A Publication of Steelwedge Software

Steelwedge
Plan. Perform. Profit.

## A Simple Introduction to

# Sales & Operations Planning (S&OP)



7 critical factors for developing an integrated business process that drives collaboration and unified focus across multiple divisions and departments to align operational planning with financial planning.

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# You're an S&OP leader at your company. But do you find yourself spending time each day spinning your wheels?

- Are you continually juggling spreadsheets?
- Are you spending more time preparing to put a business plan together versus actually planning?
- Do you have to chase down information on what other teams are planning, rather than having a collaborative planning process?
- And, once you get it, are you spending even more time converting the information into terms that make sense to your role, such as units or dollars?
- Are you having trouble seeing the demand picture at the same time you're looking at the supply picture due to separate forecasting and supply plans?
- Is the connection between plans and actuals missing?
- Do you wish you could become more predictive?





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# Your competitors aren't spinning their wheels.

## They're efficient and effective in their S&OP processes. Why?

**Because they're automating processes across functions and collaborating to balance supply and demand to maximize profit and performance by aligning operational and financial planning.**

## Here's how...





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# 7 Critical Factors for S&OP Excellence






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# #1: Executive S&OP

**Supply and operational planning involves numerous stakeholders across functions and business unit. Each of them has objectives and responsibilities that vary from the others based on role, and perhaps, geography. S&OP requires shifts to mindset, culture and planning that are difficult to implement due to perceived conflicts and separate agendas.**

## Challenges:

- **Lack of sponsorship or buy in**
- **No connection with company's strategic and financial objectives**



## What S&OP Brings:

S&OP will bring cross-functional collaboration and consensus that eliminates surprises and hidden decisions. The process combines the activities of all departments into one plan. This consolidation prevents each department from working alone and making decisions that affect other departments without their input. To connect all the dots, executive sponsorship and accountability is imperative.



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# #2: Performance Management

**Planning and forecasts have been traditionally based on best guesses. As the world becomes more volatile, plans often go awry. This has kept companies clinging to spreadsheets to react to uncertainties and departmental leaders focused on their immediate agendas – without the visibility into or accountability for the overall strategic plan or defining the metrics that will drive overall growth.**

## Challenges:

- **Metrics not clearly defined**
- **No periodic updates or exception alerts to mitigate outliers**




## What S&OP Brings:

S&OP provides that ability to answer questions such as: How far above or below forecast could sales come in? What would that mean for operational and financial performance?

By quantifying how key metrics are exposed across the range of potential demand outcomes, and choosing flexibility to balance these costs of "too much versus too little supply," Executive S&OP enables companies to plan for the level of flexibility needed to optimize P&L and customer service.



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# #3: Monthly Review Process

**Many well-developed strategic business plans are relegated to the file cabinet after creation due to the lack of a process for accountability based on timely collaboration and effective review. Annual reviews are not enough with the frequent changes and volatility dealt within the marketplace each month. Matching the plans and forecasts to the strategic direction of the company must be done more often.**

## Challenges:

- **Ad hoc process**
- **No clearly defined roles**



## What S&OP Brings:

With a process in place for monthly review, companies can bring the strategy to life by challenging the plans though communicating progress and change. Executive S&OP is a monthly rolling management process that enables optimization of the plans and forecasts by monitoring deployment of the strategy to grow the business. The benefits will be reflected on the bottom line.



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# #4: Supply Planning

**Unpredictable pricing and access to raw materials creates a need for excess inventory to avoid disruption. Without a centralized team approach to supply planning, you'll find your company unable to move fast enough or collaborate quickly enough to capitalize on the opportunities created by marketplace changes.**

## Challenges:

- **Excess inventory**
- **Supply constraints**
- **Limited supplier response times**

> "Supply chain leaders need the ability to reconcile pipeline-based forecast data with order history, causal data and other data sources to provide the S&OP process another layer of overall product demand intelligence."
>
> **Bob Ferrari,**
> VP and MD, The Ferrari Consulting Group

## What S&OP Brings:

By uniting disparate system data into a cloud-based platform for easy integration and stakeholder access—creating a centralized team to work on one version of the plan (truth)—your company will gain an improved ability to project inventory and impact the financial model. Process-driven communication and collaboration will allow "what-if" modeling that enables the exploration of a myriad of business scenarios and, in turn, improve decision-making.


