

S&OP

Sales & Operations Planning

IBP

Integrated Business Planning

Planning Cycle & Framework Summary

May 2020

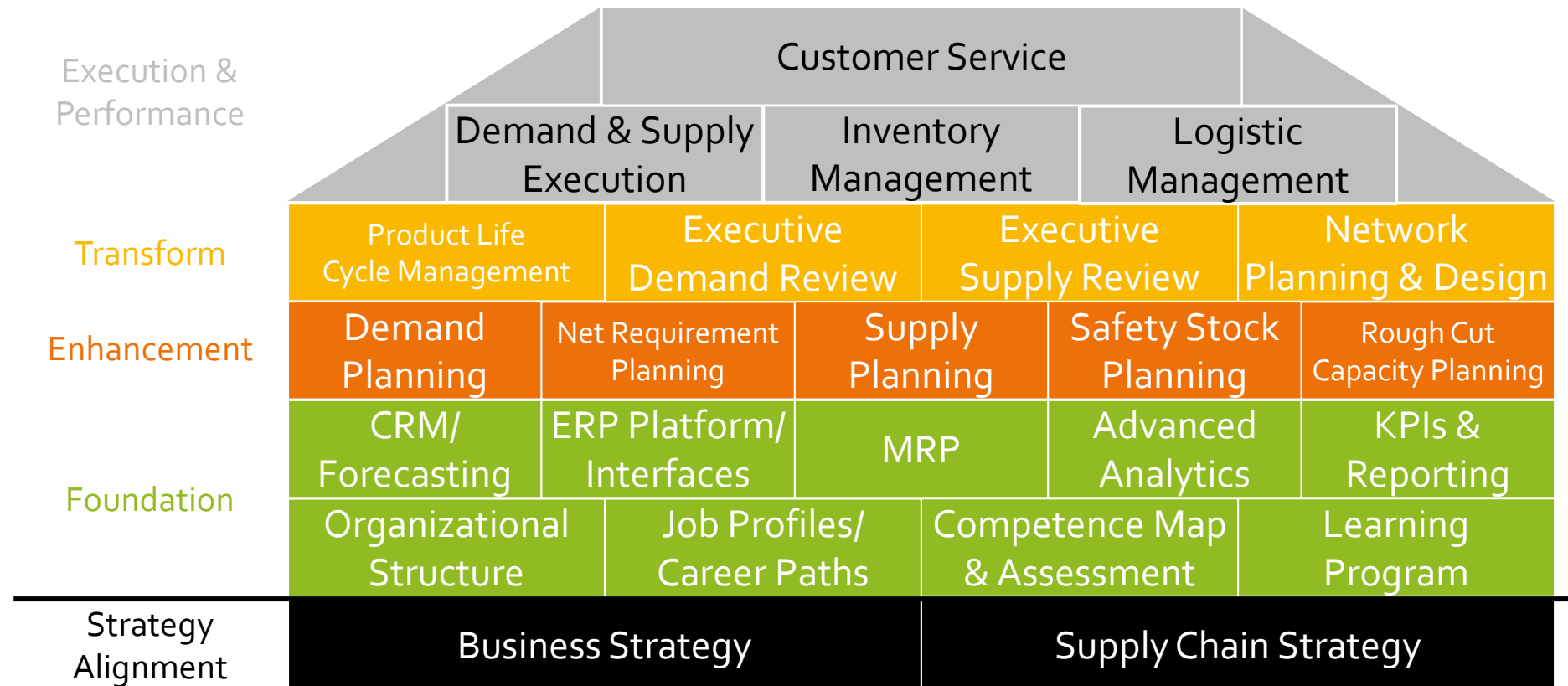
Christian Jahn (MBA / CSCP)

Sales & Operations Planning (S&OP)

