



## The Return of Sales and Operations Planning

Companies use S&OP to respond to uncertainties and manage performance

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### Summary

In many manufacturing organizations, a lack of nimbleness and automation in existing sales and operations planning (S&OP) processes has stunted management's ability to drive change. Companies looking to maximize the value of their supply chain and operational investments must automate cross-organizational performance planning processes to enable operational performance management.

### View

It has been nearly 20 years since Dick Ling and Walter Goddard first wrote about sales and operations planning in their book *Orchestrating Success*. Drawing on years of consulting engagements, the authors described how successful companies link their sales and marketing planning directly to the operations side of the business. They noted how the process of S&OP created an important link between the business plan – that is, the organization's annual operating plan – and each department's operations. They showed how S&OP can help businesses develop a realistic plan for achieving corporate objectives and make business decisions with a deliberate view of their impacts on the entire operation.

Unfortunately, only a handful of companies put these ideas into practice. But now Ventana Research is seeing a surge of interest in S&OP. There are good reasons for it. Global sourcing, offshoring and extensive use of contract manufacturers are making the supply chain more complex. Mergers and acquisitions and other compelling events are causing managers to rethink their processes. Customer demand for quicker response, more variety of products and the hottest new items also makes S&OP attractive. And the uncertainty created by changing customer orders, supply disruptions, product revisions and new sales opportunities adds to the allure of what S&OP promises.

A growing number of executives and managers are finding that their current business processes and supporting enterprise resource planning, supply chain management and planning and budgeting systems cannot deliver what they need. One stopgap mechanism is to augment demand planning and advanced planning and scheduling systems with spreadsheets. But spreadsheets are notoriously unreliable, difficult to scale and disconnected from the underlying data. Users are forced to make many assumptions, most of them based on data isolated in silos. Because these plans often focus on demand and supply, they cannot provide a comprehensive view of the trade-offs between procurement, manufacturing, operations, sales and marketing and finance.

Ventana Research contends that, to be effective, the planning process must span the enterprise and cross functions. Yet linking plans across sales pipelines, demand forecasts, revenue and products is no simple feat. To assimilate external and internal information and plan with it is one of the hardest challenges facing operational management.

However, efforts to change existing supply-chain-centric S&OP can provide a framework for operational process improvement. Note, however, that your organization will have to choose how to identify and accomplish these management and process requirements and avoid cycles of myopic planning which inhibit effective change.

Several capabilities are needed to support S&OP. They include enterprise-wide integration of systems and transformation of data, visibility across functions and tiers, and an accessible (that is, technically uncomplicated) interface for executives, managers, planners and line workers. You also will need "what-if" planning scenarios and to be able to score each scenario so that people can anticipate the impact of any potential action. Your solution should store benchmarks and actual results to enable you to compare outcomes and learn continuously.

As new opportunities arise, you will need to plan quickly and in detail. To do so requires deep analytics and algorithms, because forecasting and supply planning are mathematically complex. Your solution needs to facilitate fast response to ad-hoc exceptions like changes in demand, supply, capacity and product. It also should support a repeatable business process that is standardized for consistency. Most important of all, your solution must empower front-line decision-makers to respond immediately to events and measure the progress of responses toward performance objectives.

The good news is that information technology to support enterprise-wide S&OP has progressed in recent years. Vendor choices are expanding, and current best-of-breed offerings present rich-featured, mature solutions.

### Assessment

Ventana Research advises companies that want to adopt enterprise-wide S&OP to avoid spreadsheet-based solutions and instead to acquire software dedicated to that purpose. A variety of choices are available from vendors including Demand Solutions, i2, Interlace Systems, John Galt Solutions, Kinaxis, Oracle, Steelwedge and SymphonyRPM. The software comes in a range of price points, appropriate for midmarket companies all the way up to the Global 2000, and approaches. For example, some look and behave like spreadsheets (even using Microsoft Excel as the interface), but almost all eliminate data and referential integrity issues. Some have rules engines and automate workflow, which will suit organizations that are used to this interface because they minimize required training and therefore resistance to change. Ventana Research believes that by choosing the appropriate package and implementing it well, any company can substantially enhance the value of its sales and operations planning process.

### About Ventana Research

Ventana Research is the leading Performance Management research and advisory services firm. By providing expert insight and detailed guidance, Ventana Research helps clients operate their companies more efficiently and effectively. These business improvements are delivered through a top-down approach that connects people, process, information and technology. What makes Ventana Research different from other analyst firms is a focus on Performance Management for finance, operations and IT. This focus, plus research as a foundation and reach into a community of over two million corporate executives through extensive media partnerships, allows Ventana Research to deliver a high-value, low-risk method for achieving optimal business performance. To learn how Ventana Research Performance Management workshops, assessments and advisory services can impact your bottom line, visit [www.ventanaresearch.com](http://www.ventanaresearch.com).

### Ventana Research Corporate Headquarters

1900 S. Norfolk Street, Suite 280  
San Mateo, CA 94403

info@ventanaresearch.com  
(650) 931-0880

[www.ventanaresearch.com](http://www.ventanaresearch.com)

### Ventana Research Europe

2nd floor, Berkeley Square House  
Berkeley Square, W1J 6BD London

europe@ventanaresearch.com  
Phone: +44 (0) 20 7887 6012