

EVERYONE ON THE SAME MAP

A field guide to sales and operations planning for manufacturers

"Unless a decision has 'degenerated into work,' it is not a decision; it is at best a good intention."

– Peter Drucker, *The Effective Executive* (1967)

Most manufacturers already hold a monthly meeting where sales, operations, and finance look at the same numbers and disagree about them. Sales and operations planning turns that meeting into decisions. APICS defines it as a process for developing tactical plans that let management strategically direct the business: one plan, one set of numbers, on a rolling 18-to-24-month horizon, owned by the whole leadership team. Without it, every function plans to its own number. The hard part isn't knowing what S&OP is. It's ensuring the decisions in that room change what happens everywhere else.

FIELD STORY

I spent a year deploying an ERP at a manufacturing facility, only to watch a barely functional Sales and Operations Planning process sideline it. Born in a high-growth stretch when demand outpaced supply, the meeting built the entire production plan off operations leaders' commitments, line by line down an Excel sheet: "we can do 5," "we can do 12." The problem wasn't S&OP itself. It was that decisions made in that room never became part of the system that ran the business. We hadn't built a feedback loop between planning and execution. We'd built a second planning system.

MILE 1 • TRAILHEAD

One Set of Numbers

Stop reconciling three forecasts

MILE 2 • MIDPOINT

One Monthly Cadence

The same five reviews, every month

MILE 3 • SUMMIT PUSH

One Decision Forum

Leadership decides, not just reviews

01 Find Yourself on the Map

There are two versions of this problem, and they need different first moves. Pick the column that sounds like you.

You have no S&OP today

- › The forecast lives in a spreadsheet one person maintains
- › Capacity problems surface on the floor, not in a meeting
- › Finance's budget and the operations plan don't reconcile
- › Expedite freight and overtime are routine, not exceptions
- › The horizon is however far the current backlog reaches

YOUR FIRST MOVE

Build the frame before you build the forecast. Work the Getting Started sequence in order: sponsor and families, then owners, then one rough cycle. Do not buy software first.

You have S&OP, but it isn't working

- › A demand review with an audience, but nobody commits
- › Sales presents a number no one is measured against
- › The agenda is last month's variances, not next quarter
- › The plan is rebuilt at SKU level and drowns in detail
- › No decision reaches the ERP, so nothing ever changes

YOUR FIRST MOVE

Don't restart. Repair. Move the demand number to sales, add the missing reconciliation session, shift the agenda from last month's variances to next quarter's calls, and confirm last cycle's decision actually reached the ERP.

02 The Five Reviews

The cycle has five monthly reviews, the same five whether you call it S&OP or Integrated Business Planning. It is not a single meeting where all these reviews are conducted in real-time.

- › **Product review:** Product management and R&D open the cycle: what's launching, what's being retired, what engineering changes could impact planning.
- › **Demand review:** Sales owns the demand plan, not simply the order book. Review the unconstrained demand in units and revenue, the forecast of sales you are expecting but aren't under contract yet, and the customer's *true needs* in cases where customers can live with smaller quantities at later dates than what is in their PO.
- › **Supply review:** Operations answers with capacity, materials, labor, and outside processing against that demand. Rough-cut capacity planning compares the unconstrained demand against resource, material, and Outside Processing (OSP) capacities to identify the gaps.
- › **Integrated reconciliation:** The cross-functional planning team, not executives yet, lays the supply and demand plans side by side and develops options to resolve them. The output is a set of recommendations and an agenda, not a final decision, which gets carried into the executive meeting.
- › **Management and Financial review:** Leadership picks options and commits.

Committing is not finishing

The S&OP process owner takes the final decisions and communicates them to every function they touch. They ensure it gets written into the system before the next cycle starts. KPIs and metrics get updated accordingly so performance against commitments can be measured.

Plan at the family level if possible

S&OP typically plans in product families instead of thousands of individual parts because family-level forecasts hold up and single-item ones don't. If your product line is narrow enough to forecast every SKU accurately, plan it that way; the family approach earns its keep once SKU counts get high. Either way, your buyers work a level further down, sourcing the materials and components on each item's bill of materials. What matters is that their numbers trace back to the plan you approved and get checked against it every cycle. Manufacturers who carry too much SKU detail into the executive meeting spend the hour on part numbers instead of decisions.

The demand review is where you push back

Owning the demand number means testing it, not simply relaying whatever customers ask for. Chronic over-commitment teaches customers to inflate future orders as a hedge against delivery risk, a bullwhip effect that makes every later forecast less dependable. The question to answer before the number leaves the room is not how to deliver it, but whether the commitment should be made at all.

03 Where the Trail Washes Out

The process is not hard to describe. It is hard to sustain, and it tends to fail in a small number of predictable ways.

