

# *APICS*

## *Mid-Hudson Chapter*

December 2008

### *Executive S&OP:*

### *How to Make It Work*

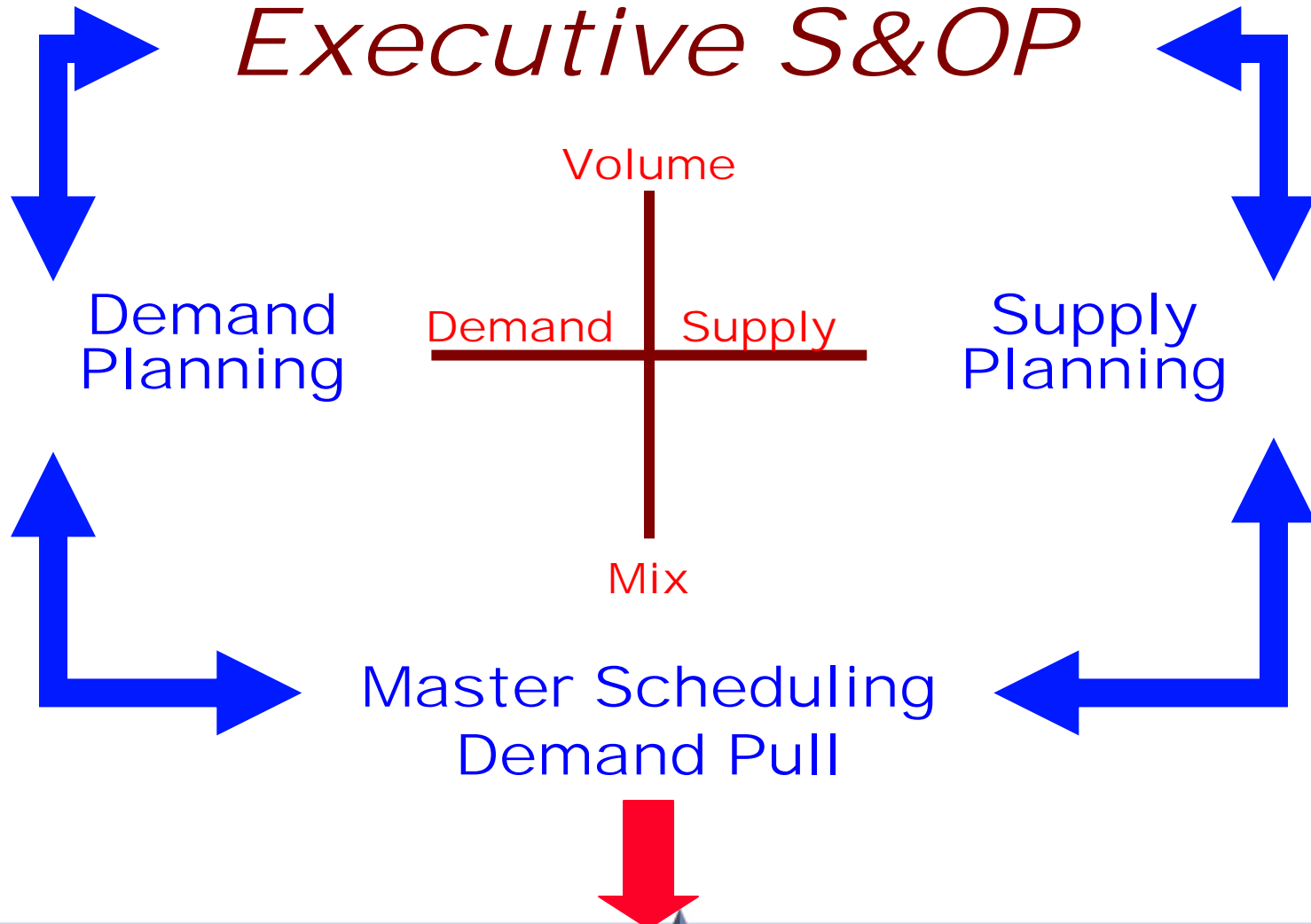
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# Sales & Operations Planning

