

Here are two key points:

- Executive S&OP does not refer to anything new. It's what we've always called Sales & Operations Planning. The only thing new is the term, and that's to reduce the very real confusion.
- 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.

For those of you who like formal definitions, we offer the following:

**Sales & Operations Planning (S&OP)** — A set of business processes that helps companies **keep demand and supply in balance**. It includes Executive S&OP, Sales Forecasting and Demand Planning, Resource Requirements Planning, Master Scheduling, and other detailed scheduling tools for both plants and suppliers, both conventional and demand pull. Originally used to identify only aggregate planning, its meaning has expanded to include those elements that operate at the detailed, mix level.

**Executive S&OP** — That part of Sales & Operations Planning that balances demand and supply at the **aggregate volume** level, aligns units and dollars, and helps to establish relevant policy and strategy at both the volume and mix levels. It occurs on a **monthly** cycle and displays information in both **units and dollars**, for profit planning, asset management, and so forth. Executive S&OP is **cross-functional**, involving General Management, Sales, Operations, Finance, and Product Development. It occurs at **multiple levels** within the company, up to and including the **executive in charge of the business unit**, (e.g., division president, business unit general manager, or CEO of a smaller corporation). Executive S&OP links the company's **Strategic Plans and Business Plan to its detailed processes** — the order entry, Master Scheduling, plant scheduling, and purchasing tools it uses to run the business on a week-to-week, day-to-day, and hour-to-hour basis. Used properly, Executive S&OP enables the company's managers to view the business **holistically**, provides them with a **window into the future**, and serves as the forum for discussing relevant policy and strategy.

## What Are the Benefits?

Benefits resulting from effective Executive S&OP include:

- For Make-to-Stock companies: higher customer service and often lower finished goods inventories — *at the same time*.
- For Make-to-Order companies: higher customer service, and often smaller customer order backlogs and hence shorter lead times — *at the same time*.
- For Finish-to-Order/Postponement companies<sup>3</sup>: higher customer service, quicker response, and often lower component inventories — *at the same time*.

<sup>3</sup> This refers to the practice of not finishing the product until receipt of the customer order, and then finishing it very quickly. Think Dell Computer.