

# Management Business Review



**Colleen Crum and George E. Palmatier**  
— Oliver Wight Americas

Inspiring  
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## SALES AND OPERATIONS PLANNING: LEADING AN EFFECTIVE MANAGEMENT BUSINESS REVIEW

The general manager or president is responsible for leading an effective Management Business Review as part of the Sales and Operations Planning process. Sales and Operations Planning is a monthly process culminating in the Management Business Review, where the general manager or president and his or her direct staff review demand, supply, new product, financial, and resource projections and make decisions required to ensure the execution of the business strategy. Because Sales and Operations Planning has evolved to more than managing supply and demand, many companies are now starting to call this process “Integrated Business Planning.”





The Sales and Operations Planning process consists of a series of steps where the various functional organizations review their past performance and their future plans to develop an integrated view of Demand, Supply, New Product Development, and the resulting financials projected over a two-year planning horizon.

### ROLE OF THE GENERAL MANAGER OR PRESIDENT

The general manager or president should be briefed one or two days prior to the Management Business Review by the S&OP coordinator. The purpose of the briefing is to review the agenda and the issues that need to be addressed during the Management Business Review.

The general manager or president, as well as the other Management Business Review participants, should receive supporting material to review prior to the meeting. The S&OP coordinator is responsible for ensuring that the supporting material is communicated prior to the Management Business Review.

Once briefed, the general manager or president leads or facilitates the discussions to ensure that issues are resolved and decisions are made. In facilitating the discussions, the general manager or president ensures that the focus of the Management Business Review is beyond the near term and on the complete two-year planning horizon. The longer-term focus makes it possible to anticipate problems and opportunities and determine the best approach for the company. This may involve reviewing scenarios and contingencies and creating decision points in the future for deciding the best approach. (A best practice is: Do not make a decision before you need to, but be aware of situations that will require decisions at some point in the future.)



## MANAGEMENT BUSINESS REVIEW AGENDA

Following is a typical agenda for the Management Business Review:

### 1. Key performance indicators

- Revenue/profitability
- Customer satisfaction
- Demand planning performance
- New product performance -- on-time/on-budget
- Supply performance

### 2. Business trends

- Current situation
- Assumptions about future trends

### 3. Major changes since last month

- Evaluation of internal and external changes and their impact

### 4. Key issues reviewed by product family

- Key assumptions supporting the plans
- Is demand/supply synchronized
- Alternatives presented

- Opportunities/vulnerabilities
- Operational and financial impact of the plans
- Decisions made during the monthly S&OP cycle
- Decisions that need to be made today or in the future

### 5. Alignment review

- Alignment of plans with the annual business plan
- Alignment of plans with the company strategy

