

# Sales and planning activities



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**Introduction**

Sales and planning activities are type of sales and operation planning processes. These activities are type of integrated management process of business according to which it is a responsibility of leaders and the managers to continuously see various objectives to focus on. There is a proper alignment of the processes or the activities included under such plans. It is very much important formally align all the process of these activities in a routine because it keeps synchronization among all the people of the organization. Sales and planning activities are about forecasting the capabilities of various department of an organization. Planning is required for every department whether it is technical department, software building or software selling department. These kinds of activities provide an exact view of information flowing in the company. Sales plan is entirely a different thing. Sales activities are related to selling any thing from the company. There are planning phases for sales activities as well. Sales activities require a proper research about the market that what type of market, people and up to which extent the sale will be profitable. There should be an appropriate analysis about each and every aspect for performing sales activities. There are several challenges that organizations face in case of performing sales activities. These business challenges are as follows: (Sales Planning & Forecasting)

Ø There has to have limited view of the sales and various programs related to marketing of the product or the company itself

- Ø There are situation in which it becomes difficult for the company to manage sales cycles in order to neglect surprises or various drawbacks that come because of the sales cycle
  
- Ø There is no idea to the company that what is the reason behind breakdown of sale in the industry
  
- Ø It is difficult for the company to prepare an excess inventory because there is no accurate forecast with the company which basically is an effect of manufacturing various products for the people which in actual they do not want
  
- Ø It is very important for any organization to take care of the sales plan because manufacturing, scheduling and planning activities
  
- Ø Effectiveness of various activities required for this purpose

## **Body**

### **The Aggregate Operations Plan**

Aggregate operation planning basically works for converting a business plan which is made for annual quarterly basis into a form of border labor plan or output plan of around six months to eighteen months. Main objective of this aggregate plan is to meet various demands required to that respective period of time. It is very much required to convert a long term plan into an operational plan because it gives a view that how come operations of the company goes around. This is done in order to ensure that all the supplies made are done in the lowest cost possible. Hence it is necessary to make an aggregate operational plan. There are different types of plans used for this aggregate operational planning, like one year plans; they are called long <https://assignbuster.com/sales-and-planning-activities/>

range plans. With long range plans there are short range plan as well which talk about short period of time. There are some middle range plans as well which are of a period of six month to eighteen months depending about the requirement of the plan.

**Purpose (how it seeks optimal combination of production elements)**

This part will discuss various purpose of aggregate operational plan. Purpose of the plan means that how can we make different combinations of different elements of production. This is an important issue because at the starting it is very much necessary that we require an exact knowledge about what is required in the plan and what do we have to do. The main purpose of the aggregate operational plan is to convert various long range plans into middle range plans and middle range plans into shorter range plans. Aggregate operational plans are important in solving various purposes because it talks about all the operations going on in the company or the organization. The main purpose of aggregate operational plan is that it links various strategic activities like strategic plan of the company and also activity and the capacity plan with bigger categories that come into planning activities like workforce in the organization, labor force, size of the organization and also the level of production in the company. As the purpose of aggregate operational plan is important, as decision rule for making plans of various activities are selected then it is an important role of the aggregate demand plan for managing the things and this how inventory of all the activities in the company are maintained. (Aggregated Sales and Operations Planning)

There are other purposes of aggregate operational plan as well. Aggregate operational plan will talk about how the management in the company is

organized. It gives a proper scheduling of all the activities to be done in the company. There are various projects that are run in the companies for which there are different techniques to follow; there would be different number of work force required for the particular operation. Hence it becomes obligatory for the company to make operation plan in order to get the exact view of what are the requirements of each plan.

### **Production Planning Environment**

Product planning environment talks about planning to be done for the company in any kind of environment. We can talk about two different kinds of environments in this. They are product planning under dynamic environment and product planning under fixed environment. In both the cases, we are doing product planning but the environment under planning to be done is absolutely different. Situation under which plans are to be made for the company are of different types.

First we will talk about production planning to be done in dynamic environment. There are various productions planning that we can see in the day to day life. An example of production planning in dynamic environment is done. We can take an example of any electronic product.

When we talk about product planning activities, there are two steps that take most important place like fabrication and equipment assembly. These are the two important process of production planning. It is very important to have different environmental scanning of production planning environment because demands of the customers are really uncertain. None of the companies can expect what they can want. Only they know about that. High

level of services has to be provided to the customers in order to get success in the market and for this purpose it is important to have production planning activities.

