

1. The process of developing the sales and operations plan is as important as the final numbers because, as Richard Ling said, “S&OP is a people process supported by information.” The process of compiling the information from all of the functional areas (operations, marketing, sales, finance, and others) of the company involves making many different plans that often require trade-offs between the areas until a final plan is agreed upon. If input from all areas is not equally considered and analyzed in the process of coming up with the final plan, then the final numbers can be far off the mark.
2. Strategic planning involves the top managers in the organization. They make decisions that impact actions potentially years in the future. Detailed planning happens at much lower levels and really involves decisions regarding actions that will take place within days or even hours. S&OP addresses an intermediate time horizon, typically 12 to 24 months. In this sense, it acts as a link between higher-level strategic plans and lower-level detailed planning.
3. Level production plans are best suited to environments in which changing the production level is almost impossible or extremely costly and cost of holding inventory is relatively low. Chase production is best for companies that cannot afford to hold inventory and the production levels change constantly due to low costs in changing productions. Companies need to choose the plan that best suits them based on the cost to hold inventory and the cost to change production levels almost instantly.
4. Services do not have products in inventory, so they need to be concerned with matching capacity with demand in each period. Services are effectively limited to following a form of chase production because they are flexible enough to meet demand and they do not have the ability to hold any inventory. Service companies’ two main options for aligning resources with demand are to make sales match capacity and/or to make capacity (workforce) match sales. If a service company can effectively match a chase production strategy to their resource alignment options, they should be able to maximize their S&OP.
5. It is important to update the sales and operations plan regularly with a rolling time horizon

approach because doing so will update the current plan for the future with the most recent values.

A rolling time horizon helps the S&OP keep up-to-date with current trends and demand so that management can make the most informed decisions with the current valuable information.

6. Superior S&OP can provide a firm with a competitive advantage because, done correctly, the result is a better use of resources and consistent decisions across the key functional areas of operations, marketing, and finance. In effect, everyone is working from the “same numbers.”
7. Two key advantages of coordinating a firm’s S&OP with key supply chain partners are 1) it helps eliminate uncertainty by combining forecasts, and 2) the information flow between suppliers helps limit the disruption of flow of goods within the supply chain. One potential drawback is that much of the information shared may be proprietary. As a result, trust is necessary for such sharing of information to take place.