Cycle & Framework

1. **Strategy alignment**
 - a. Business Strategy (Cost ↔ Differentiation ↔ Focus // Forecast ↔ Demand ↔ Product Driven)
 - b. Supply Chain Strategy (Transparency ↑, Speed ↑, Flexibility ↑, Volume ↑, Variability ↓, Variety ↓)
2. **Foundation building**
 - a. Develop Supply Chain personal & capabilities
 - b. Develop Supply Chain processes, procedures, infrastructure, analytics and IT systems
3. **Enhance & perform S&OP**
 - a. Execute S&OP cycle
 - b. Implement and enhance E2E planning capabilities
 - c. Integration to short-term planning & scheduling
 - d. Identify, develop and implement logistical capabilities to support execution
4. **Transform and execution**
 - a. Board & Sr. Management involvement via executive summaries & integrated decision making process
5. **Execute the Plan**
 - a. Make & Buy, Customer Service, Distribution and Inventory Management
 - b. Controlling & performance tracking

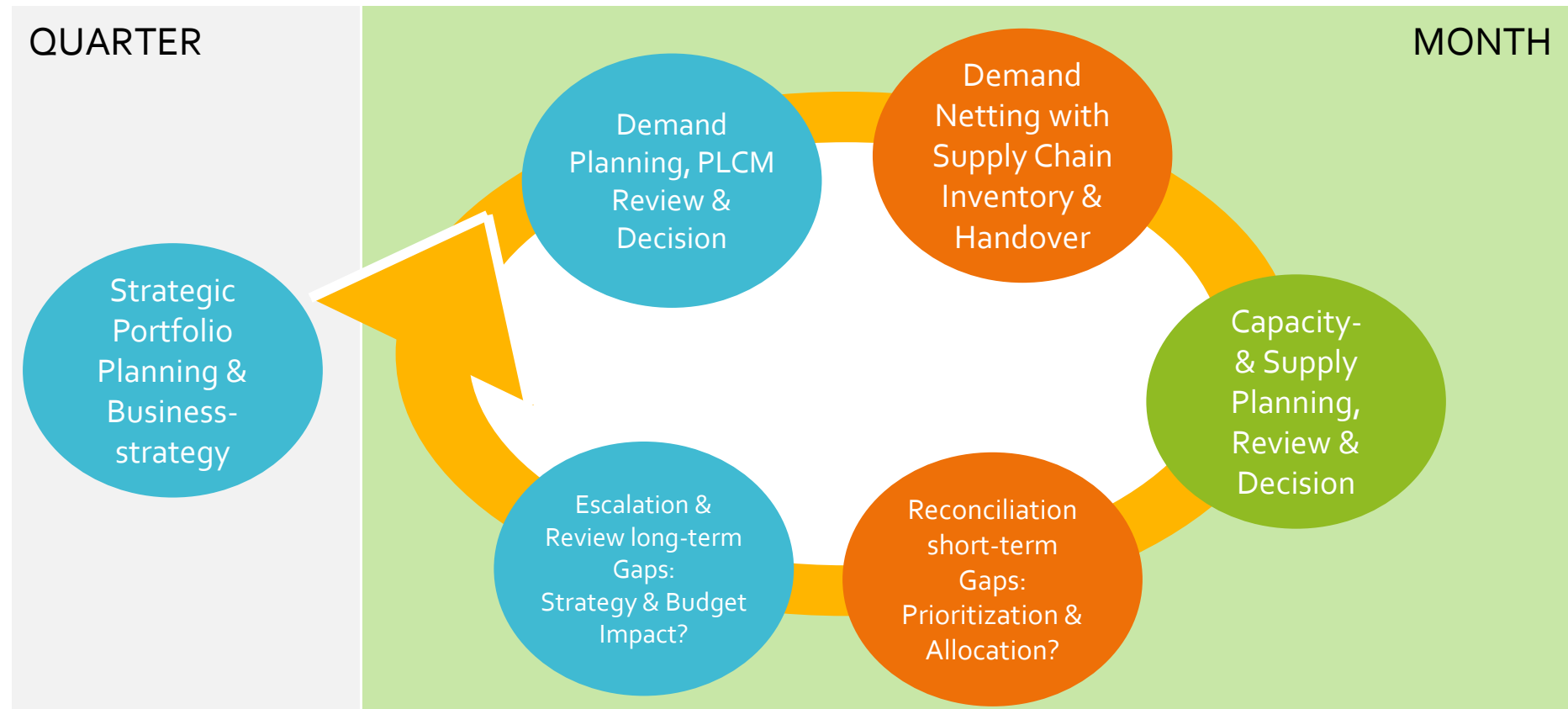
The S&OP Framework – Capabilities, Processes & Tools



