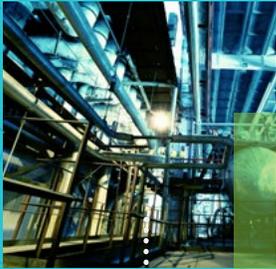


PLANNING IS NOT DEAD—THE RESURGENCE OF SALES AND OPERATIONAL PLANNING: A PLAYBOOK FOR MANUFACTURING LEADERS

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SUMMARY



Sales and Operations Planning (S+OP) helps organizations achieve greater focus, alignment, and streamlining across all functions and departments. Despite its importance, a recent survey by Supply Chain Insights found that only fifty-six percent of businesses consider themselves doing effective sales and operations planning. Much of the challenge with S+OP is how demanding the process can be, including the inconsistencies related to providing accurate forecasts, service level calculations, and definitions of success.

This e-book provides an overview of Sales and Operations Planning for manufacturing executives and employees looking to improve their S+OP. It is divided into three key sections:



A BRIEF DESCRIPTION OF S+OP



CHALLENGES, BENEFITS, AND KEY CONSIDERATIONS



BEST PRACTICES FOR SUSTAINABLE & EFFECTIVE S+OP



S+OP: A BRIEF OVERVIEW



What is Sales and Operations Planning?

S+OP is a formal business process used by an organization’s leadership team to connect corporate business functions with tactical planning, in order to support the business plan. It drives master scheduling and distribution planning, including the synchronization of the strategic business plan, in order to meet any organizational and marketplace challenges—as they occur. As such, effective S+OP ensures that daily operations and monthly plans are well-aligned to meet strategic business goals.

S+OP enables better integration of the strategies, capabilities, and goals across a wide range of departments, including sales, marketing, operations, research and development, and finance. This process empowers senior management to make the right decisions to drive growth, while enabling cross-functional teams to maintain optimal operations. With successful sales and operations planning, businesses can proactively manage supply and demand, in order to ensure against any mismatch.

HORIZONS:





BENEFITS OF S+OP



From a financial perspective, proper Sales and Operations Planning helps boost revenue and avoid revenue waste. According to Gartner, demand-driven S+OP processes can improve revenue from two to five per cent, as well as reduce inventories by seven to fifteen percent. Other key benefits are outlined below:



BETTER DEPARTMENTAL COORDINATION:

S+OP allows every department to develop and communicate plans with each other—enabling effective cross-functional planning. Such input and sign-off offers each department an improved understanding of resources and capacities across functions. It also fosters individual ownership in implementing the business plan.



IMPROVED DECISION-MAKING:

Since the activities of all relevant departments are combined into one plan, management has a better understanding of the type of decisions that can affect other departments and functions.



IMPROVED MANAGEMENT:

S+OP allows management to see where the operating plan may have strayed from the overall business plan. Additionally, regular meetings with department heads helps ensure that production, financial, and sales plans are continually updated.



STREAMLINED EXECUTION:

With S+OP, organizations are able to identify and address gaps, make better decisions, and build trust and understanding between functional areas of the business. As a result, employees are fully-engaged in the process and more aligned with the business plan and strategic goals. This improves integration between manufacturers, suppliers, and retailers—thereby improving overall S+OP execution.