## *Executive S&OP*



# What is Executive S&OP?

**Executive S&OP**

is a

**Decision-Making Process**

to

**Balance Demand & Supply**  
**(at the volume level)**

to

**Discuss Relevant Strategy & Policy**

and to

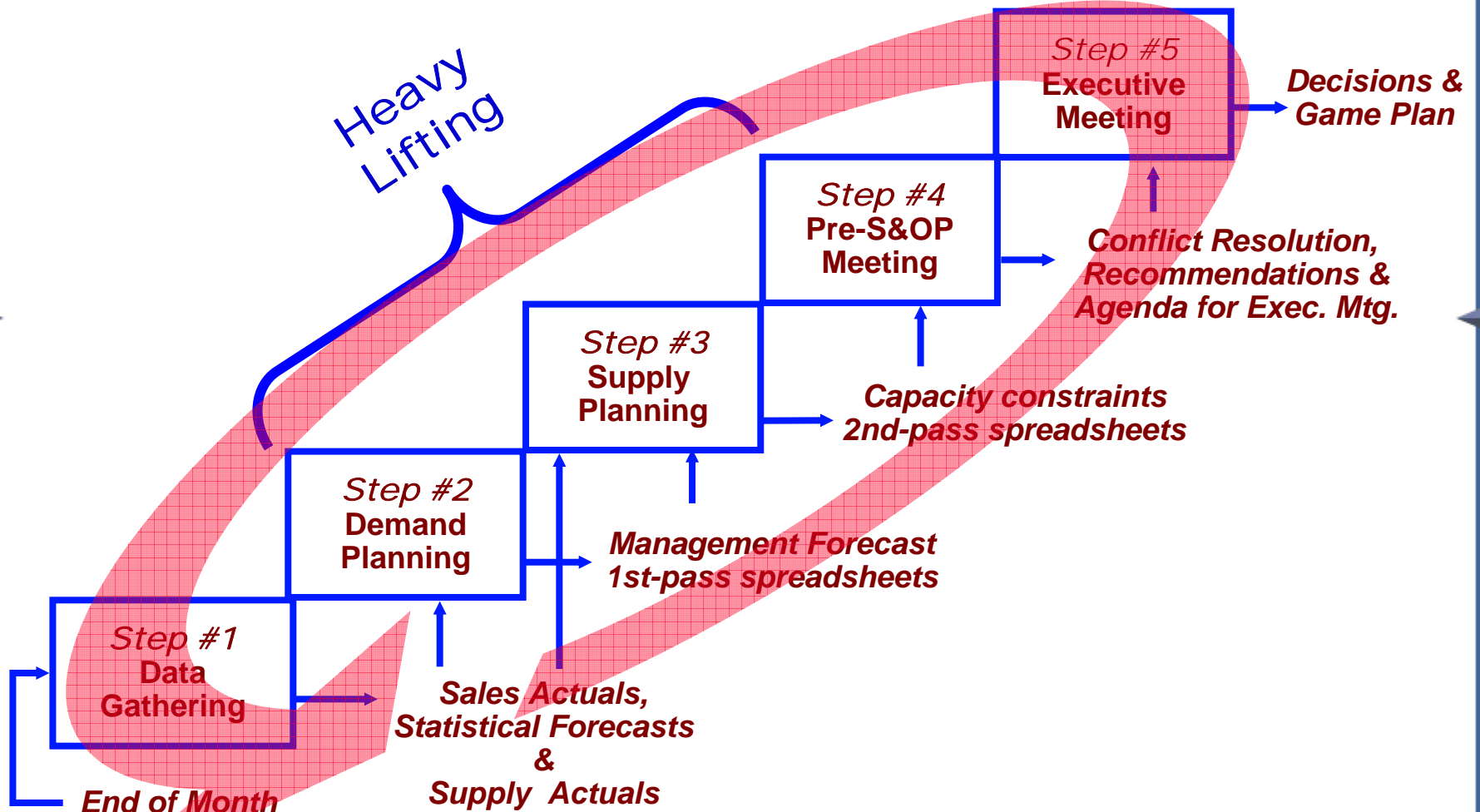
**Integrate Financial & Operating Plans**  
*Top Management's Handle on the Business*

# An Essential Point . . .

*Executive S&OP is essential for the  
other pieces of  
Sales & Operations Planning  
to work at their best.*

Whether they be traditional or Lean techniques

# The Executive S&OP Process



Done Properly . . .