### 6. Inputs to the next S&OP cycle

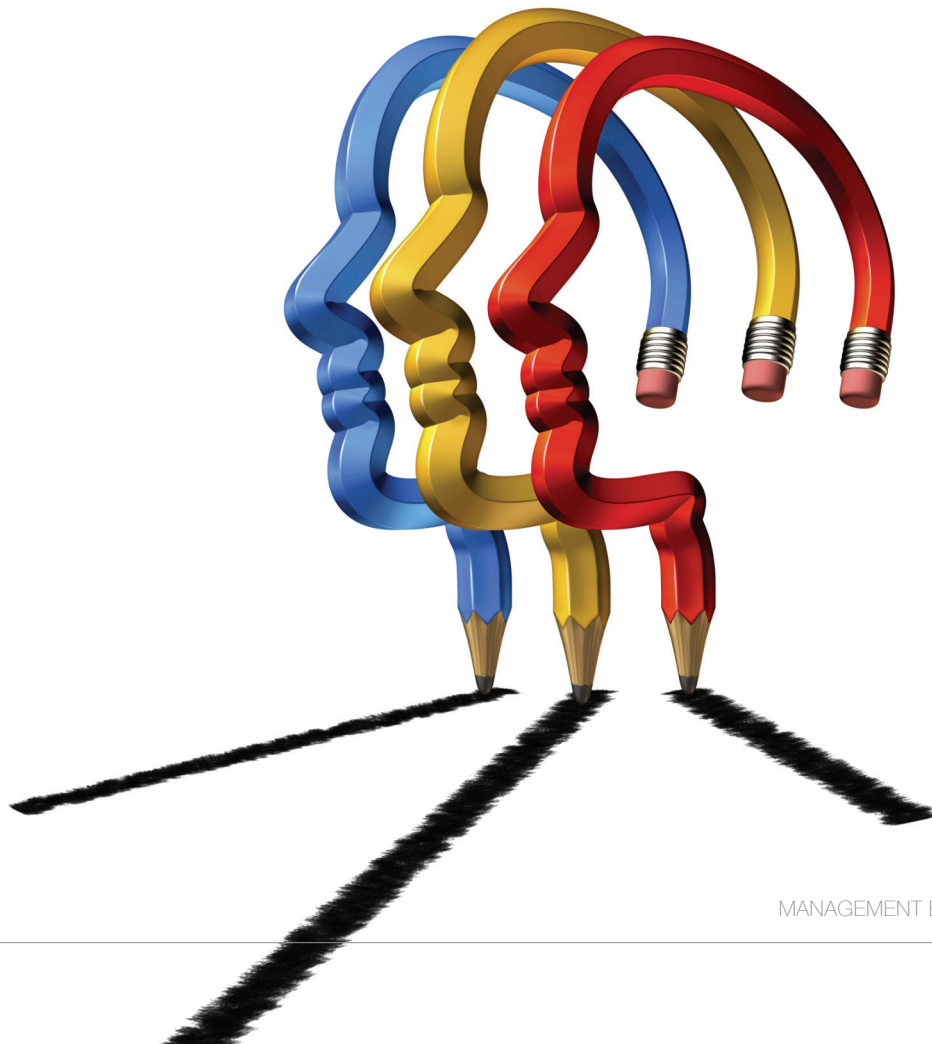
- Issues to be addressed
- Improvements to be made
- Review of actions assigned



## WHAT THE LEADER OF THE MANAGEMENT BUSINESS REVIEW SHOULD SEE FROM AN EFFECTIVE S&OP PROCESS

Following is what the leader of the Management Business Review should expect from an effective process:

1. Integrated plan visibility over the next 24 months. The integrated plans should cover new products, demand, supply and a relevant financial evaluation.
2. Knowledgeable and committed senior managers who present proposals to close the gaps between the latest projections and strategic and business plans.
3. One set of numbers based on credible data and information.
4. A high degree of consensus on what will happen to the business and what tactics, changes, or corrections are needed to accomplish the business strategies and objectives.





## QUESTIONS THAT SHOULD BE ASKED AND ANSWERED IN THE MANAGEMENT BUSINESS REVIEW

Following are questions that the general manager or president can ask to gauge the effectiveness of the Management Business Review and the S&OP process:

1. How are we performing to our strategic initiatives?
  - On schedule, on spec, on cost?
  - Comparison to the business plan
2. How good is our reliability at developing a plan and performing to the plan?
3. Are we on plan financially?
  - Variances to date (actual vs. plan)
  - Projected variances (proposed plan)
4. How are we performing operationally?
  - Performance measurements/metrics
  - Company goals
  - Customer service
  - Process measurements/metrics



5. Have there been any significant learnings since last month? (Actual vs. projected)

- Customers
- Markets
- Competition
- Business environment (factual and assumed)
- Demand (current and new products)
- Supply (current and new products/processes)
- Resources (projects)

6. What decisions do we need to make today? Within the next few months?

- Supply Management
- Resources
- Demand Management
- Marketing
- Sales
- Financial Management

7. How are the individual product families performing (actual, projected)?

- Demand
- Supply
- Inventory
- Balance
- Revenue
- Margin

8. What new or different risks do we need to understand or consider?

9. Are we comfortable with the projections between months 6 and 24?

- Demand
- Supply
- Financial projection
- Assumptions
- Willing to commit to the Board as a business plan?