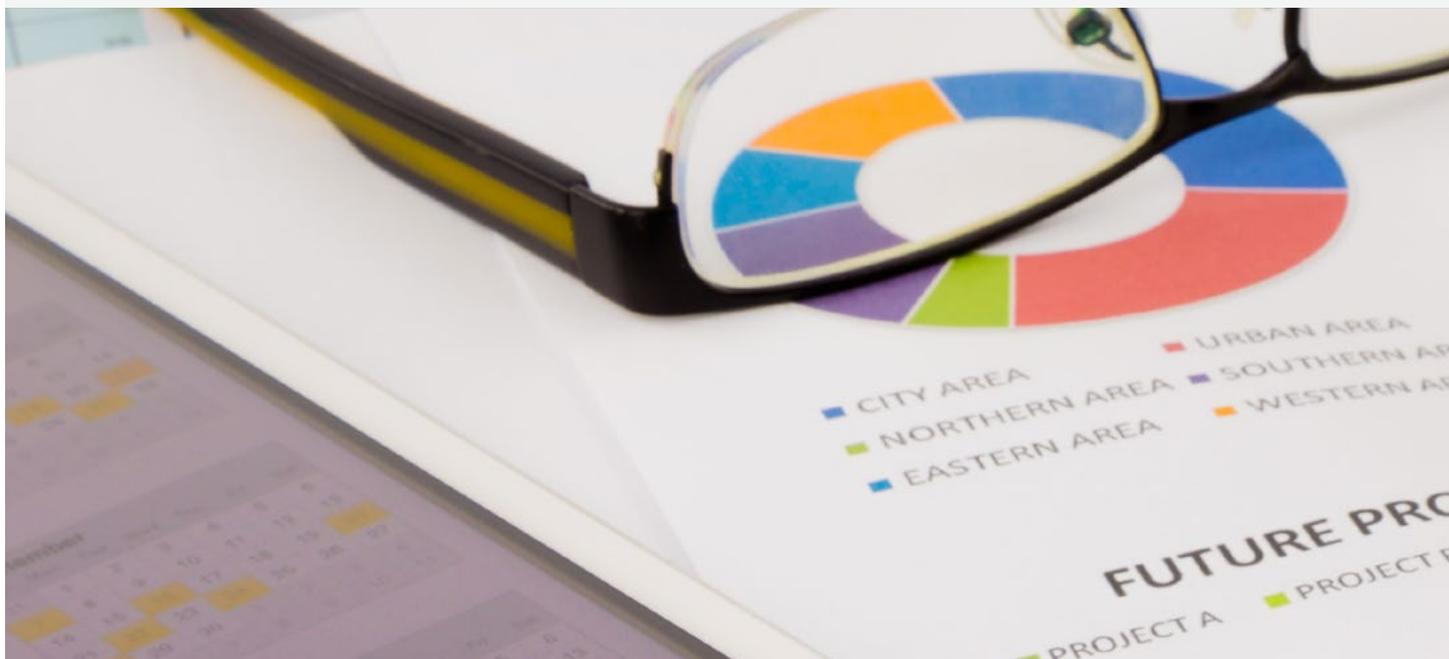


CHALLENGES OF SALES AND OPERATIONS



For many companies, having an effective S+OP process can be a serious challenge. This is especially true when organizations grapple with a lack of integration between the sales side and the production and procurement sides of the business. This lack of integration leaves them unprepared for potential changes, including:

- SKU proliferation and operational changes that require new plans and budgets
- Managing variable lead times across retailers
- Increased product launches with reduced lead times
- Resource allocation revisions to accommodate the launch of new products and services
- Sourcing and outsourcing challenges related to increasingly global value chains
- Changes in seasonal product requirements, especially given the need for longer planning and production time-frames
- Realities of business conditions on the ground that may impact business plans





KEY CONSIDERATIONS



Several key considerations come into play when it comes to ensuring a successful S+OP process:



STRONG LEADERSHIP:

In order for S+OP to be a success, executive leadership must be both engaged and willing to drive the process. In order to support such engagement, executives must be supported with resources, including timely and concise information that is actionable, as well as the ability to assess risks associated with a S+OP strategy.



SYSTEMATIC DOCUMENTATION:

Driving continuous improvement requires that organizations create a process for documenting and transferring any captured knowledge.



STAKEHOLDER INVOLVEMENT:

S+OP by definition requires the involvement of key stakeholders, including sales, operations, and finance. Successful S+OP requires a streamlined process to gather consolidated information across these departments in a manner that is easily consumed by each. For example, sales requires input revenues by accounting, operations requires demand in units by product, and finance requires input in terms of net margin.



KNOWLEDGE, RESOURCES AND SUPPORT:

Without the required resources to help sustain proper S+OP, it can be challenging to create an effective and sustainable process with sufficient buy-in.



FOSTERING A SUSTAINABLE AND EFFECTIVE S+OP PROCESS



Organizations can take several key steps in order to ensure their S+OP yields strong results, including improved integration between manufacturers, suppliers, and retailers. In general, there are four steps to building a strong S+OP process.

1. Establishing a formal S+OP process

While it may seem like a “no-brainer,” many organizations do not implement a formal S+OP process, relying instead on haphazard processes aimed at improving coordination between departments. Organizations with leading S+OP processes aim to align strategic, tactical, operational and executional decision-making strategies by:

- Creating and/or reviewing a plan that outlines the S+OP process, including the timing and frequency of meetings, key objectives, and specific functions.
- Determining the demand statement, including the demand on the company across manufacturing, distribution, and key suppliers.
- Creating a supply-demand match to meet demand statement needs, and testing this plan with different scenarios in order to secure approval from all parties.
- Integrating the plan, together with any risk scenarios, with financial statements, in order to demonstrate the value of the plan to management.
- Identifying key stakeholder(s) with the responsibility of seeing the formal S+OP process through.