Production planning environment is a significant thing of operation plan. A production planning environment gives suggestion to the planning of any activity about what needs to be done in order to get success. Planning is very important because without planning any thing would not be that easy because the numbers of activities to be running in a company at a time are infinite and it would be really difficult to carry on all the activities simultaneously without making operational plans or aggregate operational plans. (Stephen C. Graves, 1985)

For production planning, there are various techniques that are used in any company. It is important to use techniques for planning activities because these techniques make work very easy for the company and it can spend more time in thing about these plans are orally making the plans so that plans are made with an efficiency.

Production planning environment help in making this plan more efficient because these are reason behind changing plans for the same activities for different situations. There might be possible that for example company has to product a product in a city with a particular population. Let us suppose that population of the company does not increase in six months. After six months, there may be possible that the company is manufacturing lesser number of quantities of the product for same population. Reason could be Season Change. Hence we can not predict the environment so easily hence

production planning is required according to the environment of the company.

### **Relevant Costs**

Relevant costs of the aggregate planning vary according to the range of the plan or we can say bigger the plan higher would be the cost.

### **Aggregate Planning Techniques**

There are various types of aggregate planning techniques that a company can adopt. They are as follows:

Intuitive Aggregate Planning technique: In case of Intuitive aggregate planning technique we always use intuitive management, experience of various official of the company and thumb rules in order to get successful planning in the company. In case of intuitive planning technique, there are graphical methods and spreadsheets analysis is used for the planning activity.

There are various advantages as well as disadvantages of this technique. The biggest advantage that we can see of intuitive aggregate planning is that it is very much easy to explain and there would not any difficulty to the higher management in order to explain planning phases of any activity. With easy in explanation, it is easier in use as well. Any one can use this technique and make the required plans.

If we talk of the disadvantages of intuitive aggregate planning technique as well, main disadvantage we see is that there are various solutions which mean more than one solutions possible for the strategy or strategic planning

not just one. Hence it become very much difficult to search for the optimal solution required for making the best plan.

LEVEL PRODUCTION STRATEGY: Another strategy that we can talk of that is other technique is level production strategy. In this level product strategy, it is necessary to find various requirements about time that plan would take it always will keep a track on the schedule of the plan. With this it will give average time that will be required to make any plan. According to level product technique of aggregate operational planning

Avg. requirements = total requirements - opening inv. + closing inv.

Number of periods

Steps which is used in the level production aggregate planning technique are as follows:

1. Entry of production data is done
2. Determination of the production level at an instant. For this, firing or hiring needs to be done
3. Inventory level is updated then
4. If inventory level is out of the expected then recalculate the average level production which will be needed and again go to step no. 1. This acts as a recursive process
5. For each of the categories on which we are working, calculate total for each requirement, inventory, hiring and firing and finally we get entire total
6. In the last step we calculate the final cost



**Intuitive Mixed Technique:** Under this technique, hit and try method is used for getting the solution for the planning activity. In this technique Excel is used in order to model the problem and in order to investigate which solution is most effective. An appropriate structure is used in order to find optimal solution. Excel Solver technique is used.

**Chase Technique:** Chase technique is said to be one of the best techniques of aggregate planning. In this technique capacity of the company is adjusted according to the demand of the customers. Planning horizon is set so that work force and production schedule is adjusted according to the plans that are made. There are various advantages as well as disadvantages of this technique.

Advantage of chase technique of aggregate planning is that in this kind of planning anticipation inventory is not necessary for the company while planning and investment in the inventory has a lower range. With this advantage there is another advantage that full utilization of resources and labor takes place in this technique

If we talk about the disadvantages of chase technique of aggregate planning, money spent on adjusting various capacities like work force and others is very high which is not affordable by all the companies. Hence they try to avoid this technique. Another disadvantage is that it goes for a proper disaffection of the workforce. These are the two main disadvantages of chase technique of aggregate planning

**Level Approach:** Level approach of aggregate planning is again the second best approach of aggregate planning. Under this technique, capacities like

workforce, schedule of production and rate of outputs are constant for the entire period of the planning horizon. There are various advantages and disadvantages of this technique

Advantage of level approach of aggregate planning is that there is an absolute stability in the rates of output and level of workforce

Disadvantages are that investment for the inventory management is more than other techniques. Overtime for any job or idle time for nay work is more than normal techniques. There is variability in the resource utilization which means that there are times when resources are maximum utilized by the company but there are several situations when resources are not utilized by the company up to a mark able extent (AGGREGATE PLANNING)

### **The necessity to balance between the Aggregate Demand & the aggregate production capacity)**

This is necessary that there has to be a proper balance to be maintained between aggregate demand and aggregate production capacity. We will explain these terms of two different scenarios as examples.

