

# Sales and Operations Planning Insights



**S&OP Insights by Business Analytics Executive  
(and former CFO), Jim Collins**



# Today's world is data rich but insights poor.



Today's world is data-rich but insights-poor. There's too much data, and most of it is disconnected. Find out how your financial plans and operations can get better connected with insights from Business Analytics executive and former CFO Jim Collins. It's time your sales and operations planning (S&OP) can be integrated for better, more accurate decision-making. Read on for S&OP leadership from an expert, and see how you can achieve improved, data-driven and insight-rich results for your organization.

# Ask yourself: do you face these challenges?

Do I have enough inventory to cover my customer demand?

How do I evaluate the impact of this new product on my sales forecast?

Which manufacturing plant is the best to handle this new demand?

Is my sales forecast achievable from a manufacturing standpoint ?

Is this business profitable?

What would be the impact of a currency rate change?

If these apply to you, then you might need to improve your....

# Sales and operations planning

[seylz and op-uh-**rey**-shuh ns **plan**-ing]

## **noun**

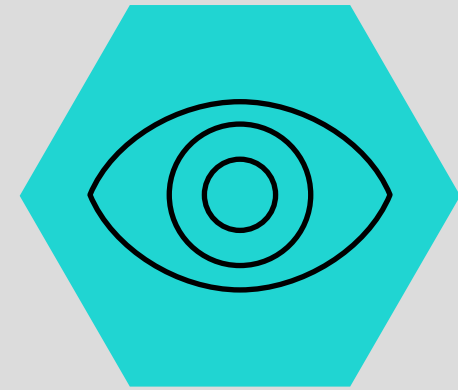
Sales and operations planning (S&OP) is the key integrated process that the supply chain organization can leverage to achieve visibility and transformation across the entire organization and throughout the value chain.

## *example sentence*

*“I learned to better execute sales and operations planning to connect my business functions and increase accuracy by following Jim Collins’ advice!”*

# Key performance management drivers

But how do you attain a successful S&OP process?  
S&OP is driven by the following:



## Visibility

Flooded with more information than ever, supply chain executives still struggle to “see” and act on the right information.



## Risk

CFOs are not the only senior executives urgently concerned about risk; risk management ranks remarkably high on the supply chain agenda as well.



## Customer Advocacy

Despite calls to be more "demand driven," many companies still need to be better connected to their customers.



## Cost Containment

Rapid, constant change is rocking this traditional area of strength and oustripping supply chain executives’ ability to adapt.

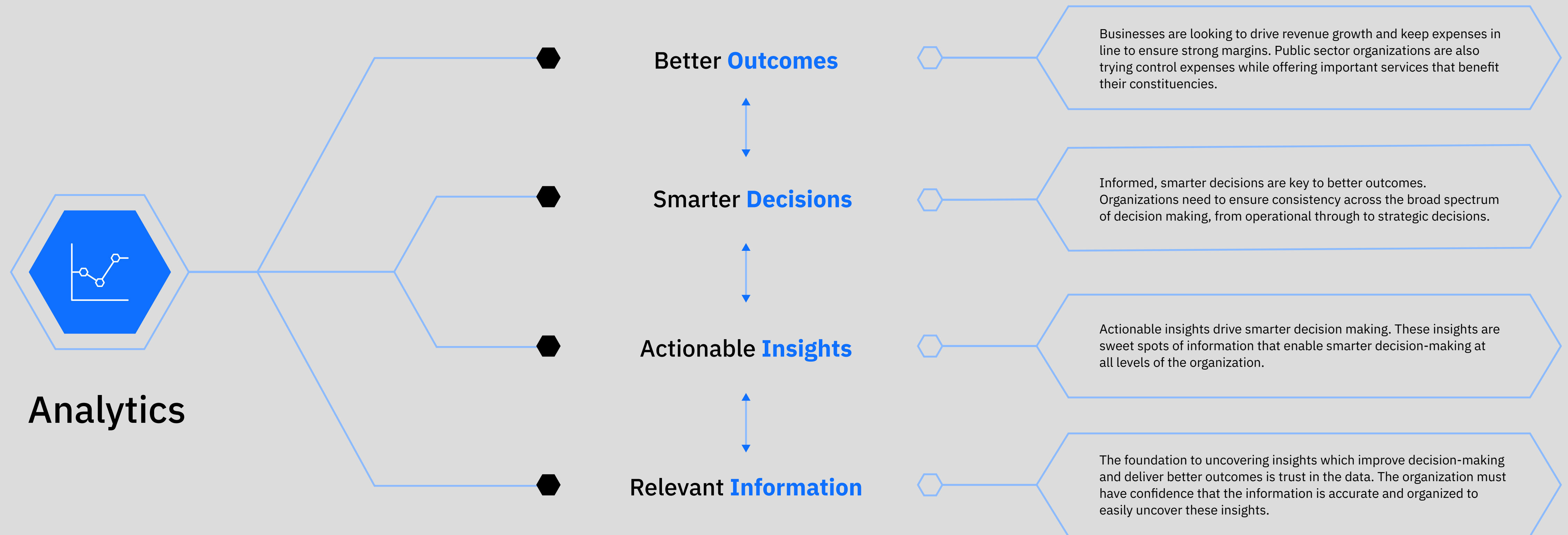


## Globalization

Contrary to popular belief, globalization has proven to be more about revenue growth than cost savings.

