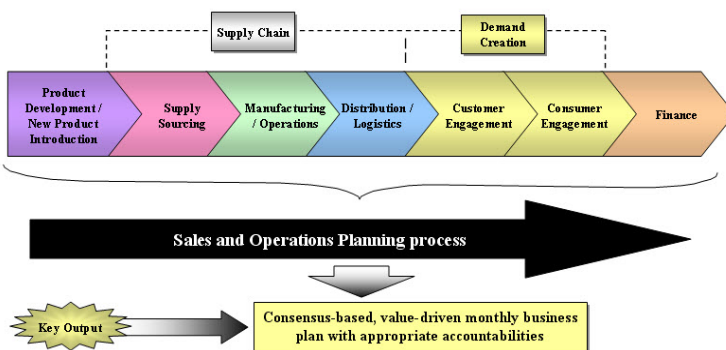


## Sales and Operations Planning

Business forecasting and sales and operations planning (S&OP) is a fundamental part of any business strategy. It has been an effective management tool for decades; however, there is a wide variation in the degree to which it is used and how effectively over an extended period of time. It is critical to realizing projected Operation Asset Effectiveness (OAE) benefits and accelerates their realization.

S&OP comprises a set of planning and decision-making processes that balance product supply and demand and links business goals with operational and financial plans. Effective



S&OP enables decision makers to achieve consensus on a single operating plan that allocates critical resources to performance targets.

S&OP concentrates on bringing all departments into executional alignment by focusing on developing and measuring common metrics that drive business success. By bringing sales, marketing, operations, and finance together, organizational silos are broken and an effective and comprehensive execution plan can be developed. Effective S&OP provides the processes necessary to develop world class, effective plans.

The primary purpose of S&OP is to establish production rates that achieve management's objectives of maintaining appropriate inventories or backlogs, while attempting to keep the work force stable. S&OP offers many other advantages that translate into major benefits:

- Ensures that the operating plans are in lockstep with the business plan, or makes it evident where sales and production have deviated from the plan, so that course corrections can be made

- Provides a means for orchestrating all departments as it communicates the plans both horizontally and vertically
- Forces a realistic plan capable of achieving the company's objectives
- Eliminates *hidden decisions*; good information and communication breed good decisions, so that the whole company benefits
- Effectively manages change — substitutes controlled and appropriate response for knee-jerk reactions
- Better manages finished goods inventory
- Builds teamwork
- Provides executives with *control knobs* for the business

### Sales & Operations Planning at Thomas Group

To Thomas Group, S&OP is a performance enhancement tool used to address the business processes, metrics, information requirements, and the culture of the company. It is used to ensure that an enterprise-wide perspective is applied to match what customers really need with what the manufacturer is capable of delivering. It mandates the involvement of constituents across the value chain.

Successful Thomas Group S&OP programs are generally characterized by a top-down and bottom-up approach, aligning the company's business plan with current demand and supply plans. We construct a cross-functional, collaborative process that focuses on improving operational performance and utilizes a structured, formal, holistic set of agreed-upon business processes.

There are a number of benefits to be derived from a successful S&OP engagement with Thomas Group: increased revenues from fewer out-of-stocks; shortened cycle times from order to cash; reduced inventories; improved scheduling, and most importantly, more satisfied customers. 