

Chapter 45

Sales and Operations Management in Contemporary Organizations

Salim Shaikh
JDA Software, USA

ABSTRACT

Based on in-depth dialogue with executives, analyzing technology research reports, and leading supply chain transformation programs, a growing evident trend was noticed that more and more companies are seeking to enhance their Sales and Operations Planning (S&OP) processes to higher levels of maturity. The question amongst supply chain executives has metamorphosed from “Why do we need to improve at this time” to “How do we do it?” This chapter attempts to alleviate those concerns by providing a practical and proven approach for change transformation across various levels of S&OP maturity, thereby enabling organizations to become more demand-driven, improve margins, increase market share, and become contemporary – Lean, Agile, and Social Sales and Operations Management (LASSOM).

INTRODUCTION

In today's day and age of globalization, market volatility, paper-thin margins, long product lead times and increasing complexity of supply chains, the S&OP process must be contemporary i.e. agile and social in addition to being lean, thereby enabling organizations to realign their plans through continuous closed-loop replanning process. Globalization culture of buy anywhere, make anywhere and sell anywhere has its benefits in terms of sourcing the best materials from across the globe, producing them at the cheapest locations and then distributing them to consumers across the world. However, globalization brings with it effects of increased risks of natural calamities, labor unrest, currency fluctuations, geo-political situations, litigations and trade sanctions. There is huge pressure to reduce supply chain risks, especially with the increase of supply chain network complexity because of globalization. The risk of business disruption or failure increasingly worries global firms.

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As one of the executives of a semiconductor company articulated that if you aren't agile and are unable to respond to supply chain disruptions and market volatility, demand will exceed supply, resulting in reduced customer service, expediting, overtime. Similarly, if supply exceeds demand it will lead to excess inventories, obsolescence, price cuts and discounts. Hence, controlling and managing the impact of variability is critical for the success of any firm.

BACKGROUND

What Is Contemporary S&OM? Lean, Agile, and Social Sales and Operations Management (LASSOM)

Supply chain disruptions are not a matter of if, but when. In a 2013 survey of 519 respondents from 71 countries on causes and consequences of supply chain disruption, 75% of respondents still did not have full visibility of their supply chain disruption levels. Seventy five percent of respondents experienced at least one incident that caused disruption and 15% of respondents experienced disruptions that cost in excess of 1M Euros (Glendon & Bird, 2013). For example, Toyota, which epitomizes the concept of efficiency, waste elimination and lean strategy, was caught off-guard because of the recent earthquake in Japan. Since Toyota had a number of suppliers in Japan, Toyota carried minimal inventories and spare capacity for flexibility in the supply chain. Toyota and its dealers found themselves running out of options because of lack of inventory. Also, the Lexus and Scion brands, which were exclusively made in Japan, were most affected because of complete loss of a shipping port in Sendai. According to some estimates, the impact of the Japan's Earthquake caused a reduction in Japan's exports by as much as 1.6%. This lack of flexibility to have manufacturing operations in multiple markets and carrying minimal inventories in the supply chain could lead to loss of global market share to rivals.

Lean, Agile, and Social Sales and Operations Management (LASSOM) involves a closed-loop continuous process where different stakeholders from sales, marketing, development, operations, sourcing and finance come together in a formal structured process to create an integrated company game plan that reconciles the views of all functional areas at the same time making sure that this plan is in alignment with the strategic business plan. Focusing on lean principles of operational excellence, efficiency and eliminating waste alone at the cost of other desirable qualities such as responsiveness, flexibility, risk management, using social media for demand sensing and innovation can quickly turn from a short-term market advantage into a long-term competitive disadvantage. In today's fast-paced, media-driven world, Sales & Operations Management process needs to leverage social media to get a real-time pulse of the market and connect with customers and clients. Agility, which puts big emphasis on planning and controlling variability, and Lean, which strives for operational efficiency and minimizing waste, complement rather than conflict each other. Moreover, the term Sales and Operations Management (S&OM) is used as opposed to just Sales and Operations Planning (S&OP) as Sales and Operations Management (S&OM) should be a closed-loop continuous process between strategic business planning, tactical planning and execution. Sabri and Shaikh (2010) in their book "Lean & Agile Value Chain Management (LAVCM): A Guide to the Next Level of Improvement" introduce LAVCM guiding principles below to address today's challenges and help companies become lean, agile and social. Hence Lean + Agile + Social = Operational Excellence + Cost Savings + Efficiency + Eliminating Waste + Responsiveness + Flexibility + Risk Management (Figure 1).

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