# Analytics for better S&OP

Actionable insights are delivered through the power of analytics, a critical component of the S&OP process.

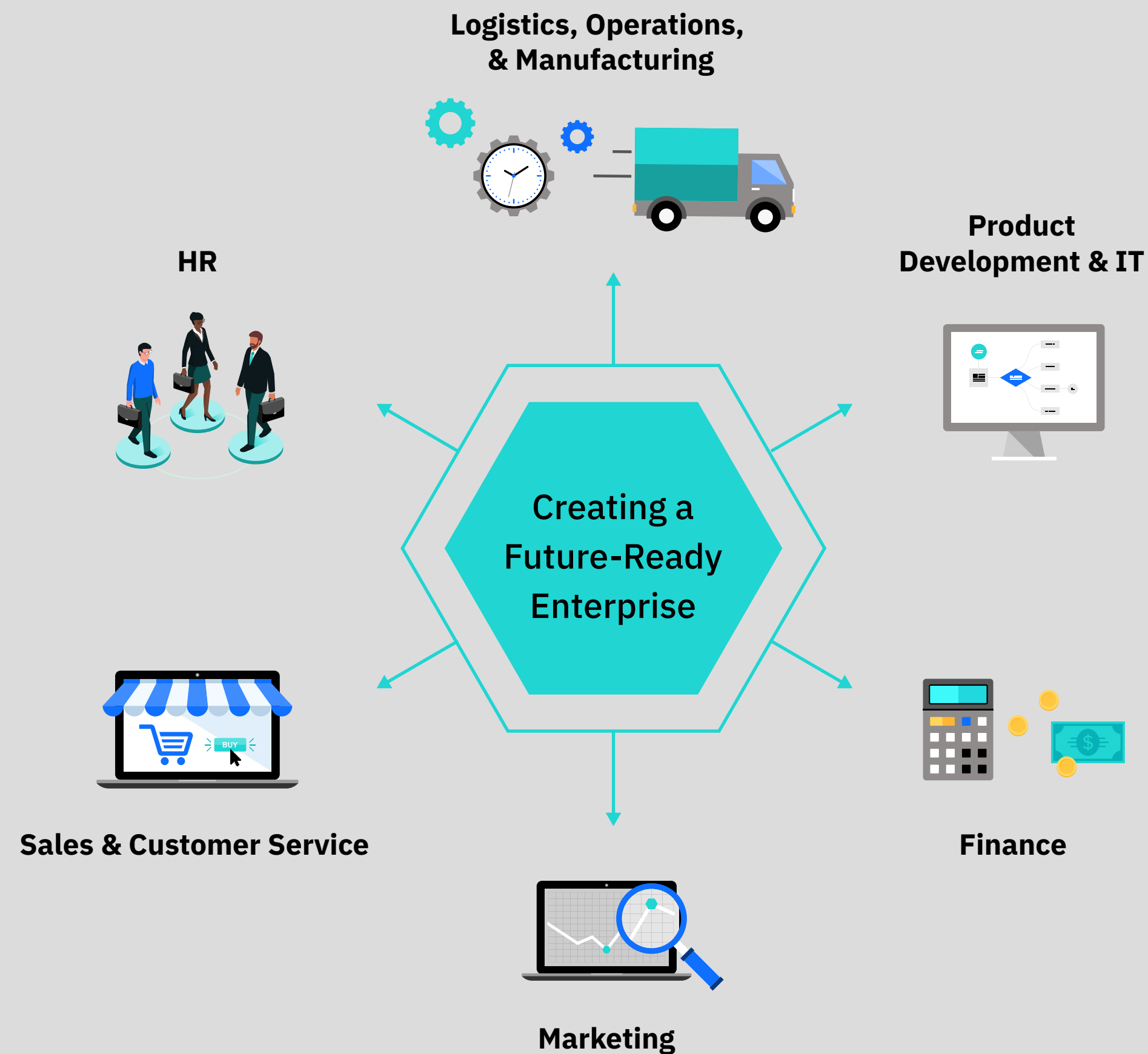


In order to be successful with analytics and get one consistent view, first you'll need to ensure every business function is in sync.

# S&OP involves every department

S&OP involves active engagement of EVERY functional department in an organization.

