



Integrated business management means managing all of the business resources via the sales and operations planning process. The final part of John Schorr's series of six articles deals with the management business review

The management business review (MBR) is the final step in the sales and operations planning (S&OP) process (Figure 1). Each senior manager should receive an S&OP information packet at least twenty-four hours before the scheduled meeting. The packet contains the performance measures which, in effect, are a report card of how the business is performing. It also includes the business and departmental assumptions, and the key issues raised from the individual product review, demand review, supply review, and integrated reconciliation meetings.

All of the family spreadsheets, rough-cut capacity plans, new product and new activities summaries, business project summaries, and the financial projections are also a part of the S&OP packet. Key strategic issues requiring direction and decisions will also be included. With all of this data and information it is time for the senior management team to make the appropriate decisions and provide the necessary direction that will guide the business into the future.

Sales & operations planning is an integrated business management process through which the executive/ leadership team continually achieves focus, alignment and synchronization among all of the functions of the organization. The monthly S&OP plan is reviewed by senior management and the output of the process is a definitive statement of what the company plans to do over the next twenty-four months.

The attendees at the management business review meeting are the executive management team—the president and all direct reports. The president is the owner of this meeting. Other participants who may regularly attend include the

new product coordinator, demand manager, supply manager, and the finance manager/S&OP coordinator. These are the individuals who have facilitated the collection of all the data in the packet and participated in creating the various scenarios that will be presented in the S&OP

hours. The MBR meeting includes all the information that is required to make the necessary decisions in the S&OP/MBR packet. The senior managers must review the S&OP information packet prior to the meeting to assure that a focused management business review

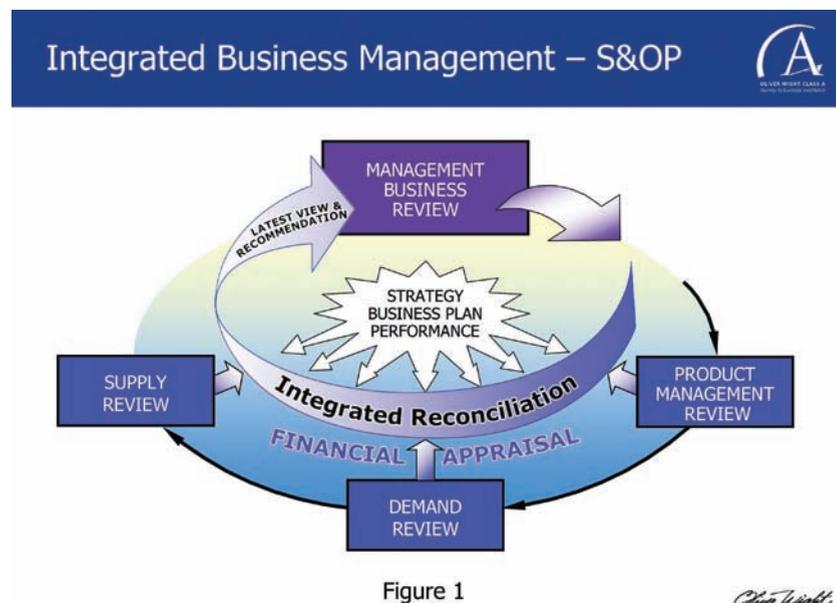


Figure 1

“The output from the management review meeting is the approved plan, defining the decisions made and the agreed actions to be taken”

meeting. They are there to answer questions or clarify issues which may arise during the meeting.

The management business review meeting should be a crisp, clear decision-making meeting, which will usually take between two and four hours, depending upon the maturity of the S&OP process. If major strategic issues are to be addressed, these may be the subject of an extension of the normal two to four

meeting can take place. The MBR is not meant to be a “discovery” meeting, but rather a decision making and

direction setting meeting.

The meeting typically begins with a review of the outstanding action items from the previous month. This is followed by a presentation of the decisions that are required to be made this month, along with decisions that may be necessitated in the future. This helps to focus the meeting on what needs to be decided over the next few hours. After reviewing the decisions that

are required, the president typically spends a few minutes addressing those special issues that need to be covered during the session.

The head of finance then reviews

plans, and the performance metrics.