First we can give an example, let us suppose that aggregate demand in the market is more than what is produced by the company. In this scenario, it is true that company will not be able to satisfy the needs of the customers. Hence there will be fight for the products or services. Problems that occur because of this situation would be black marketing. Company will take an advantage of this scenario and will sell the product or services are a higher cost. Company will take more money for the same product which it used to

take earlier. And problem would be that customer will have to pay the amount if it would not have the alternatives for the same.

In the other scenario, we take an example where aggregate production is more than what ever is expected by the customers or what is needed by the customers. In this situation, company will produce more and market or the customers will require less because of which company has to stop the production or there may be possibility that product that has already been used by the customers and rest of the product will get wasted. This will give loss to the company.

Hence it is necessary that aggregate demand and aggregate production should be same for best possible result of the aggregate planning

### **The difference in aggregates sales and operation planning in different industries**

An aggregate sale is the term that is associated with the factor of aggregate planning in different possible modes. This can either be defined in long-range planning, intermediate-range planning, or short-range planning. This process is entirely dependent on the type of organization that is being taken into consideration. This is due to the fact that its predecessor, i. e. operations planning will be highly influenced by the type of organization and the industry it is operating. Also the fact that aggregate sales is the final outcome that is dependent on a number of variables and can be maximized by improving the efficiency of all the operating units in a well coordinated manner.

Operations planning and sales are the two aspects that are related with each other to a core extent. Thus various facets of operations like MPS (Master Production Schedule), MRP (Material Requirements Planning), Rough cut Capacity Planning, Capacity Requirements Planning, and Ordering Scheduling can be held responsible for enhancing the aggregate sales of an organization, thus making it possible to gain an upper edge over its competitors. This can be explained with the help of IT industry and Telecommunication sector. An organization operating in Information Technology sector mainly considers human resource as its most important asset. Thus most of the aspects of operation are related to this particular factor only without taking any other feature into consideration. This makes Human Resource Manager as one of the highly influential authority in operations management and planning procedure that in turn is liable to raise aggregate sales of the company while in case telecommunication sector there are certain changes. In this case employees working in the organization plays an important role, but not as crucial as in previous case. In this particular industry, technological perspective that is a part of inventory is one major part required in this sector from operations point of view. This can also be understood from the fact that aggregate sale is the outcome that is generated by offering a specific or diversified service or product to its customers by an organization. Thus it has to be understood that it is just acting as a front end and should possess high end coordination with its source that is operational units and it entirely responsible for taking care of the production associated with the service or product of the company. (Frequently Asked Questions About Sales and Operations Planning)

This can further be clarified by taking into account textile industry. Textile industry is one of its kind as for this particular industry it is highly inevitable to maintain quality standards at different sections of production. Various sources of raw material act as an elementary part for the operations management to be taken appropriate care. Its aggregate sales are quite difficult to retain as compared to many other industries as it is highly prone to external problems which may result in losing fate in the competitive scenario. Due to this extremely high inter-dependency, aggregate sales and operations planning seems to be same but they are highly different from each other that have to be taken proper care in best possible manner for overall development of the organization. In this particular case factors like production rate, workforce level, inventory on hand, and production planning will be the factors that will be acting as prime contributors in making operational part to be a successful implementation for the organization operating in this domain. It will further be taking supply of raw material sources like polyester, etc for making it possible that operations are carried out in best possible manner without creating any ambiguity in the vicinity. While aggregate sales will take relevant costs associated with all the above mentioned parameters into account so as to maximize this particular feature and define proficiency of the company among its rivals. This can be explained further with the help of a characteristic adopted by certain companies following JIT (Just in Time) approach. This approach laid its prime focus over inventory management in order to make sure that operational aspects of the company are handled in best possible manner and minimum possible time. This saves a number of expenses of the company which otherwise it has to carry like warehousing, etc. This approach can be applied