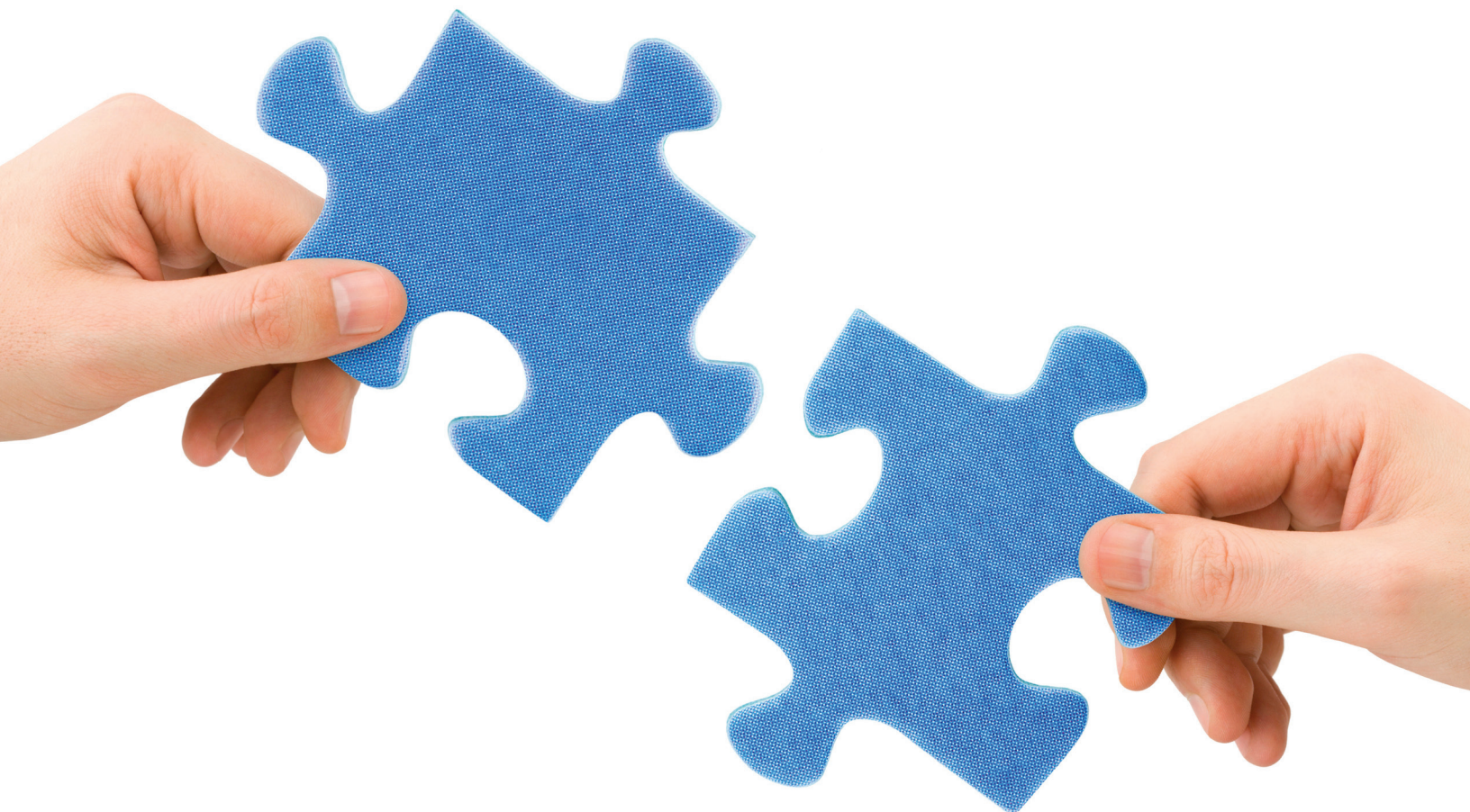
10. Do we have any reason to revisit our company goals, strategies, or strategic initiatives?

## PARTNER WITH EXPERIENCE AND SEE RESULTS FASTER

Oliver Wight principals are seasoned professionals who have real-world operational experience. We understand the issues you face because we've been there. This means that when you partner with Oliver Wight to help you achieve business excellence, you hit the ground running - and you see bottom-line results fast.

We've distilled our more than 30 years of consulting, education, and training experience in the area of Sales and Operations Planning into a targeted program that delivers quick results as well as longer-term, sustainable improvements.

The Oliver Wight FastTrack S&OP implementation program is an economical and efficient approach to solving an important business problem and ensures that your company is positioned to succeed in today's constantly- changing and unpredictable environment.

