

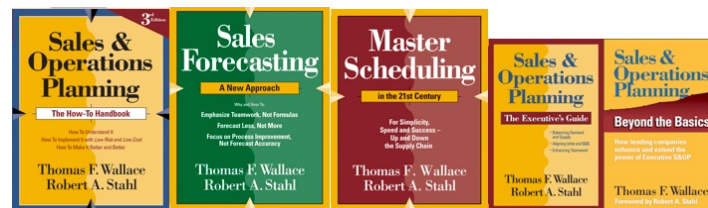
Welcome to the RA Stahl Company executive S&OP Newsletter

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Turning the Corner on COVID19 & Getting Back to Business



Hello again,

In a recent newsletter, I discussed “The Silver Lining” about dealing with the spread of the Covid19 virus – that being, the obvious need to return more of our manufacturing practices back to the good ole USofA. That silver lining, however, turned out to be not so shiny, for a number of reasons -- politically, socially, and economically.

On the pandemic front, we now know so much more about what happened, how it happened, and how to better manage the end of this pandemic -- and we are better prepared to handle any others that come our way. Let’s hope, however, we never have the need to exercise what we’ve learned.

Regarding my life’s work, that being – “making USA manufacturing competitive with anyone in the world” – I think we’ve re-learned something that’s very foundational to

our economic strength, which undergirds our way of life.

In 1776, in his book *The Wealth of Nations*, Adam Smith emphasized that any nation's wealth is a function of its “**land, labor, and capital**”. He claimed all wealth comes from one of these – **land** (minerals, natural resources, and farming), **labor** (people who take raw materials and add value – manufacturing), and **capital** (the accumulation of physical assets; buildings, equipment, revenue).

Since then, dozens of scholars in their books have reinforced this notion. Here are a few examples:

- *Manufacturing: The Formidable Competitive Weapon* by Wicham Skinner, 1985
- *The Future of Capitalism* by Lester Thurow, 1996
- *Producing Prosperity* by Gary Pisano & Willy Shih, 2012

Although it appears we have turned the corner on the medical issues of this pandemic (although with some remaining confusion), we are a long way from regaining our unification, American Strength, and prosperity. We seem to be all over the place, handing our adversaries the American disunity they were so hoping for. This is no time for weakness – it is indeed a hostile world.

In our unifying efforts there is one thing of which I am certain – to regain and retain our socio, economic, and military strength – we cannot continue to “outsource” our manufacturing processes. We must bring our manufacturing back home so we can be, “the master of our own destiny, and not the victim of circumstance”. This is just what S&OP is all about! Without an authentic S&OP process, a company will simply not be as competitive as it could be in the world.

However, success with eS&OP is not easy. To that point, Tom Wallace and I wrote a column for the *Foresight Journal* of the *International Institute of Forecasters* titled, [*S&OP Principles: The Foundation of Success*](#). In this column, Tom and I lay out and define ten principles of S&OP, along with typical executive push-back. We then put that push-back in proper context with “real-world” examples of how each was reconciled, from experiences with actual companies with whom we have worked.

Bullets from Bob

Below I've summarized the Ten Principles of S&OP success. If you'd like to read the full article, go to: [*S&OP Principles: The Foundation of Success*](#).

Here are the Ten Principles:

1. Executive S&OP requires the hands-on participation of executive management, up to and including the leader of the business (president, CEO, COO, general manager, managing director, etc.).
2. Executive S&OP is a decision-making process that balances demand and supply at the aggregate level, aligns operational planning with financial planning, links strategic planning with day-to-day sales and operational activities, and sets the tactical direction of the business.

3. The Executive S&OP planning cycle is monthly, with provisions for mid-period revisions when major changes occur.
4. Executive S&OP is an aggregate planning tool. It focuses on aggregate volumes and only rarely looks at issues of mix (individual products, stock keeping units, customer orders).
5. The volume plans authorized in executive S&OP direct the plans and schedules for MIX. Therefore, tight alignment between VOLUME plans and MIX plans is essential in the near term (inside the Planning Time Fence).
6. Executive S&OP must function in multiple units of measure – to support demand, supply, finance, logistics, and so forth. There must be tight alignment between the operating plans and the financial plans through appropriate unit-of-measure conversions into currency.
7. Executive S&OP is cross-functional and collaborative. It involves, at a minimum, Sales/Marketing, Operations/Supply Chain, Product Development, Finance, and General Management.
8. Executive S&OP by its nature will trigger disagreement between various parts of the business, and thus an organization must learn how to openly welcome and resolve these differences.
9. S&OP puts a spotlight on accountability. The sales plans and operations plans in executive S&OP represent commitments by Sales/Marketing and by Operations/Supply Chain, respectively, to achieve those plans.
10. Product groupings (families) in executive S&OP should be based on how the marketplace views the company's products. Other processes exist within S&OP to convert those market-facing families into meaningful groupings for Operations and Supply Chain.

If you want to put each of these ten principles into their full context, read the full article: [*S&OP Principles: The Foundation of Success*](#).

An Interesting Footnote

One other thing – the pandemic has mandated another pretty exciting change for me and our industry.

For the better part of the last year, I have been working with a major American manufacturer to implement the principles, mechanics, and behavior of eS&OP. My support has been 100% VIRTUAL!

We have “re-engineered” our proven implementation process (education materials and coaching approach) to fit these troubled times. They will be fully “cutting over” in the very near future.

Once successful, I hope to co-author, with their Executive Champion, a major piece about their experience with this new virtual support approach. We are both pretty excited about what's to come from their work. Stay tuned!

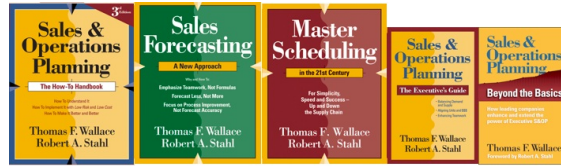
Thanks for reading and best wishes.
Stay safe and healthy!

Check Out Bob's Podcast: Is S&OP Still Relevant?

In this interview with Mark Gandy from CFO Bookshelf.com, Bob Stahl, one of today's S&OP thought leaders, will respond to where executive S&OP is today, and expand on the fundamentals laid down in his many books about S&OP.

For more insights about what eS&OP is and how to successfully implement it, refer to my website for free downloads and order any of our books:

<http://rastahlcompany.com>



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Us

Bob Stahl has spent 50-plus years as a practitioner and counsel to manufacturing companies. He is a teacher, writer, eS&OP Executive Coach, and an Expert Witness in litigation. He has coauthored six books, including *Sales & Operations Planning--The How-To Handbook, 3rd Edition*, and *Sales & Operations Planning--The Executive's Guide*. Three of his books have been used for professional certification, and several are translated into seven languages throughout the world. Bob is a past S&OP Editor and Columnist for the International Institute of Forecasters' (IIF) *Foresight Journal*. He has guided many of the world's leading manufacturers in their pursuit of eS&OP.