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in any organization working in any domain but it will be successful only when different departments working together are present in highly close vicinity. This has to be made sure that this meticulous prerequisite is satisfied in every possible manner otherwise this approach will fail deliberately. This approach is generally followed Japanese companies because of readily available material in the market and will probably fail in case it is applied in UAE because of completely different scenario. This define difference in the operation planning and aggregate sales in an explicit manner as aim to maximize aggregate sales remains same for all the companies while operations planning depends on a number of factors. As for example, region in which that particular organization is operating makes an intense affect on the type of market and clientele it is serving. There is also a possibility that different industries are entirely reliant over its operational part while rest of them makes very minute dependency over its operational aspects, which demonstrate main difference between these characteristics in a well defined manner and cannot be ignored. Echelon of difference may vary from low to high extent and should be taken care appositely as it is one of the most important features for an organization regardless of its industry.

### **The importance of choosing the right strategy to plan operations**

The function of operations plan or strategy is to provide a map for the operations task so that it can build the most excellent use of its assets and resources. Operations strategy states the plans and policies for utilizing the firms' resources to hold its long-standing competitive strategy. The figure provided below shows this association. It is to keep in brain that the operations task is accountable for managing the resources required to create

the company's services and goods. Operations strategy is the map that specifies the plan and use of assets to bear the business strategy. This comprises the location, dimension, and type of facilities obtainable; employee skills and talents necessary; utilization of technology, special equipment, special processes needed; and quality control techniques. It is necessary that the operations strategy of the firm must be associated with the firms' business strategy and facilitate the firm to attain its long-term goals. Now as different companies has different values to parameters like size, location, skill requirement of workers, types of facility for production and goals to be achieved, it is clear that both the appropriate selection of operation strategy and industry specific selection of operation strategy is necessary for the firm. For instance, the business strategy of a company called FedEx, the globe's largest provider of accelerated delivery services, is to fight on time and reliability of deliveries. Talking about the operations strategy of the company, the operation strategy of FedEx formed a plan for resources to hold its business plan or strategy. To provide pace of delivery, the company acquired its personal convoy of airplanes. To provide reliability of deliveries, the company invested in complicated bar code machinery to footpath all packages.

**The significance of choosing right Operations Strategies:**

Operations plan did not come to the vanguard until the early 1970s. Till that time, companies in United States highlighted mass manufacturing of standard product intends. Till that time, there were absence of any grave international rivals, and companies in United States were pretty much free to sell anything they created. Yet, that altered in the year 1970s and 1980s.

Japanese firms entered the market and began presenting products of better quality at lesser cost, and U. S. firms lost market capture to their Asian counterparts. In an effort to stay alive, many U. S. firms copied Japanese techniques. Unluckily, just copying these techniques often proved ineffective; it took time to actually understand Japanese techniques. It became obvious that Japanese companies were extra aggressive since of their operations strategy; which is, all their assets and resources were exclusively designed to openly support the firm's general strategic plan. In a review, Michael Porter, a professor at Harvard Business School says that firms often do not recognize the dissimilarity between strategy and operational efficiency. Operational efficiency is doing operations tasks fine, even superior than opponents.

On the other hand, Strategy is a map for staying in the marketplace. A likeness might be that of organizing a race capably, but it might be the incorrect race. Strategy is crucial in kind of race you will triumph. Strategy and Operational efficiency must be united; otherwise one may be very competently performing the incorrect task. The function of operations plan or say strategy is to make certain that all the odd jobs performed by the process function are the correct tasks. Think about a software business that freshly invested thousands of dollars in budding software with features or services not provided by opponents, only to determine that these were services customers did not predominantly desire. Now that we recognize the sense of operations strategy and business strategy and their significance, it is clear that the software firm introduced here has performed the operation



of developing new features very professionally but is not the correct task as people are not very interested in the new features developed.

### **Inputs required to the production planning process:**

The production planning process is an aggregate process which depends on a number of factors internal and external to the organization. If we define these factors, they are basically the manpower, technical planning like engineering and maintenance planning, information of marketing, quality control, investment planning and distribution planning, These factors can be categorized into two parts: internal and external to the organization.

Talking about the internal inputs to the production planning process, it may include manpower availability, machinery, and technology. Talking about the external requirements of the planning process, this includes factors like financial availability, demand/marketing estimation, distributors, customer expectation of quality and distributors. The correlation between these variables and production planning process can be shown by the following diagram. It is clear from the diagram that both internal and external factors and say internal and external inputs defined above are essential parameters of production planning process.