FOSTERING A SUSTAINABLE AND EFFECTIVE S+OP PROCESS



2. Employing segmentation to drive demand

Traditionally, S+OP has relied on historical data, such as previous months' sales by category and past shipments to retailers. With current analytics, S+OP can become more robust in determining accurate forecasts and dealing with variability in the supply chain. Furthermore, given rapid changes in today's manufacturing environment, companies must properly account for every line of business when it comes to accurate demand planning. Key steps to take include:

- Ensuring that S+OP policies take into account the number and types of business lines.
- Developing models to represent each line of business, including associated customer and product characteristics.
- Driving capabilities around disaggregating forecasts at both the product and SKU level.
- Accounting for unplanned elements in product and promotion cycles, including risk scenarios and the ability to respond to unpredictable events.
- Identify triggers when it comes to determining the early success of a product, as well as medium and longer-term trends.
- Integrating predictive models to simulate different demand, pricing, and merchandising scenarios.
- Training employees to use these tools appropriately.



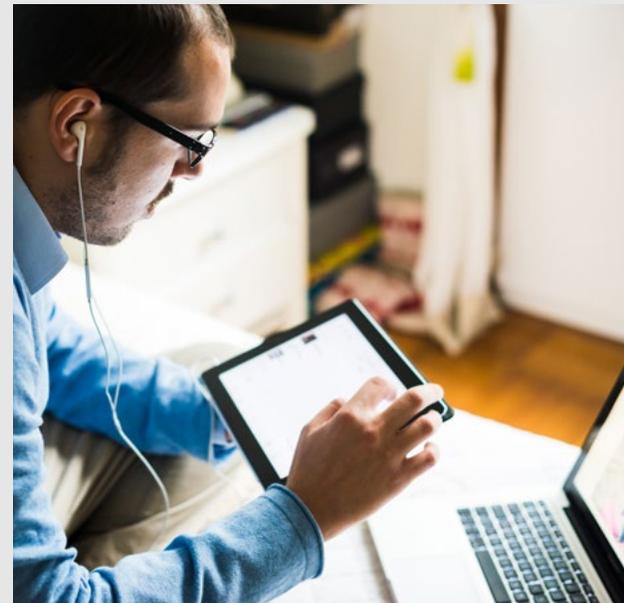
FOSTERING A SUSTAINABLE AND EFFECTIVE S+OP PROCESS



3. Leveraging modern technology

Most organizations use spreadsheets as part of their S+OP process, which can be incredibly limiting. By implementing appropriate Enterprise Resource Planning (ERP) software, organizations are better prepared to see through effective S+OP from start to finish by:

- Leveraging real-time information from a variety of sources in order to provide stakeholders with a holistic view of the S+OP process.
- Simulating numerous “what-if” scenarios, in order to support demand planning.
- Utilizing complex analytics to support in-depth, on-demand analysis and reporting. Supporting secure data exchange.





FOSTERING A SUSTAINABLE AND EFFECTIVE S+OP PROCESS



4. Establishing key performance metrics for continuous S+OP improvement

With the right technology, establishing and measuring key performance metrics is far easier than contending with the traditional way of doing things—that is, counting on a disparate set of metrics for a variety of functions. This enables departments to make decisions based on overall strategic goals versus reaching their individual targets alone. Specific items to keep in mind include:

- Defining performance indicators to promote a consistent understanding of each measure—across the organization.
- Aligning performance metrics and targets across functions within the organization, as well as other organizations—across the value chain.
- Enabling exception alerts to keep pace with changes and unexpected events.

CONCLUSION



In today's environment, manufacturing companies cannot afford to overlook the processes and considerations outlined in this Ebook. These are relevant for organizations that have the processes and considerations outlined in this e-book are relevant for companies that have never considered S+OP processes, as well as businesses that have had such processes in place. As complexity increases, successful companies will review their S+OP processes regularly in order to deal with the value chain realities, as well as build advanced capabilities in order to drive growth and profit.

ABOUT SYSPRO



SYSPRO software is an award-winning, best-of-breed Enterprise Resource Planning (ERP) software solution for cost-effective on-premise and cloud-based utilization.

Industry analysts rank SYSPRO software among the finest, best-in-class enterprise-resource planning solutions in the world. SYSPRO software's powerful features, simplicity of use, scalability, information visibility, analytic/reporting capabilities, business process and rapid deployment methodology are unmatched in its sector.

SYSPRO, formed in 1978, has earned the trust of thousands of companies globally. SYSPRO's ability to grow with its customers and its adherence to developing technology, based on the needs of customers, is why SYSPRO enjoys one of the highest customer retention rates in the industry.



NEXT STEPS:

If you want to learn how SYSPRO can help build a Sales and Operations (S+OP) process for your business, contact us today at info@ca.syspro.com or +1 (888) 259-6666.