Next, the business and departmental assumptions are discussed. This may include a SWOT (strengths, weaknesses,

phase of the meeting is traditionally led by the president and often takes the greatest proportion of the time involved in the meeting.

When there are no changes or issues from the previous month's meeting in a given family, it is noted and the family is not discussed. Rather, the focus for this part of the meeting is on the changes that are occurring in the individual family plans and their implications, strategic, operational and financial.

Each family typically has a one page summary (Figure 3) that focuses on the information management needs to make the required decisions. This summary includes the graphical presentations of the demand plan versus the business

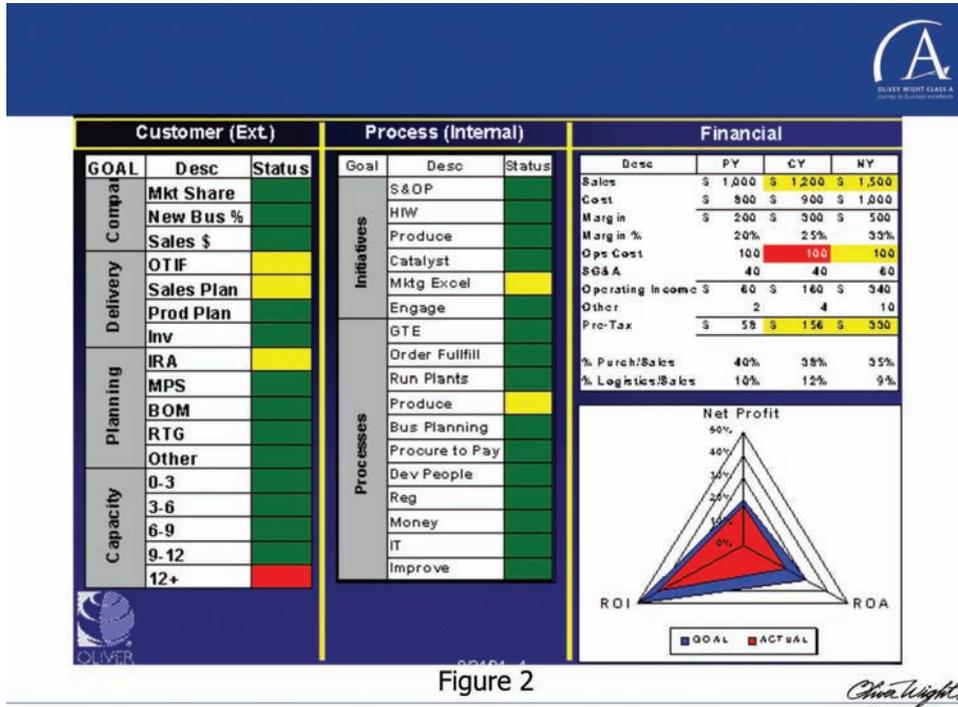


Figure 2

the performance metrics and gives an overview of the financial projections contained in the packet. The S&OP packet ideally contains a dashboard with all the key metrics. These metrics include the critical operational, financial, and strategic measures that are essential for running the business.

The dashboard example (Figure 2) has forty-two measures. Only those metrics shown in red are discussed, and the discussions are mainly around the actions taken to move those metrics back from red or yellow to green. If a measure is green and under control, there is no reason to spend time discussing it. This meeting is centered around the gaps to the strategic plans, the business

opportunities, and threats) discussion when there are issues in a given area.

We are striving to achieve a senior management team consensus on the assumptions. Once everyone on the team understands the assumptions behind the numbers being presented and they reach consensus on those assumptions, the chances are fairly good they also will agree on the numbers in the S&OP family plans.

Having established the decisions needed from the meeting, discussed the special issues that need to be addressed and reviewed the performance metrics and the assumptions, it is time to proceed with the family-by-family review. This

plan, the supply/ demand/ inventory/ backlog balance, and the gaps to the plan. The summary describes the changes from the previous month, the key assumptions, the vulnerabilities/ opportunities, the decisions made in the integrated reconciliation meetings, and the decisions that will be required in this meeting. Scenarios that were developed in the previous review meetings (product, demand, supply, and integrated reconciliation) are presented to help the decision-making process. It is anticipated that the senior management team will make the appropriate decision(s) at this time.