### **Strategies to meet demand**

#### **Cut and Try Method:**

Cut and try method can be seen as one of the popular and easy to handle methods for the aggregate planning. This strategy helps the company to analyze the status of the project planning under different consideration. The basic structure of the plans assists the analysts to come to a conclusion to what plan could be successful under which circumstances. The various

aspects of the project planning are highlighted and it becomes more effective for the management to take decision regarding the planning. The working of the cut and try method can be studied as four different strategies deployed in the aggregate plan work sheet. These are as follows:

- Production Plan 1 or The Chase strategy: This particular section of the method employs two very significant parameters namely, workforce and production. It analyses the situation under the condition when the exact production is given but the workforce is varying. It checks the ratio between rate of production and the order rate. In other ways, it could be said that it studies the effect which could be caused on this ratio by hiring employees and by laying them off as per requirement varies.
- Production Plan 2 or the Stable Workforce strategy: This method of the cut and try involves the constant workforce. In this the case the factor which varies includes inventories and stock-outs. The variation in output is caused because of variation in the working hours the employees due to the non-rigidity in the time schedules allowing overtimes and an altering number of hours of work.
- Production Plan 3 or the Level strategy: This technique employs low workforce which is constant in nature. This is realized with the help of Subcontracting. In this strategy, output rate or the production rate is constant and the workforce is also invariant. All the shortages or excess or in other words surpluses are absorbed by the fluctuations caused in the various levels of the inventory, backlog in the order and the sales which were lost.

- Production Plan 4 or the mixed strategy: Overall objective of this method is to optimize cost which it does by employing multiple strategies mentioned previously, two or more, together. It schedules overtime and also the workforce is kept constant.

Now let us consider the example of The CA & J Company. Generally a company which has a pronounced seasonal variation plans its production for whole one year. This is so that the extreme demands of the busiest and slowest months can be captured altogether. In this, company's plan for six months has been illustrated.

Similarly data[i] for remaining parameters is taken as:

Materials: Rs. 100. 00/unit

Inventory holding cost: Rs. 1. 50/unit/month

Marginal cost of stock-out: Rs. 5. 00/unit/month

And so on.

Software like, Microsoft excel make the calculation more convenient.

However, it should always be taken care that cut and try method might not always give optimum solution Software available nowadays can give more optimized results as they are more sophisticated.

### **Aggregate Planning Applied to Services: Tucson Parks and Recreation Department**

Aggregate planning can be applied to various services so as to get the optimum and the most beneficiary solution. These can be implemented using charted techniques or methods involving the graphical representations of the

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plans. Such techniques are employed by the Tucson parks and recreation department. The main objective of this firm is to demonstrate the city's department of parks and recreation can be involve alternatives of the employees working full-time as well as the part time employees and also utilizing benefits of the subcontracting techniques in order to fulfill its commitment to provide a useful service to the city. This institution is required to maintain and produce open spaces, gardens, tennis courts, pools, all recreational centers and so on. The data used in the example is as follows:

The total budget is allocated of Rs. 9, 760, 000. The number of the full time employees is 336. Among these 336, 216 employees are such that they are full time permanent personnel who involved with working of maintenance all the year round and are responsible for the administration. The remaining 120 full time employees are divided into two sections. They are staffed with part timers. About three-quarters of these are deployed in summers and the remaining one-quarter work in spring, fall, and winters seasons. The three fourth or 90 full time employees turn up about 800 part time jobs of summers like those of lifeguards, instructors in some children schools or training programs and baseball umpires, etc. Part time jobs last for a month or two while full time employers last for whole one year. Hence considering many other factors and the data, we can conclude that the department is open to the following three options regarding the development:

- The present method is continued. According to which, they have to maintain full time employees at a medium level and hence schedule work in the off seasons ( such reconstructing baseball fields in the

months of winters) and then use them as a part time assistance during peak seasons.

- Second option is to maintain a low level of the staff around the year. Whenever there is a requirement of more staff, technique of subcontracting could be used. All additional works currently done by full time employees with the assistance of part time employees.
- Third option is to hire only administrative staff and subcontract all the remaining work with the help of the part time staff people. This technique will consequently result in contracts to various landscaping firms and companies responsible for maintaining pools and will also give