

Appendix A

The Terminology Shift

There's been a terminology shift in this field of balancing demand and supply. Most executives simply won't care about it, but practitioners – especially those who've been close to Sales & Operations Planning – need to get a bit of background on this shift.

Originally, the term *Sales & Operations Planning* referred to an executive-centered decision-making process focusing on *volume* issues. This process utilizes techniques for Demand Planning (forecasting) and Supply (capacity) Planning to accomplish its mission.

However, the meaning of Sales & Operations Planning has broadened. Today, many people view S&OP as dealing with mix in addition to volume. Thus it now can include Master Scheduling and other mix-related tools such as customer order promising, supplier scheduling, plant scheduling, distribution replenishment, and more (sometimes done via the use of Advanced Planning Systems).

Your authors have watched this development, and we endorse it. However, this morphing of the term *Sales & Operations Planning* has generated confusion: people today frequently don't know if a person is talking about the Executive component of S&OP or the detailed mix pieces. Sometimes we wonder if the person using the term knows what he or she means.

So, since Sales & Operations Planning now means more than the executive process, how is the executive process to be identified?

Well, consistent with the principle of keeping it simple, we call it Executive S&OP. Therefore, Sales & Operations Planning – the larger entity – has the following component parts: Executive S&OP, Demand Planning, Supply (capacity) Planning, along with Master Scheduling and related detail-level tools for the managing of mix. (This is shown in Figure 2-2 back on page 20.)

Here's a key point: Executive S&OP is the heart of Sales & Operations Planning; when that critically important piece is missing, much of the power of the total process goes away.