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# #5: New Product Introduction

**New product introduction is imperative for many companies to meet their growth objectives, but is often supported by processes without the maturity of the traditional demand and supply processes of the supply chain. Many companies use new product launches to shape demand. This limited view of demand, however, can create unnecessary volatility that adds risk to the forecast.**

## Challenge:

- **Limited visibility to NPI for Operations**



## What S&OP Brings:

One of the biggest reasons to integrate NPI within the S&OP process over the longer-term horizon is to coordinate the stakeholders involved (Management, Engineering, Marketing, Production, Distribution and Sales) and enable the visibility-based collaboration needed to reduce surprises at the time of introduction. S&OP can help to eliminate the wasted time spent trying to coordinate cross functionally and get products to market faster and with less hiccups along the way.



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# #6: Collaborative Forecasting & Planning

**Creating business and operational plans without dependencies and based on different data sources can be time-consuming and inefficient. These disconnected plans impede performance due to a lack of visibility that can result in excess inventory due to a limited view of the mix. When one plan doesn't tie to the other, insights about dependencies are lost, making it difficult to meet objectives.**

## Challenge:

- **Multiple forecasting views for sales, operations and finance that are difficult to reconcile**



## What S&OP Brings:

Collaboration means that people share information, competency and skills to commit collectively to making the best decisions. Creating a single forecast data repository increases efficiency, as well as allows executives access to automatically generated reporting dashboards. This added ability to collaborate mid-plan can help them to discover "asset-light" situations in time to correct them without issue. Many companies don't have spare capacity to make reactive production changes. With collaborative forecasting and planning, you won't need it.



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# #7: Demand & Supply Visibility

**Without visibility, decisions become urgent and reactive, rather than planned and predictive. Manually consolidating the information for an aggregate view means it's already outdated by the time a shift in demand is realized. With the inability to view the demand plan in sync with the supply plan against real-time data, the supply chain is in constant chaos, often resulting in higher costs and lower customer service.**

## Challenges:

- **Multiple systems with growing volume of data**
- **Outdated information with no aggregate-level detail**

> "Now you'll have a core portfolio of planning and analytics, bringing all the different people and views of a spreadsheet into a corporate view/ individual views – it's a real game changer."
>
> **Anna Grackin,**
> CEO, ChainlLink Research

## What S&OP Brings:

Capturing and synthesizing supporting data across distributed businesses drives down excess inventory. It will also help supply chain leaders maintain accountability through a consistent statistical forecast accuracy metric and a forecast value-added metric. End-to end visibility across your supply chain eliminates volatility in critical business areas and promotes informed demand and supply decisions based on the ability to develop one integrated plan using consistent data sources.


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# Summary of the Value of S&OP

## Technology-Enabled S&OP Delivers the Following Benefits:

### Coordinates all departments

Conveys plans horizontally across functions and vertically by department.

### Delivers a realistic plan

Cross-functional involvement provides a reality check → what we can and cannot do.
Interactive process results in individual ownership of the plan.

### Links Strategic Business Plan and Operating Plan

Shows areas where the Operating Plan has strayed from the Business Plan.
Verifies the Business Plan in common units and in dollars.




### Drives continuous improvement

Measures performance to plan → Identify areas that are out of tolerance → Initiates a problem-solving process → Monitor progress in monthly cycle.

### Eliminates surprises and hidden decisions

Combines activities of all departments into one plan → Prevents each department from working alone and making decisions that affect other departments without their input.



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# These benefits achieved in S&OP carry over and create value in your supply chain processes

> “ Our robust process, along with integrated operational data in the Steelwedge S&OP Platform, allows us to synchronize supply and demand. It’s the power behind the process; it impacts our revenue, our cost, but most importantly our ability to service our customers. ”

**Jack Lyon,**

VP of Operations,
Extreme Networks (previously Enterasys)



Extreme networks



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# S&OP powered by Steelwedge translates into tangible, bottom-line benefits for you and your company

> “ Steelwedge has grown into one of the market's leading S&OP solutions. Steelwedge has proven that it provides a capable and scalable Stage 3 S&OP solution suitable for global deployments. ”
>
> **Tim Payne,**
> VP Research, Gartner

## Steelwedge Customers Have Achieved:

**50-70%** reduction in planning cycle time

**15-30%** improvement in forecast accuracy

**10-20%** reduction in excess inventory

**25%** reduction in stock-outs

**5%** lift in revenue and margin



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# Contact Steelwedge Today

## To learn more about how we can help you on your S&OP journey with our cloud solutions

**www.steelwedge.com**

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**Steelwedge Software, Inc.**

Steelwedge integrated sales, operations and finance planning solutions provide the "shock absorbers" to recognize, recalibrate and respond in a volatile environment. Business agility starts with Steelwedge for a clear line of sight from plan to performance to profit. For additional information, please email us: **info@steelwedge.com**.



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