

Management briefing

4 pitfalls of S&OP implementations

Give your company an edge in sales and operations planning (S&OP)

SALES AND OPERATIONS PLANNING

QUINTIQ

Empower your company to plan for profit

Successful sales and operations planning (S&OP) implementations enable businesses to plan for profit – not just for production. While the business case for S&OP is compelling, there are also implementation hazards to watch out for.

The four pitfalls

Over the years, we have spoken to hundreds of people involved in S&OP and observed numerous implementations. As we looked closer, it became clear that certain practices were preventing companies from realizing the benefits of S&OP. Here are four pitfalls and what you can do to avoid them.

Pitfall 1: Rushing to implement comprehensively instead of in stages

The data required for sales and operations planning can be overwhelming. To cope with the overload, aim for steady, step-by-step implementation.

Instead of attempting to cover all your product groups, begin with a few. Instead of covering your entire supply chain, choose the areas you will tackle first. Instead of jumping into the level of detail required for weekly forecasts, start with monthly forecasts.

How important is a step-by-step approach? In our view, it's crucial.

Companies seduced by the idea of a quick, comprehensive implementation of the latest S&OP technology soon get bogged down by the sheer complexity of the project.

Start small. Raise the level of detail and complexity as you go along.

Best-in-class companies are twice as likely to be able to evaluate planning scenarios that include all the relevant constraints.

Pitfall 2: Attempting to excel only with Excel

Making do with Excel spreadsheets is a real temptation – especially in the early stages of an S&OP implementation. But as the complexity increases, companies using Excel are forced to cut corners.

In our experience, the financial dimension is the first to suffer. Companies using Excel are unable to cope with the vast quantities of financial data required, and typically ignore:

- Production costs
- Revenues from certain products
- The financial implications of marketing strategies

This, of course, makes it impossible for a company to plan for profit.

Crucially, Excel does not support the easy creation and exploration of scenarios – a key differentiator between those who succeed in S&OP implementation versus those who don't.

Make sure you have the right tools for the job.

Pitfall 3: Kicking off without the finance department

In most S&OP projects, sales and production are represented from the start. Before long, the team members realize they need input from finance, and invite the financial controller to the discussions.

This oversight often results in significant resistance from a key player in the S&OP process. This is a pity as S&OP should be easy to sell to the finance department. Especially when this is the department which would be a major beneficiary of the improvements in the financial forecasting that S&OP enables.

Include the finance department – right from the beginning.

Pitfall 4: Not appointing a neutral coordinator

Sales, production and finance have competing interests and priorities. Without measures to safeguard consensus planning, the biases of one function – usually the one represented by the organizer or funder – will prevail.

To ensure that S&OP works for the benefit of the organization as a whole, appoint a neutral project coordinator.

Implementing S&OP is never easy. Experience has shown that avoiding these four common pitfalls gives companies an edge in their S&OP implementation endeavors.

For more information about sales and operations planning, contact us or visit **www.quintiq.com**.

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