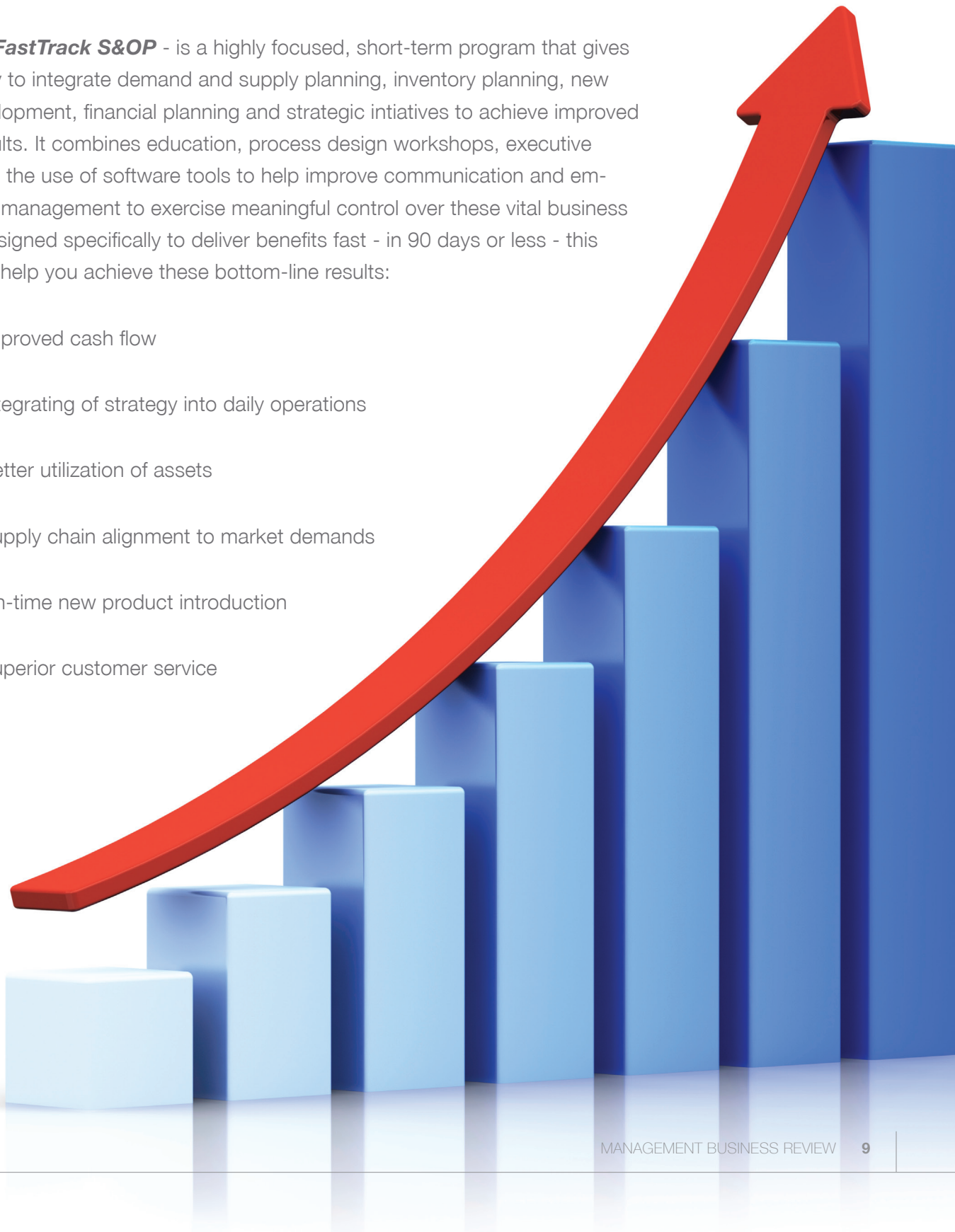




## OLIVER WIGHT FASTTRACK S&OP

Oliver Wight **FastTrack S&OP** - is a highly focused, short-term program that gives you the ability to integrate demand and supply planning, inventory planning, new product development, financial planning and strategic initiatives to achieve improved business results. It combines education, process design workshops, executive coaching and the use of software tools to help improve communication and empower senior management to exercise meaningful control over these vital business functions. Designed specifically to deliver benefits fast - in 90 days or less - this package can help you achieve these bottom-line results:

