Implementing Sales And Operations Planning (S&OP) In a Service Organization

TrialCo helps companies in the healthcare industry complete the clinical trials needed for FDA approval of new drugs. TrialCo grew rapidly, adding new associates to respond to this growth and ensure research was being conducted properly. All the new business it garnered was used as justification for a large increase in headcount. However, once new business growth slowed, it became apparent TrialCo did not have a formal hiring approval process or method to align headcount needs with anticipated work. WP&C worked with TrialCo to implement a Sales and Operations Planning (S&OP) process to review and align demand from customers and supply of available associates on a monthly basis.

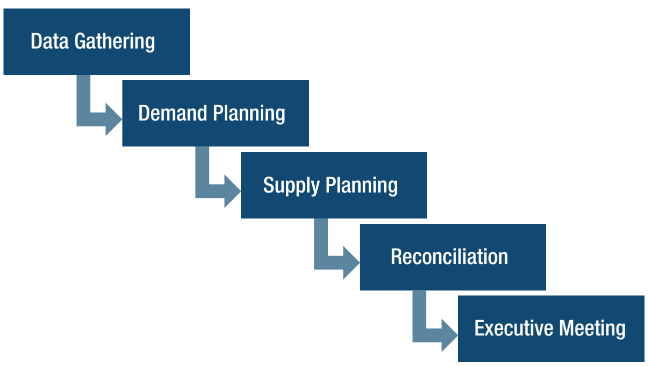

Figure: The S&OP process is a monthly collaboration to reconcile demand and supply.

Incorporating the right inputs for Demand Planning

While most organizations complete annual demand forecasts, not all review this forecast monthly and adjust staffing to accommodate changing business conditions. This monthly step is important to ensure staffing levels match customer demand and prevent overstaffing, leading to inefficiencies, or understaffing, leading to poor execution.

To build out the demand portion of S&OP, the first step was understanding what the right demand inputs were. Since visits to healthcare locations were essential to completing each trial, visits were used as the unit of measure for demand. Because TrialCo's work was split up by treatment type and by geography, visits were classified by treatment type and region. WP&C reviewed current projects in progress, future projects that had not yet started, and projects TrialCo had a high likelihood of winning. The project managers for each of the trials developed the forecast for demand projects that were underway, and the business development team developed the forecast for high-probability projects. These forecasts were reviewed versus historical data to analyze trends and compared against actual visits. This served as an assessment to gauge forecast accuracy, as well as a reflection on the accuracy of previous forecasts to identify opportunities for improvement.

Incorporating the right inputs for Supply Planning

Since demand was calculated as visits by treatment area and region, WP&C helped TrialCo calculate available supply using the same unit of measure. This required getting an accurate count of current and future full-time equivalents (FTES) by region, tracking their ability to work in each treatment area, and calculating an accurate number of visits an employee could complete per month.

FTEs were calculated by incorporating current staff, future hires, open hire requisitions, as well as future terminations and resignations. In order to calculate an accurate number of visits that employees could perform each month, WP&C analyzed timecard data as well as historical budget data that captured how much time visits required. Resources were then tied to a treatment type based on their experience and region based on their home location so that demand and supply could be overlaid together.

Reconciling supply and demand

With a monthly supply and demand forecast, the next step in the S&OP process was to reconcile the forecasts and develop a plan in cases of oversupply and undersupply. By overlaying the forecasts by global region and treatment area, WP&C showed TrialCo where its hiring needs truly were and where there was an oversupply of employees. This allowed TrialCo to transfer employees to other areas or close unwarranted open requisitions. A monthly meeting was set up to develop a headcount plan that could be shared with the Executive Team for approval and implementation.

Results

TrialCo was able to right-size headcount by implementing monthly S&OP and quickly saw opportunities to reduce headcount by over 15% in some regions.