, product-level, forecasts in the hope that the pre-determined product mix assumptions will “cover” what the market is actually asking for. Tier one ERP software systems support this approach and the general teaching and belief is that the process is performed monthly.

The real world facts are actually different. The Master Supply Schedule is actually a living document, updated frequently, usually weekly and sometimes daily, according to incoming customer orders and forecasting revisions. A Master Supply Schedule exists in every company right now, whether formally or informally and whether a Sales & Operations Planning Process is in place or not!

It must take a leap of faith for a company to commit itself to create a Master Supply Schedule by an entirely different method. Especially when they believe, rightly or wrongly, that the existing method appears to be quite satisfactory, and a big pile of money (usually on consultancy) is to be spent doing it. This is not to mention the risk that the mix could be wrong and that a solid commitment is necessary to keep it right.

To the average manager it just doesn’t seem to be worth it, and, in many cases those that attempt it get lost in the process and abandon the project before completion. Who can blame them?

The truth is that Sales & Operations Planning is logically simple and immensely worthwhile if carried out pragmatically with a specific value-add outcome in mind.

Aggregating the Master Supply Schedule at frequent intervals in terms of dollars, or tonnes, or cubic metres, (or planted acres if you are a farmer), allows

management to look over the planners shoulders. Not with a spy glass but through a “helicopter view” to gain an idea of the resources need to either fund the commitment or provide whatever resources may be needed, i.e. if those resources are available.

This makes the process of Sales & Operations Planning simple and valuable and, most of all, incredibly easy to implement.

The challenge of placing three lines on a graph for each family and in total representing.....

1. The forecast
2. The planning response to that forecast
3. The resultant inventory or backlog

.....is miniscule compared to the challenge, cost and risk described at the head of this paper and subscribed to by even the most notable consultancy firms, and not to mention APICS!!!!

Justifying the implications that could be drawn from those three lines may take managers and practitioners to all corners of their organisation, *but only if warranted.*

The other great fallacy about S&OP is the need for meetings. Debate rages about whether the process requires four or five “Pre-Sop” meetings preceding the final sign-off meeting! The mandated attendance of managers from all departments guarantees that, at any one time, only two or three people will have an interest in the topic being discussed and the rest will be checking emails on their palm pilots! Full attention will only be gained when the meeting degrades into a shortage meeting - as they always do - and all managers become focused in order to ensure that they are not implicated.

Successful implementations rely on an experienced practitioner, usually the planning manager, to facilitate discussion and even negotiation on the issues identified by the three lines on the graph. The final sign-off meeting is then only to summarise the outcome and to endorse the agreed supply plan, 45 minutes tops. (Doughnuts will be needed however!)

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