

# Welcome to the RA Stahl Company Executive S&OP Newsletter

February 2016

[www.RAStahlCompany.com](http://www.RAStahlCompany.com)

## OUR TRIP to CHINA

As I indicated in my last newsletter, my wife and I took another trip to China. It was a fantastic learning experience on both a professional and personal level.

I did two three-hour sessions on successive days of a Conference, sponsored by the *Allied Supply Chain Management Solution (ASCMS)* organization in Shanghai. ASCMS is a first rate outfit, working with the USA APICS organization to improve the Chinese state-of-the-art supply chain practices. ASCMS ([www.ascms.com](http://www.ascms.com)) is also our China book distributor, having translated three of our books to the Chinese language.

In attendance was a large group of Chinese nationals, with a strong interest in eS&OP, in spite of English being their second language. Compared to four years ago, when I did a similar offering, the interest this time was much stronger. The Q&A at the end of each day was filled with terrific questions about eS&OP and its use. Time would not allow us to answer all of the questions that the attendees wanted to ask.

I believe this stronger interest in eS&OP is because China is facing more competitive issues today than four years ago - mostly because China is no longer the only place for cost effective manufacturing. Their economy is no longer growing as before, and I believe their strong interest in eS&OP is to learn how to be more competitive in their "new competitive world of manufacturing." It was indeed a very interesting and exciting visit.

On the personal side, following the conference, my wife and I

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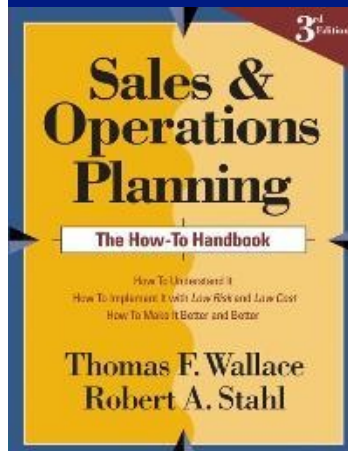


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took a trip to Beijing on the "fast train" through the beautiful countryside of China. We visited with the family of a friend we met on our last trip. The hospitality we experienced was wonderful, showing us, through our many and long conversations (even though translated) that people all over the world have many common interests and experiences. It was a visit and a relationship that will not soon be forgotten.

# Sales & Operations Planning

The Executive's Guide

- Balancing Demand and Supply
- Aligning Units and SSS
- Enhancing Teamwork

Thomas F. Wallace  
Robert A. Stahl

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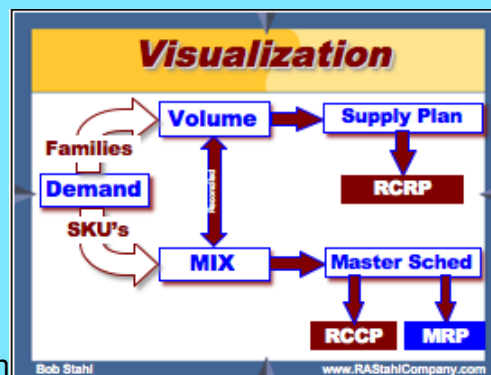
## BULLETS FROM BOB

### eS&OP is Making Rough Cut Planning Simpler & Better

In this increasingly complex and uncertain world, making the tools we use simple yet effective is an imperative. Part of accomplishing this is to be able to calculate *what-if* or *simulation* scenarios in a simple and effective way. Fortunately, that's just what's happening with eS&OP, when done properly. Keep in mind that making things SIMPLE is not EASY. Ask the Lean folks.

Scenario analysis, as part of eS&OP, considers alternative plans, determining their varying impact on both resource capability and financial consequences. The *Visualization* insert shows the logical

determination of a volume Supply Plan derived from the VOLUME demand projection (forecast) and in turn calculates a *RCRP* (*Rough Cut Resource Plan*) for both



resource capability and financial consequences (without full granularity). This is done through *Simplifying Assumptions*.

As a side-note, the *Visualization* also shows that the Master Schedule generates a *RCCP* (*Rough Cut Capacity Plan*). This is for key resources over the short-term horizon, driven by the Master Schedule of SKU's, through *load profiles* derived

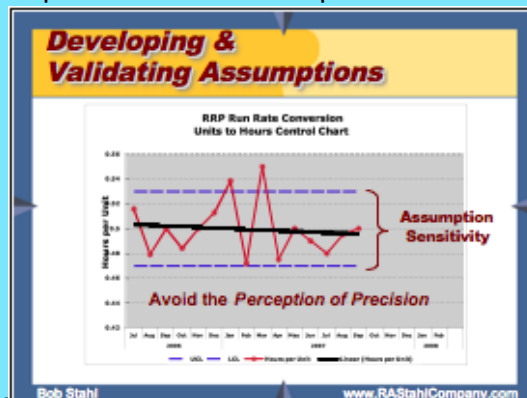
from the detailed routings. While this may still be appropriate, those in a *Lean Environment* often find that by doing RCRP with eS&OP it eliminates the need to do *RCCP* as part of the short-term scheduling functions.