**Simpler**

**Better**

# The Real Issue . . .

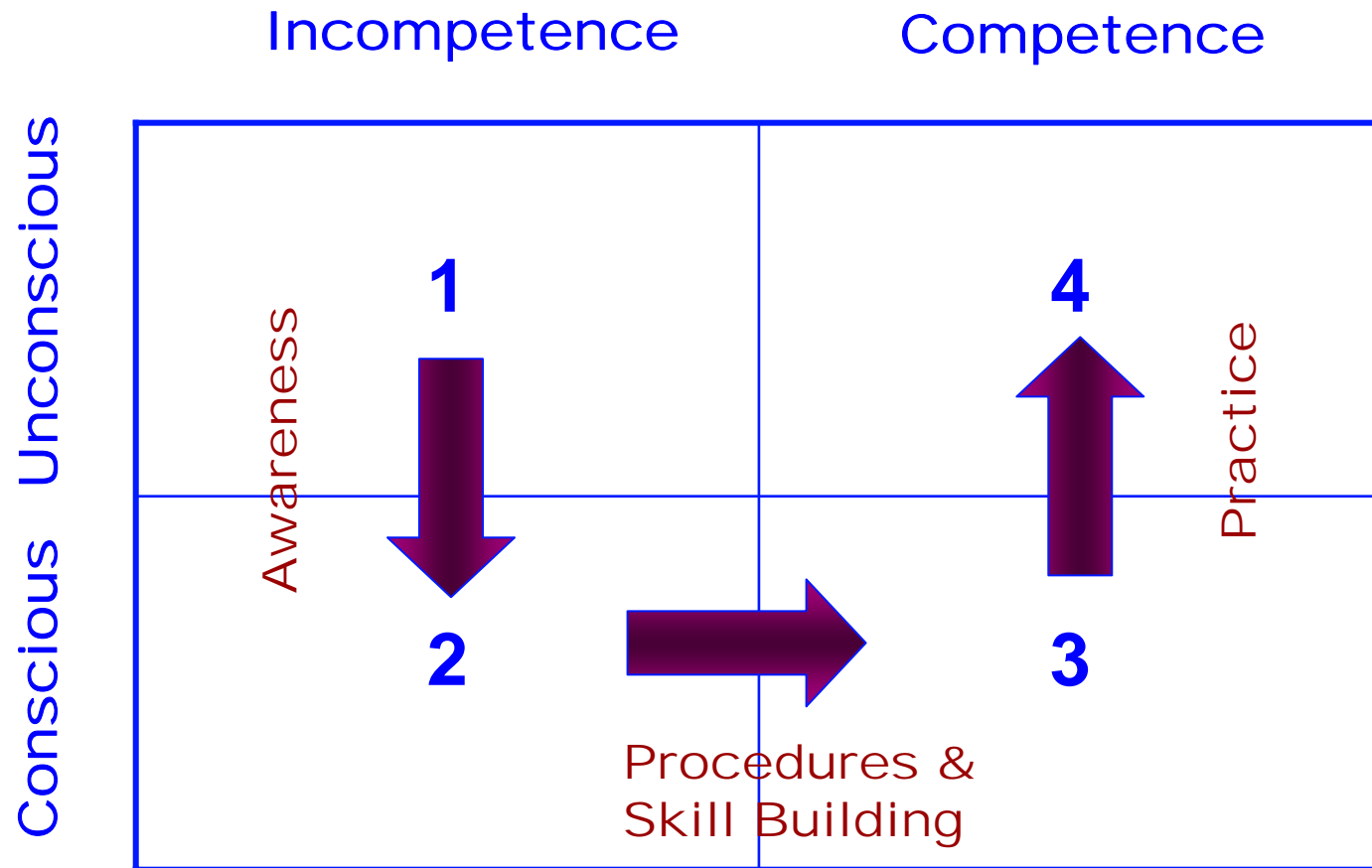
Understanding Executive S&OP is simple.

The hard part is . . .

Behavioral / Cultural Change –  
changing the way everyone does their jobs.

- Keys:**
- *Full cross functional buy-in*
  - *Counter-experiential/intuitive*
  - *Comfort vs Change*
  - *Path of low risk*

# The Learning Sequence



**Awareness = Education**

**Procedures = Design process & training**

**Practice = Pilot demonstration**

# Discomfort

- **In Change, there is no Comfort**  
(In Comfort, there is no Change)

