

## Lean S&OP

“Lean S&OP” combines the principle of Lean “Waste Reduction” with S&OP “Cross-Functional fact based decision making forum”. Lean S&OP can be thought of as a “power steering” to manage the business. A cross-functional business process that can help companies navigate through the volatility in the business cycle.



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## Traditional LEAN Principles

“Seiri” “Seperating”  
“Reduce the clutter in the workplace”

“Seiton” “Sorting”  
“Organize the workplace, bring order and focus

“Seiso” “Shine”  
“Maintain cleanliness in the shop floor”

“Seiketsu” “Standardizing”  
“Consistency and Standardization”

“Shitsuke” “Sustaining”  
“Maintaining Standards”

## Deadly Wastes in Manufacturing

“Overproduction”

“Transportation”

“Waiting”

“Inventory”

“Motion”

“Over Processing”

“Defects”

## Lean S&OP Principles

“Reduce the clutter and complexity in the Product Portfolio”. Discontinue products that are not strategic fit to the business. Strategic fit means products that are not geared towards key markets and/or have low sales/margins.

“Segment the Product Portfolio and develop Forecasting Methodology for each segmentation”. Segmentation should be based on Demand Volatility and Cross-Functional Collaborative Requirements.

“ Maintain the Product Portfolio Productivity”. New product launch should clear the established guidelines”

“Clear RACIs for All functions involved in S&OP process”. Standardized Ways of Working (WOWs), Reporting and processes across all business units.

“Senior Executive to act as S&OP Champion and build a cross-functional change management team”. Establish S&OP standards or KPI measures so the improvements can be measured in a consistent way across all functions and business units.

## Deadly Wastes in S&OP

“Multiple Forecast streams” Financial/Sales Forecast different from Production Forecast. Manufacturing is making product that has missing ownership from Sales.

“Consistent over or under forecasting” Resistance to move the Forecast needle leading to Customer Service or Excess Inventory issues.

“Demand Drivers” missing structure and process to integrate demand drivers like Advertising and Promotional spend, competitive response, trends etc in the forecast.

“Dis-functional Innovation planning” Go to Market Strategy not aligned with Manufacturing Strategy.

“Manufacturing & Logistics demand response capability” Supply lead-times not clearly discussed and communicated across the organization.

“Capital Asset Utilization” Organization not leveraging capital assets i.e. promotional spend not aligned with asset utilization.

“Obsolescence” No formal process to identify and communicate excess and obsolete inventory situations to sales and marketing functions.