- › **Leadership sponsors it but doesn't run it:** One of the most common causes of failure. Middle management can assemble the information, but only executives can authorize the trade-offs.
- › **Nobody owns forecast accuracy:** If no one is measured on it, the forecast is a wish.
- › **One number, no range:** A single forecast reads as certain when it's really a guess with the uncertainty hidden. Plan worst-case, expected, and best case instead, so leadership can see the risk and decide what to hedge against.
- › **Too many metrics:** Ten to fifteen KPIs, tracked openly. Hundreds of measures produce a report nobody reads and no shared definition of good.
- › **The meeting looks backward:** Time spent explaining last month is time not spent deciding about next quarter. Review variances briefly, then look forward.

- › **Assumptions go undocumented:** Six months on, the plan has changed three times, and nobody remembers why. Capture the assumption behind each number so the organization can learn from a miss instead of repeating it.

The one that sinks most implementations

Sales must own the demand number and be measured on it. Many other failures are recoverable. This one is structural. If operations builds the forecast because sales won't, you have not built S&OP. You have built a supply plan with a guess at the front of it, and the monthly meeting becomes a negotiation over whose guess was less wrong.

04 Where the Plan Meets the System

S&OP is not created by an ERP module. It is a decision-making discipline, and no module confers accountability or cadence. A company that buys an S&OP module before naming a demand owner has bought a place to store a forecast nobody owns. But the two are meant to feed each other, and the relationship runs in both directions.

What the ERP owes S&OP

- › Shipment history, backlog, and open orders: the demand baseline
- › BOMs, routings, and work center capacity: what the supply review argues with
- › Purchased lead times and real inventory positions, current enough to trust
- › Rough-cut capacity planning, which most manufacturers already license but have no idea how to use
- › A product family field in the item master, owned and maintained, not a spreadsheet that drifts

What S&OP owes the ERP

- › The agreed demand plan, loaded as the forecast that drives the master schedule
- › Revised planning parameters: lead times, safety stock, order policies, lot sizes
- › Capacity changes the plan assumed: added shifts, new work centers, outside processing
- › Planning bills updated when the family mix moves
- › The decision and the assumption behind it, recorded where the next planner will find them

The divergence problem

Watch what happens two quarters in. The team starts planning in spreadsheets because that is where the S&OP model lives and quietly stops trusting the ERP. Meanwhile the system keeps generating schedules from a forecast nobody has updated, planners override them by hand, and the company now runs two plans that disagree. The test of a working process is simple: *could a planner who missed every S&OP meeting still schedule correctly from the system?* If not, the decisions never landed anywhere that executes them.

If you are mid-implementation

Don't launch a full S&OP cycle during go-live. That's too much change at once. But design for it during the implementation because the prerequisites overlap almost exactly: defining product families, cleaning BOMs and routings, fixing lead times, and settling who owns which master data are all work the implementation needs anyway. Launch the process a quarter after stabilization, when there is finally one source of data to plan from.

05 Getting Started

You do not need clean data, a forecasting tool, or unanimous buy-in to run a first cycle. Start with *what you have*. Let the first cycle show you what needs to be fixed.

Already running a process? Treat the first two steps as an audit rather than a build.

WEEKS 1-2

Name a sponsor, define the families

Name an executive sponsor who can authorize trade-offs and attend the monthly meeting, about two hours a month once running. Group your products into planning families that share a demand pattern and a production route, then pick one to pilot. Have finance review the family structure and reconciliation approach before the first cycle runs.

WEEKS 3-4

Name three owners, not three departments

A demand owner in sales who will be measured on forecast accuracy, a supply owner in operations who can speak for capacity, and a process owner who holds the calendar and the agenda.

MONTH 1

Run the five reviews for your pilot family

Run the five reviews from Section 02 (Product Review, Demand Review, Supply Review, Integrated Reconciliation, Management and Financial Review) for the pilot family, as five short meetings inside one week. Use the spreadsheets you already keep, and state openly where the numbers are weak.

MONTH 2

Run it again, and write it back

A second cycle with the same pilot family. Load the agreed demand plan as the forecast driving the master schedule, and update the lead times, safety stocks, and capacity assumptions the plan depends on. This write-back happens every cycle from here forward.

MONTH 3

Expand to the next family

Add a second product family to the process, using the same five reviews and the same owners. Widening one family at a time keeps problems contained to what the team is ready to manage.

EVERY CYCLE

Measure against the plan

Compare actual results to the plan at month-end and at quarter-end: sales, production, and inventory against what was committed. This is the discipline that keeps the next cycle honest.

MONTHS 4-6

Push the horizon, and keep widening

Push the horizon out to 18-24 months, long enough that capital, tooling, and hiring decisions land inside the planning window instead of arriving as surprises. Add forecast accuracy, schedule adherence, on-time delivery, and inventory turns: ten to fifteen measures, no more. Record the assumption behind every decision and continue adding families as each one proves out.

START THIS QUARTER

Waiting for clean data, an accurate forecast, and the right software is how companies spend three years not having an S&OP process. Run the first cycle this quarter with spreadsheets and named owners. The gaps it exposes are your real implementation plan.

A map nobody agrees on is just a drawing. Get everyone on the same one, then start walking.

Trail Guide can help. We've walked this trail.

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