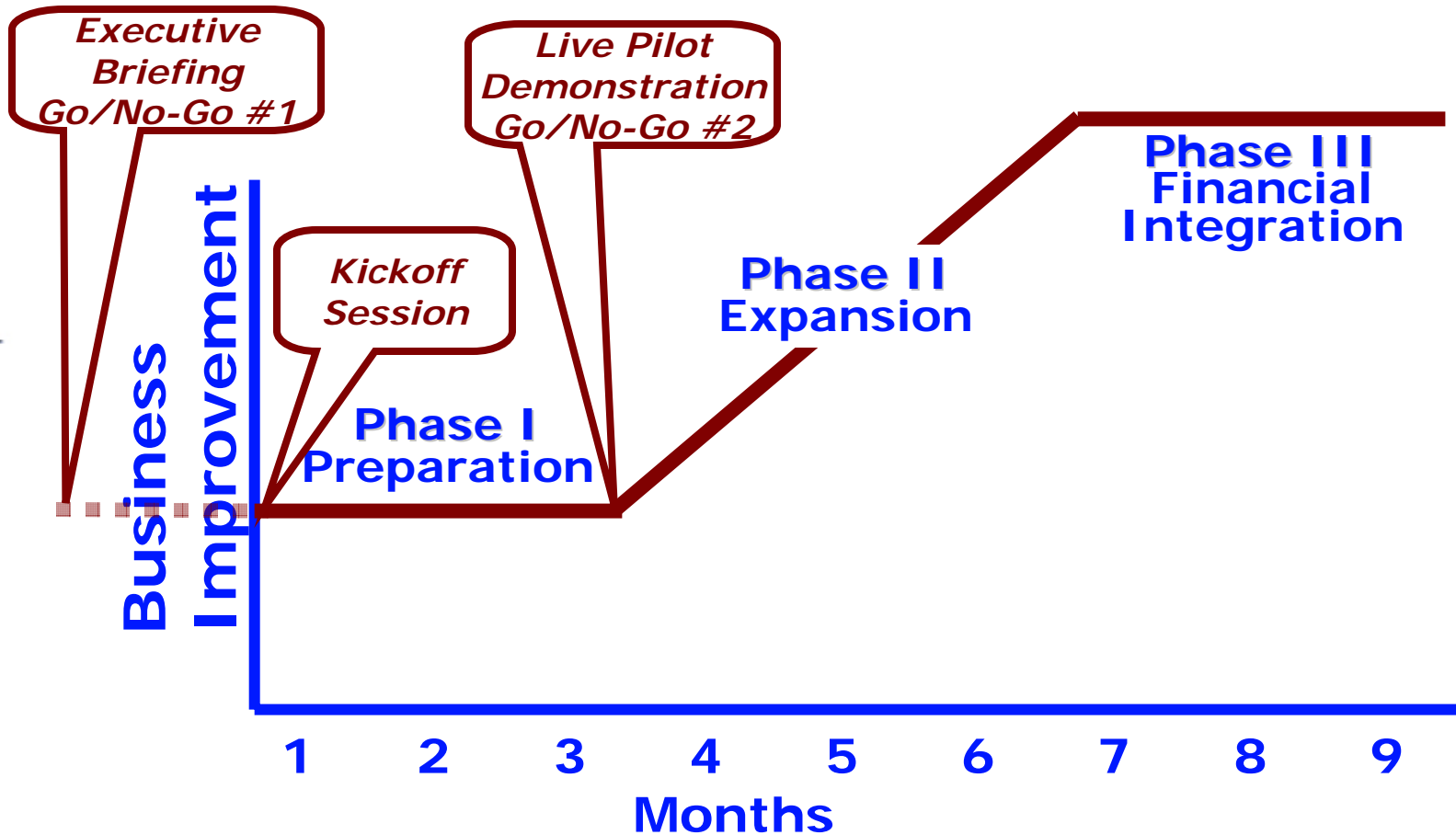
**RISK**

*Those who succeed with  
effective S&OP  
are willing to endure the discomfort  
that is required!*

# Levels of Commitment

- **Read a Book**  
(Hear a Talk)
- **Executive Brief**  
(by an 'Expert')
- **Live Pilot Demonstration**
- **Uninformed Commitment**
- **Semi-Informed Commitment**
- **Informed Commitment**
  - *Counter-Experiential*
  - *Counter-Intuitive*

# Implementation Path



# rted Session

## Objective:

- Gain (regain) consensus in concept
- Overcome Objections
- Demonstrate leadership understanding
- Which avoids the 'they syndrome'
- Display a '*commitment*'