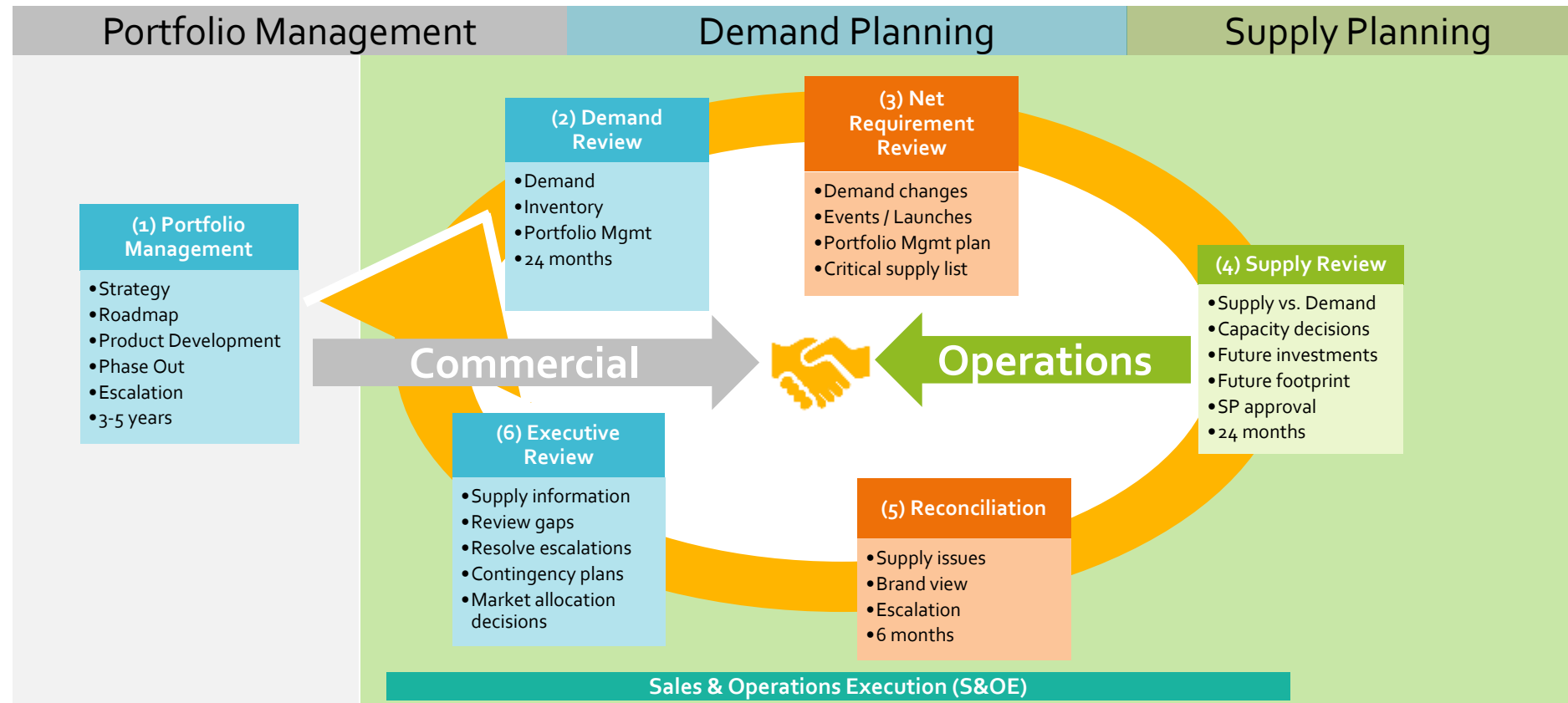
The S&OP Organizational Structure & Mapping

