

Integration For Strategic Sales And Operations Planning

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Few business leaders would argue that the ability to predict, shape and fulfill demand with precision in the short, medium and long term, is critical to the future success of their organization. Surely, every CEO in the world would love the real world equivalent of a crystal ball? And indeed, many now realize that it may be possible to have one, if they can pull together the right mix of insight, expertise and intelligence not only across their entire business but throughout their supply chain.

The notion of synchronising all departments so that sales plans are aligned with production plans, inventory, customer lead times, product development and financial planning, is nothing new. The benefits are clear: making only what will sell, at the most cost effective and profitable price; improving service by delivering exactly what the customer wants; and proactively driving market demands. No organization would reject such benefits if the processes and systems which facilitate them were easy to implement.

But therein lays the hurdle. Achieving this level of cohesion and co-ordination is immensely complicated. While some organizations have implemented initiatives such as demand planning, which improves the visibility and accuracy of forecasts of future demand, before aligning it to production, few have been bold enough - or in fact able - to embrace a complete, strategic sales and operations planning (S&OP) approach.

Barriers to integrated business planning

This 'integrated business planning' has been difficult to achieve for many reasons. Firstly, as recent *IDC Manufacturing Insights* figures have shown, businesses face increasing complexity throughout their organizations. As part of a global survey of over 720 manufacturers, 58.9% of Western European and North American respondents identified complexity as a critical issue.

Issues driving this increased complexity include global competition; sophisticated international supply chains; rapidly changing business environments; volatile raw materials prices; low visibility into demand forecasting; and the challenges of profitably bidding for, and executing a given project or piece of new business. This is compounded by product lifecycles shrinking as pressure to continually innovate

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and bring new products to market quicker and more profitably grows. As such, a great deal of the complexity that inhibits the evolution of integrated planning is the result of external factors.

Internal factors within a business also frustrate the development of a holistic planning process. The logistical co-ordination of people in the departments that are to be involved can often present a real challenge, compounded by different time zones, geographies, legal entities, languages and cultures.

However the most critical internal factor is that of technology. The business systems that underpin processes throughout marketing, finance, production and logistics are likely to differ



wildly and have been in

place for varying lengths of time. This makes co-ordination of these systems difficult. Fig 1 shows a set of simple technologies and systems and processes that will likely have suffered from this siloed approach.

To overcome this challenge, strategic S&OP –also referred to as integrated business planning - pulls the systems together to not only deliver a holistic view of the business, but also enable changes to be planned from any point in that chain.

The critical role of connected technology

This places a premium on the connections between the systems that underpin the integrated process. The good news is that the technology is now available to enable this level of integration and collaboration without the need to rip out existing IT investment across the departments involved and install a new, monolithic system.

Firstly, there is the option of adding in S&OP as a layer over the existing, relevant departmental systems, pulling out the data and information needed to deliver the

capability required. The first fruits of this labour would be the balancing of supply and demand as visibility improves.

As a next step business can upgrade the software to evolve towards a full, strategic S&OP. Processes can then be re-modeled in the system with each upgrade and new rules enforced using embedded task management and alerting.

The open standards that enable this communication are now robust and flexible enough to be trusted with mission critical data and systems. Unbreakable, but loosely coupled connections mean that change can be accommodated without sacrificing integrity or quality.

Once this is in place, the business can begin to experiment with what-if scenarios, looking at the impact of initiatives such as promotions (shaping a market instead of reacting to it) or assessing the possible production and marketing demands of new product development, before resources are committed.

There are however pitfalls that need to be negotiated when implementing S&OP at this level. A common mistake is to assume it is just another application to install or project to compete. S&OP is an ongoing, dynamic process that changes how the business operates – it is not just something undertaken and then forgotten. It represents significant change for any business.

The dangers to avoid

The first potential pitfall to avoid is a ‘rip and replace’ strategy that commits the business to radical change in one go. This forces a rigid timetable into place and is far less preferable than a phased approach that incrementally delivers value to the business while minimising the impact of change.

Another common error is in not establishing a baseline for the return on investment. Without taking an accurate snapshot of how things are at present, it is impossible to measure the improvements delivered. It is also important that ROI is continual as S&OP is not a finite project.

For this reason, it is critical to secure senior management buy in. In many cases the changes necessary across so many departments will demand that c-level executives drive the changes. They in turn will demand accurate updates on the results it is delivering so accurate reporting from all departments involved is also critical – and another demand on the technology.

The objective is a process that enables heads of production, logistics, new product development, marketing sales, and finance to propose changes to the business -

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from a sales promotion to a new product or service or exploiting a new market.. These changes can be assessed, planned for and managed as they reverberate throughout the business. This is not limited to delivering confidence to the business when it chooses how it will react to the market, but also covers new marketing initiatives that can shape demand.

In order to do this, the technology has now overcome the limitations of system isolation and offers business leaders an opportunity to put the last pieces of the puzzle into place, delivering a complete roadmap for commercial growth and success.

[Read more about S&OP here.](#) [1]

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