Education

Exec. Staff

Champi

Commission  
ear  
ers

Day #2

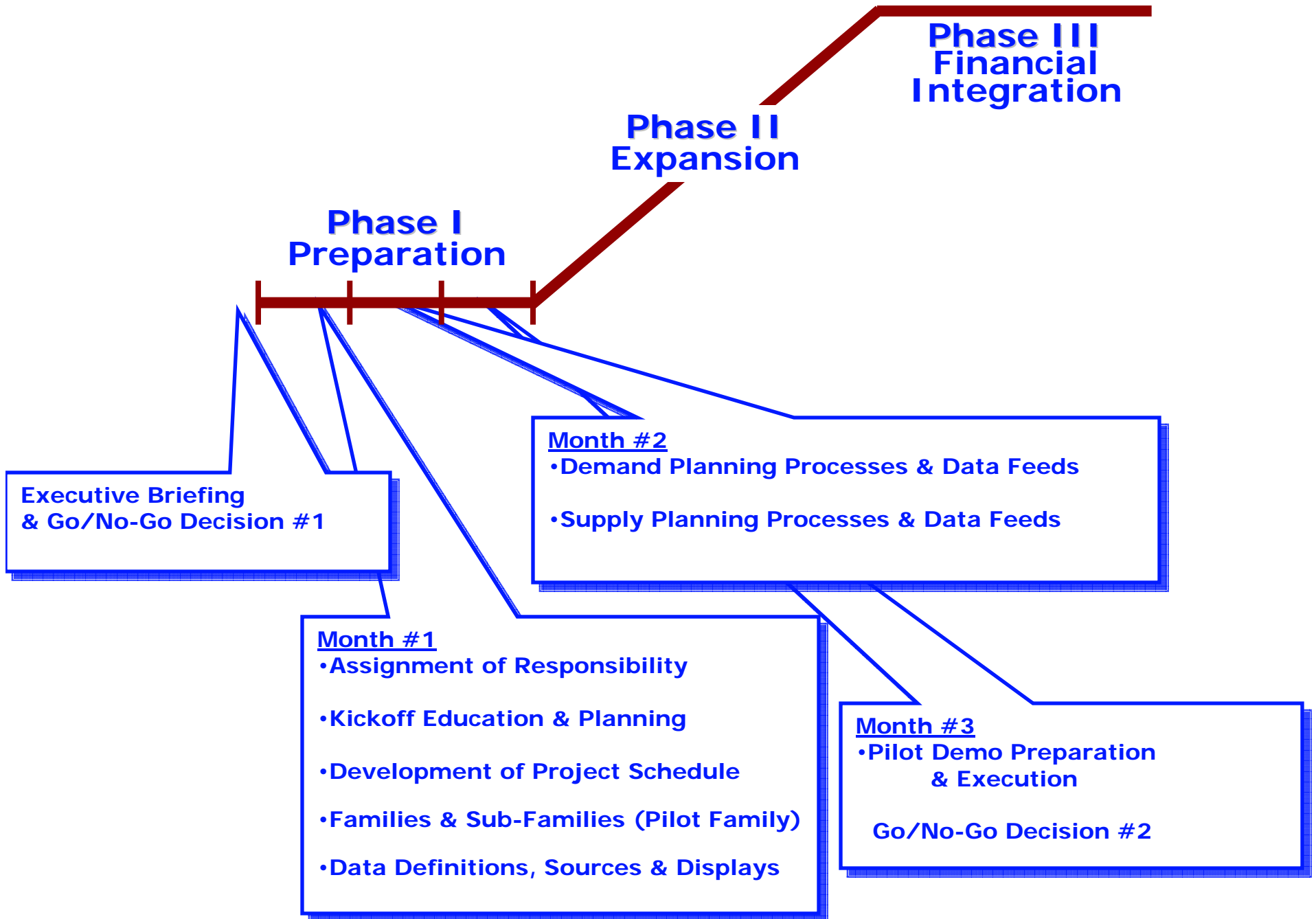
Planning

## Objective:

- Gain an understanding of detail
- How it applies to company
- To avoid the *Sharp-Stick Syndrome*
- Raise and address conflicts

## Objective:

- Write detailed plan- 90 day results
- Address resource issues
- Prepare Exec. Presentation to get '*specific commitment*'
- Create teamwork, blur boundaries



# Formula for Change

Discontent  
With  
Present

X

Vision  
Of Future

X

Path of  
Acceptable  
Risk

X

Feedback  
On  
Success

Enables

# Change

# Implementing Executive S&OP

## Bad News

- Change
- 8-12 Months

## Good News

- Few People  
(20 to 25)
- Early Results  
( 2-3 Months)
- Low Cost  
( < \$100K)
- Low Risk

# Decision Making

(Sales Plans, Supply Rates, Order Backlogs, & Inventories)