- Improved cash flow
- Integrating of strategy into daily operations
- Better utilization of assets
- Supply chain alignment to market demands
- On-time new product introduction
- Superior customer service



## RESULTS FROM AN EFFECTIVE S&OP PROCESS

Oliver Wight conducted a survey of 40 clients who had achieved Class A performance. The impressive results are listed below. Separately, a recent study by the Aberdeen Group showed that companies who link S&OP with their strategy had 20 percent higher profit margins than other companies. Our survey results documented the following

- Increased forecast accuracy 18 to 25 percent
- Increased sales revenue 10 to 25 percent
- Improved on-time delivery 10 to 50 percent
- Inventory reduction 18 to 46 percent
- Safety stock reduction 11 to 45 percent
- Increased productivity 30 to 45 percent

Companies that operate to Class A level with their S&OP processes also find that their annual business planning processes become simplified. In essence, the next year's plan is visible by mid-year with an 18-month S&OP planning horizon, and they start the current year with a 24-month S&OP planning horizon.

Additional benefits are achieved through the alignment of functional plans and tactics, which results in operational improvements and efficiencies that contribute to improved customer service, increase in sales revenue, and improved margins.

## GETTING STARTED WITH SALES AND OPERATIONS PLANNING

Using Oliver Wight's fast track approach for implementing S&OP, most companies have an S&OP process implemented in 3 to 4 months with a mature process operating in 9 to 15 months. For more information, call 800-258-3862.

# Evolution of S&OP into Integrated Business Planning

by Coco Crum

## AN AFTERWORD

Sales and Operations Planning is evolving into what many companies are now calling Integrated Business Planning. It is no longer just a process for aligning product portfolio plans, demand plans, and strategic plans. The key driver of this evolution is the benefits companies realize from integrating ALL company processes into an Integrated Business Planning process with which the executive team uses to manage the business.

The key differences between S&OP and Integrated Business Planning are:

- Greater financial integration across at least a 24-month planning horizon resulting in improved information for decision making and greater accountability.
- Financial performance metrics.
- Inclusion of strategic initiatives and activities in the monthly IPC management process, reinforcing that one primary management process is used to run the business.
- Improved modeling and simulations to help develop contingency plans for changing operating and financial parameters.
- Easier translation from detail information to aggregate and aggregate to detail enabling faster, more timely simulations and greater granularity of information for operations and finance.
- Improved decision making through an integrated reconciliation process to keep decisions at the lowest practical level.
- Improved trust throughout the management team with one process, clear accountabilities, and commitment to the behaviors required to ensure the Integrated Business Planning process is effective.

For more details on the differences between S&OP and Integrated Business Planning, please contact Oliver Wight Americas.





## ABOUT THE AUTHORS

**Colleen "Coco" Crum**, a principal with Oliver Wight Americas, is considered a thought leader and innovator in demand management and sales and operations planning. She has helped develop methodologies enabling companies to successfully implement S&OP and demand management and achieve quick time to financial benefit. She has assisted companies across the manufacturing spectrum, including chemicals, consumer goods, electronics, biotechnology, and aerospace and defense. Coco has co-authored four books: *The Transition From Sales and Operations Planning to Integrated Business Planning*, *Enterprise Sales and Operations Planning*, *Demand Management Best Practices*, and *Supply Chain Collaboration*.



**George Palmatier**, Oliver Wight Principal, is recognized as an expert on Sales & Operations Planning, Integrated Business Planning and demand management as well as ERP, Integrated Supply Chain Management, and Integrated Product Development (IPD). George works with clients to formalize and integrate their strategic plans into an integrated business management process, Integrated Business Planning. With twenty years of experience in sales, marketing, strategic planning, and general management, George has a thorough knowledge of how to achieve sustained results improving business performance. George has authored or co-authored four books: *The Transition From Sales and Operations Planning to Integrated Business Planning*, *The Marketing Edge*, *Enterprise Sales and Operations Planning*, and *Demand Management Best Practices*.



*Oliver Wight - leading business improvement specialists who educate, coach, and mentor people to lead and sustain change on the journey to business excellence and outstanding business performance.*

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