Management Board (CEO, CSO, COO, CFO, ...)		
Commercial	Planning	Operations
Sales	Demand Planning (DP)	Global Operations
Marketing		
R&D	Integrated Business Planning (IBP)	Engineering
Regulatory		Quality
Regional Demand Planning		Manufacturing/ Procurement
Regional Distribution	Supply Planning (SP)	Warehouse & Distribution
Finance & Controlling		Finance & Controlling
...




The integrated S&OP Cycle – in general



The S&OP Result – “Handshake Demand & Supply”



The S&OP Planning Structure & Mapping

Demand Planning	Supply Planning	Capacity Planning	Aggregation	Time Frame
Product Portfolio Strategy & Forecasting	 Network Strategy	 Footprint Strategy	Division/ Franchise/ Business Unit	3 – 5 Years
Demand, Sales & Logistic Planning	 Operations Planning	Resource Planning	Brand/ Product Family/ Value Stream	18 – 24 Months
Delivery Schedule	Master Production Schedule (MPS)	Rough-Cut-Capacity (RCCP)	Product Groups/ Capacity Groups SKUs	6 – 12 Months
Distribution & Order Requirements (DRP)	Materials Requirements (MRP)	Capacity Requirements (CRP)	SKUs	3 – 6 Months

S&OP Cycle

Management Reviews (Structure & Content) - Summary

(1) Executive Portfolio Review (EPR)

- Attendance: Sales, Marketing, R&D, Demand Planning, IBP, Finance & Controlling
- Owner: Marketing
- Management Level: VP, Director, Sr. Manager
- Cadence: 3 months
- Scope/ Target: Portfolio & Business development review, Gap identification and Decision making to ensure long term Business Strategy capability
- Content:
 - Attendance tracking
 - Performance summary (KPIs by brand, segment, market)
 - Market trend & development summary / Portfolio coverage & gap overview
 - New Product Roadmap (Project, Phase, Status, Launch date, Revenue & Financial impact)
 - Business Development / M&A summary
 - End of Life Product Roadmap (Portfolio, Phase out time line, Go-to products, Cost & Benefit overview)
 - Scenario Planning & Strategic Assumptions
 - Long term revenue plan
 - Action items

(2) Executive Demand Review (EDR)

- Attendance: Sales, Marketing, Demand Planning, IBP, Distribution, Finance & Controlling
- Owner: Demand Planning
- Management Level: VP, Director, Sr. Manager
- Cadence: Monthly
- Scope/Target: Demand review, Gap identification and Decision making to ensure that long term Forecast and Revenue plan is in alignment with Business Plan
- Content:
 - Attendance tracking
 - Performance summary (KPIs by brand, segment, market)
 - Demand & forecast trends and changes
 - Demand Planning summary: scenarios, assumptions, revenue walk, trend vs. budget → decision making request
 - Forecast consensus: Trend review, Gap evaluation, Consensus and alignment
 - Update PLCM & Scenarios: NPI & Phase out – status, volumes and projects
 - Update M&A & Business Development: Impact to organic business, Cannibalization scenarios
 - Decision making documentation and Action items

(3) Net Requirement Review (NRR)