Following the family-by-family discussions, any new product, special project, or company-wide

project that needs management's attention is addressed. These discussions typically involve resource requirements, schedule attainment, or other critical issues that require senior management's attention or approval.

The output from the management review meeting is the approved plan, defining the decisions made and the agreed actions to be taken. This plan will be the input to the various departments for their selected gap closing scenarios.

A quick review of the meeting's minutes is made. The minutes will move to the participants for action, to the process step leaders for direction, to the coordinators of the process steps for execution, and often to a broader audience (key suppliers or key customers) for alignment. Because of this broad distribution of the minutes and the impact that the decisions will have on the various departments, it is always good practice to review the minutes before they are published to ensure they accurately state senior management's direction.

A meeting critique is the final agenda item. The goal of the critique is to constantly strive to improve the decision-making capability of the sales and operations planning meeting. In this critique ask questions such as: Are we doing the right things? How well are we doing them? Are we on the right track to

world-class performance? These are critical questions for evaluating your sales and operations planning process. The answers will reflect the current levels of performance

companies to determine the range of benefits various companies have achieved since implementing a sales and operations planning process. The results are impressive, and

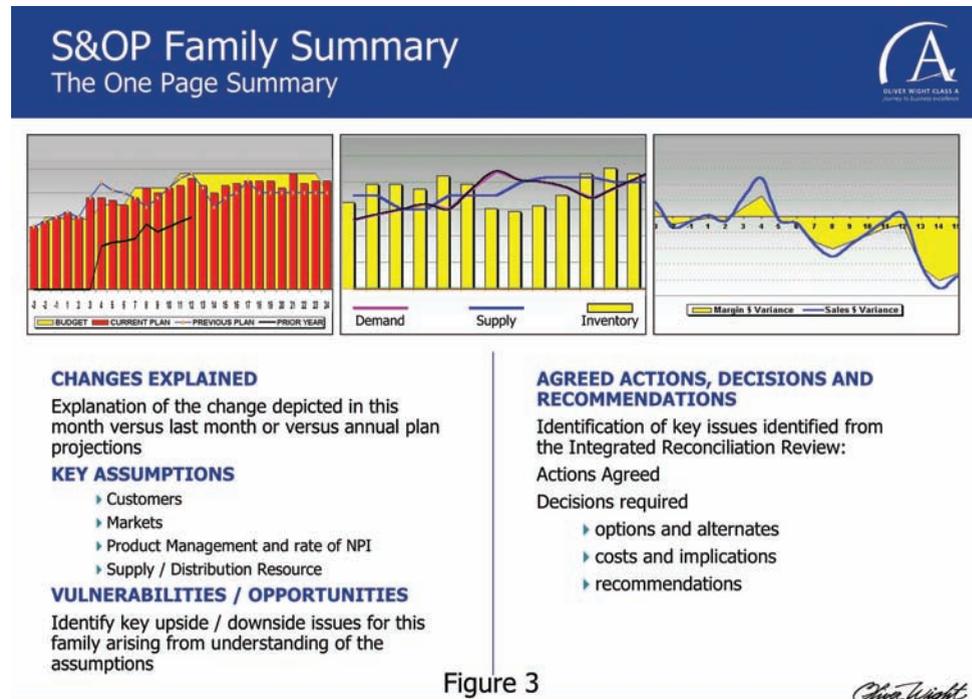


Figure 3

and reveal significant opportunities for improvement.

A good reference for critiquing the meeting is to follow a guide such as The Oliver Wight Class A Checklist for Business Excellence, Sixth Edition. Regular use of the checklist generates a consistent means of assessing progress, identifying problems, allowing early correction to those problems, and comparing performance against established best practices. By comparing performance against established best practices, your team will become motivated to work in a more effective manner.

Colleen Crum, a managing principal of Oliver Wight Americas, recently conducted a survey of forty

include:

- Increased forecast accuracy 18 – 25 percent
- Increased sales revenue 10 – 25 percent
- Increased on-time delivery 10 – 50 percent
- Inventory reduction 18 – 46 percent
- Safety stock reduction 11 – 45 percent
- Increased productivity 30 – 45 percent

One executive recently confided to me: “For once I have a handle on the business.” You, too, can approach and even surpass these results, once you begin to follow the ‘proven path’ to successfully implement the best practice S&OP process described in this six article series. ■

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