*Simplifying Assumptions about MIX* come from mined historical data that allows valid conversion assumptions (without full granularity) to be made that translates projected volume:

- From Market Facing Families in units to Production Facing Families in units
- From Market Facing Families in units to Revenue projections
- From Production Facing Families in units to hours of production

Each simplifying assumption must be developed and then

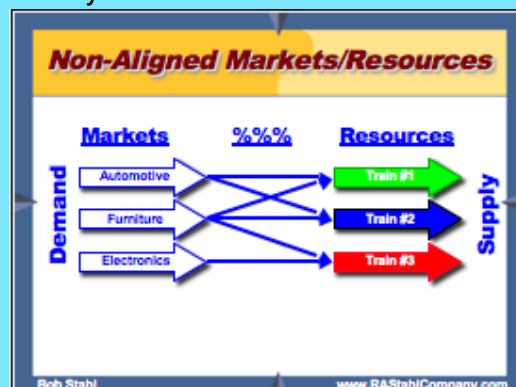
maintained every month through the use of a traditional Six-Sigma Control Chart - an example is shown in the insert. The example shown allows the conversion of units of



production to hours of production. While there is intrinsic variability, forecasting with more granular data only obtains a "perception of precision" and not real improvement. Keep in mind that with rapid simulation, you can test the *assumption sensitivity* by going to the calculated Upper and Lower Control limits of variability.

**An example:** Let's assume you make a *fire retardant chemical product*,

with varying chemistries that run on one of three (3) reactor trains. The products produced (perhaps hundreds) serve three (3)



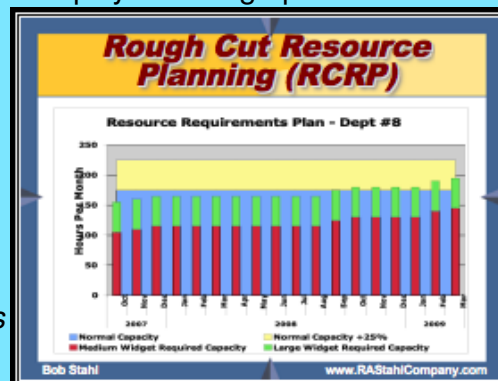
markets: Automotive, Furniture, and Electronic. eS&OP volume forecasting is by markets so that it can be tracked to individual market trends and patterns. That volume must then be converted to the load on each reactor train. That's where the *simplifying assumptions* come in.

All of this gets to a simple display for each reactor train that answers three questions:

1. What have we been doing (*demonstrated capacity*)
2. What do we need, derived from the demand volume forecast
3. What do we have to change

The insert labeled RCRP displays this in graphical form that makes it easier to gain a collaborative consensus.

Due to this simplicity, *what-if* and *simulation analysis* can be done in real



time, **during** a meeting or discussion. This is a real boon to achieving a collegial, cross-functional, collaborative consensus about balancing demand and supply and raising positive aligned energy.

If you'd like to hear a full discussion of *Rough Cut Resource Planning (RCRP)*, sign up for the John Galt ([www.johngalt.com](http://www.johngalt.com)) Webinar on February 11, 2016, that I will be leading.

## I'm Like the Marines

The Marines are always looking for a few good men & women; I'm always looking for a few good customers. If you're interested in learning about a low cost, low risk, high impact, quick results path to re-establishing, upgrading, or implementing a transformational eS&OP practice, give me a call. I'd be happy to talk with you about it.

# ANNOUNCEMENTS

- **Ordering books**

It will remain as before. If you're in my web site, click on a book and it will take you to the TFWallace Web Site (being managed by a company other than Tom) and you can order any of our books. Let me know if you have any difficulty.

- **February 11, 2016** - Webinar on *Rough Cut Resource Planning*, sponsored by the John Galt organization - [www.johngalt.com](http://www.johngalt.com)
- **May 11, 2016** - APICS PDM
  - Albany, NY
    - eS&OP topic to be determined
- **May 17, 2016** - APICS PDM: Top Management Night
  - Greenville, SC
    - S&OP Success: Why and How to Engage Top Management
- **June 12-14, 2016** - SAPICS Conference
  - Sun City, Johannesburg, South Africa
    - Keynote Address
    - Workshop
- **September 13, 2016** - APICS PDM
  - North Shore, Massachusetts
    - Sales Forecasting - A New Approach
- **September 25-27, 2016** - APICS International Conference
  - Washington, DC
    - Implementing S&OP in the Service Industry - A Case Study

**Note:** If you'd like more information on any of these events, don't hesitate to contact me.

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