- Attendance: Marketing, Demand Planning, IBP
- Owner: IBP
- Management Level: Manager, Associates, Planners
- Cadence: Monthly
- Scope/Target: Forecast / NRP review, identification of major changes, share of planning assumptions, NRP consensus for handoff to supply planning process
- Content:
 - Attendance tracking
 - Performance summary (KPIs by region, brand, product family)
 - Deep Dive by Region: Identification, review and confirmation of major changes vs. last cycle (exceptions)
 - Planning Assumptions: Information sharing by Demand Planners regarding underlying forecast assumptions
 - Forecast consensus and alignment
 - Update PLCM & projects: NPI & Phase out – status and time lines
 - Documentation and Action items

(4) Executive Supply Review (ESR)

- Attendance: IBP, Supply Planning, Operations, Finance & Controlling
- Owner: Supply Planning
- Management Level: VP, Director, Sr. Manager
- Cadence: Monthly
- Scope/Target: Supply review, Gap identification, Decision making to ensure that long term Supply & Capacity supports Demand requirements
- Content:
 - Attendance tracking
 - Performance summary and Inventory Positioning (KPIs by SC echelon, manufacturing unit, capacity group)
 - Net requirement trends and changes
 - Supply Response: scenarios, assumptions, cash & cost requirements, changes, alignment → decision making request
 - Financial Alignment: projection and alignment (NRP – Supply Plan – Financial contribution – Inventory – Shipments)
 - Update support Functions: Engineering, Sourcing, ...
 - Update support Capabilities: Capacity Review Tracker, Product Transfers, E2E Safety Stock
 - Decision making documentation and Action items

(5) Executive Reconciliation Review (ERR)

- Attendance: Marketing, Demand Planning, IBP, Distribution, Supply Planning
- Owner: IBP
- Management Level: Director, Sr. Manager
- Cadence: Monthly (on demand)
- Scope/Target: Exception based Supply vs. Demand Plan review, Gap identification and reconciliation to manage short term constraints in alignment with Business & Commercial priorities
- Content:
 - Attendance tracking
 - Re-confirm Demand Plan / Forecast
 - Supply response: Confirmed supply and gap to demand, inventory and service risk assumptions
 - Scenario planning: Allocation and risk mitigation – Allocation proposal
 - Financial impact evaluation by scenario: Short term Cost, Revenue, Inventory, Cash, OpIncome Risk
 - Decision making on scenario & Communication plan approval
 - Decision making documentation and Action items

(6) Executive S&OP Review (ESOPR)

- Attendance: Sales, Marketing, R&D, Demand Planning, IBP, Distribution, Operations, FI/CO
- Owner: Planning (highest Management Level)
- Management Level: Management Board (CEO, CSO, COO, CFO, ...), VP, Director
- Cadence: Monthly
- Scope/ Target: S&OP review vs. Business Plan, Gap identification and Decision making to ensure long term Business Strategy execution and Feedback to Strategic Planning
- Content:
 - Attendance tracking
 - Performance summary (KPIs by Division, Business unit, Brand, Product Family)
 - Revenue, Cost, Inventory and OpIncome Projection
 - Demand & forecast trends and changes
 - Production & Procurement trends and changes
 - Update PLCM: NPI & Phase out
 - Update M&A & Business Development: Strategic impact and Business Plan alignment
 - Business Plan summary: scenarios, assumptions, revenue walk, trend vs. strategic targets → decision making request
 - Decision making documentation and Action items

Author

Introduction summary

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Diplom-Betriebswirt (BBA) – DHBW Lörrach

MBA (Business Integration) – Julius-Maximilians-University Würzburg

Certified Supply Chain Professional (CSCP) – APCIS

Chief Technology Manager (CTM) – WZL RWTH Aachen & Fraunhofer IPT

SAP Certified Business Associate (ERP 6.0)

Professional Background

- Supply Chain Management, Planning & Execution
- Operations & Plant Management
- Business Process Development, Implementation & Validation
- ERP & IT Solutions
- Quality Management
- 20+ years in Metal Processing & Medical Device Industry

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