## Traditional

Response to  
a Problem

+

Later

~

Reactive & 'Radical'

## With ES&OP

Part of an  
Ongoing Process

+

Sooner

=

Proactive & 'Fine-Tuned'

The Implementation Task:

Make Executive S&OP

the Framework for Decision Making

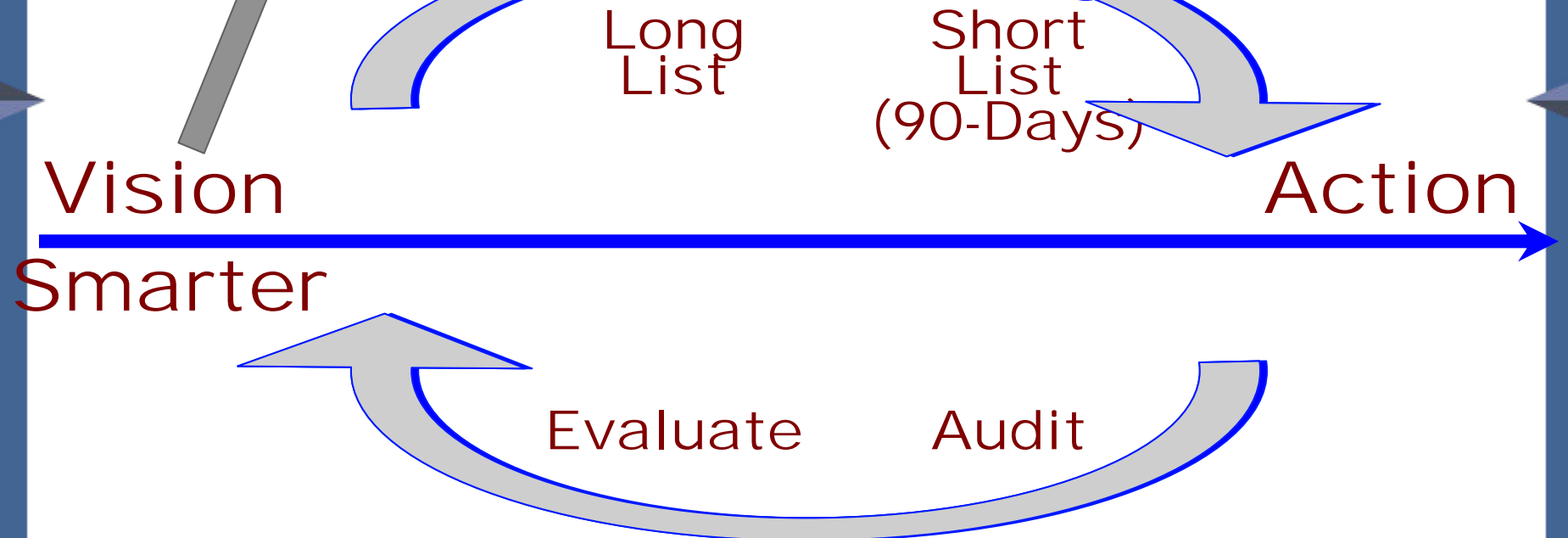
# Implementation Pitfalls

- Middle Mgt. only
- It's a Supply Chain thing
- Top Mgt. but not President (SBU Ldr)
- No Education
- No consensus on 'end game'
- No discipline
- Inadequate Pre-S&OP
- Conflict Aversion
- Executive S&OP Meetings:
  - Show & Tell
  - Unfocused
  - Short Term
  - Too Much Detail (MS)
  - Meeting Too Long
  - Finger Pointing
- Ongoing Data Problems
- Lack of Progress

# Aligning Human Energy

## Logic Loop of Excellence

***How you'd like things to be.***  
Vision w/o action = Daydream  
Action w/o Vision = Nightmare



# Success Requires

## Design Team's Job:

1. **Defined set of practices** (What, How, & Who)
2. **Accurate, timely, & believed data**
3. **Valid, simplifying assumptions** (*Demand/Supply/Financial*)  
(*Getting out of 'Suicide Quadrant'*)

## Leadership's Job:

1. **High discipline clear accountability** (*process & results*)
2. **Constant improvement**
3. **Changed performance measures**
4. **Culture/Behavior change** (*Moose on table*)

# Making Change

"In human affairs, the willed future always prevails over the logical future."

"Change happens one step at a time,  
by thinking globally (big),  
but acting locally (small)"

*Rene Dubos*  
*'A Celebration of Life'*  
*An essay*

# Thanks & Good Luck !

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