

# Supply Chain Disruption and S&OP





The key is understanding supply risks and planning for them. Sales and Operations Planning (“S&OP”) cascades from a demand forecast into a dynamic purchasing plan, incorporates lead time variation, and synchronizes continually with operations. And since things don’t always go as planned, advance warning systems with purposeful, validated mitigation plans are critical.



### What does Implementation Look Like?

- 1 Using a forecasting timeframe 2+ months longer than longest lead time, develop a demand forecast and high-level supply plan.
- 2 Identify lead times and lead time variability for primary and secondary sourcing options.
- 3 Applying these lead times, work backwards from target due dates (Production Schedule) to Purchasing, Sourcing and Ordering Plans.
- 4 Establish communication cadence for key cross-functional stakeholders (i.e. sales, finance, ops, etc.)
- 5 Adjust Sourcing Plan if expected delivery dates are unable to meet target due dates.
- 6 Identify high-risk items and develop back-up plans (e.g., sourcing/shipping alternatives, expediting options, potential substitution).
- 7 Monitor expected delivery for high-risk items.
- 8 Establish green, yellow and red zones to highlight problem areas.
- 9 Trigger mitigation plans (or notify customer) for items approaching or in red zone.
- 9 Close the loop and update plans as needed.

The Keystone Group has worked across numerous industries to drive significant business improvements through S&OP initiatives. Select examples include:

Consumer Products	Industrial Equipment	Furniture	Industrial Products
 <p>Worked directly with suppliers to develop value stream mapping and <b>reduce average lead time by 20+ days</b></p>	 <p>Introduced sourcing processes and initiated supplier negotiations resulting in <b>30% decrease in raw material purchase commitment</b></p>	 <p>Created supply and demand planning tools to align forecasted sales and production scheduling, <b>reducing inventory by 60%</b></p>	 <p>Developed teams focused on S&amp;OP to address root cause issues and <b>increase on-time delivery from less than 75% to 90+%</b></p>