Processes like headcount planning in HR, campaign analysis in marketing, or revenue forecasting in sales, can contribute **DIRECTLY** to revenue and cost takeout, which drives bottom line profitability.

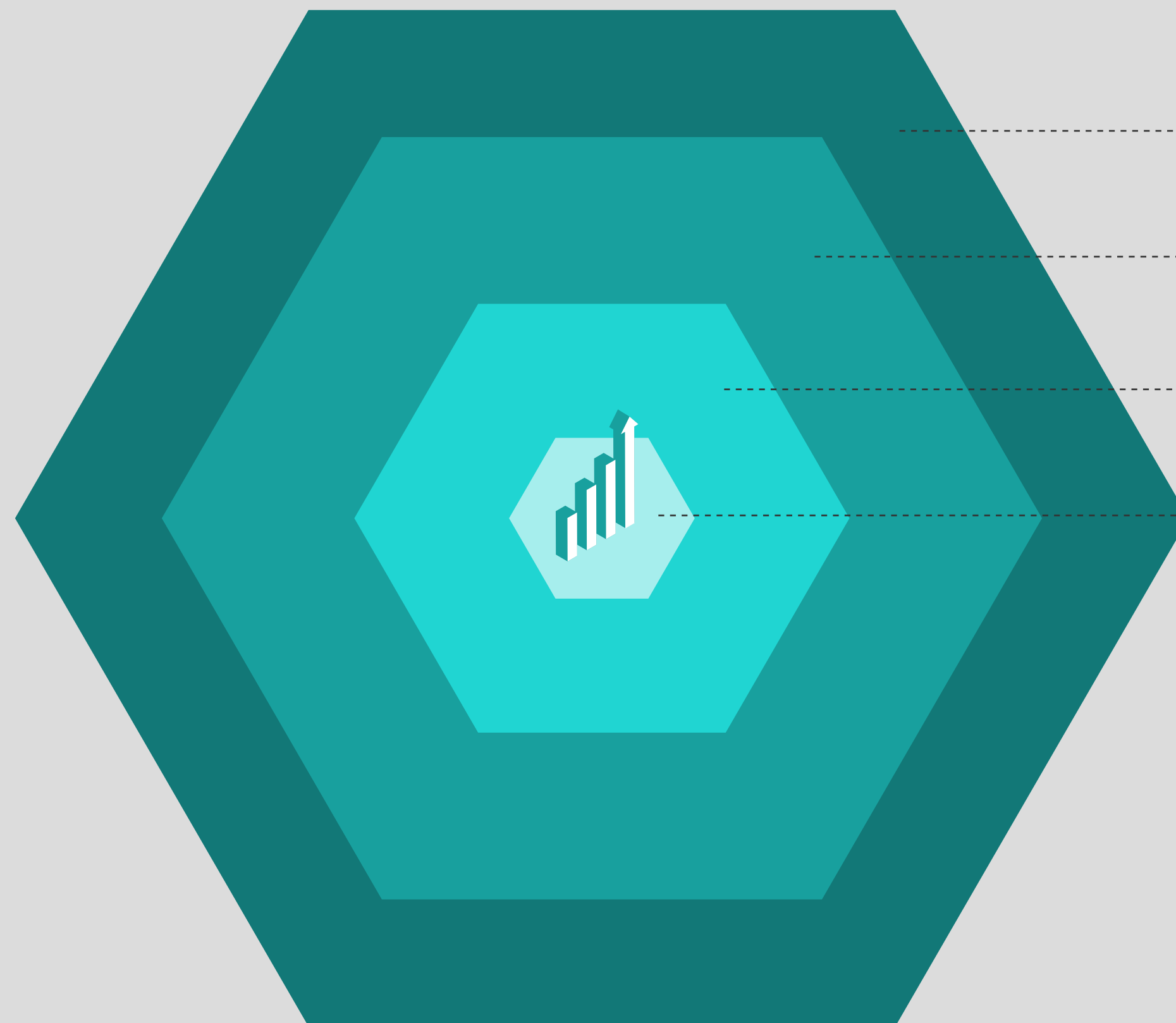


Everyone in the organization needs to **EFFECTIVELY PLAN** how they allocate their resources – whether it is people, marketing dollars, or production capacity. Finance needs to link all that information to get a clear view of the organization's performance. Collectively, everyone is preparing the organization for what is to come. They are creating **A FUTURE-READY ENTERPRISE.**



# Applying analytics across the organization

Leaders need to make decisions and successfully act upon these decisions to create a future-ready enterprise. Leaders in all functions and industries should ask themselves:



**WHAT SHOULD WE BE DOING?**

**WHY SHOULD WE BE DOING IT?**

**HOW ARE WE DOING?**

**HOW CAN WE IMPROVE PERFORMANCE?**

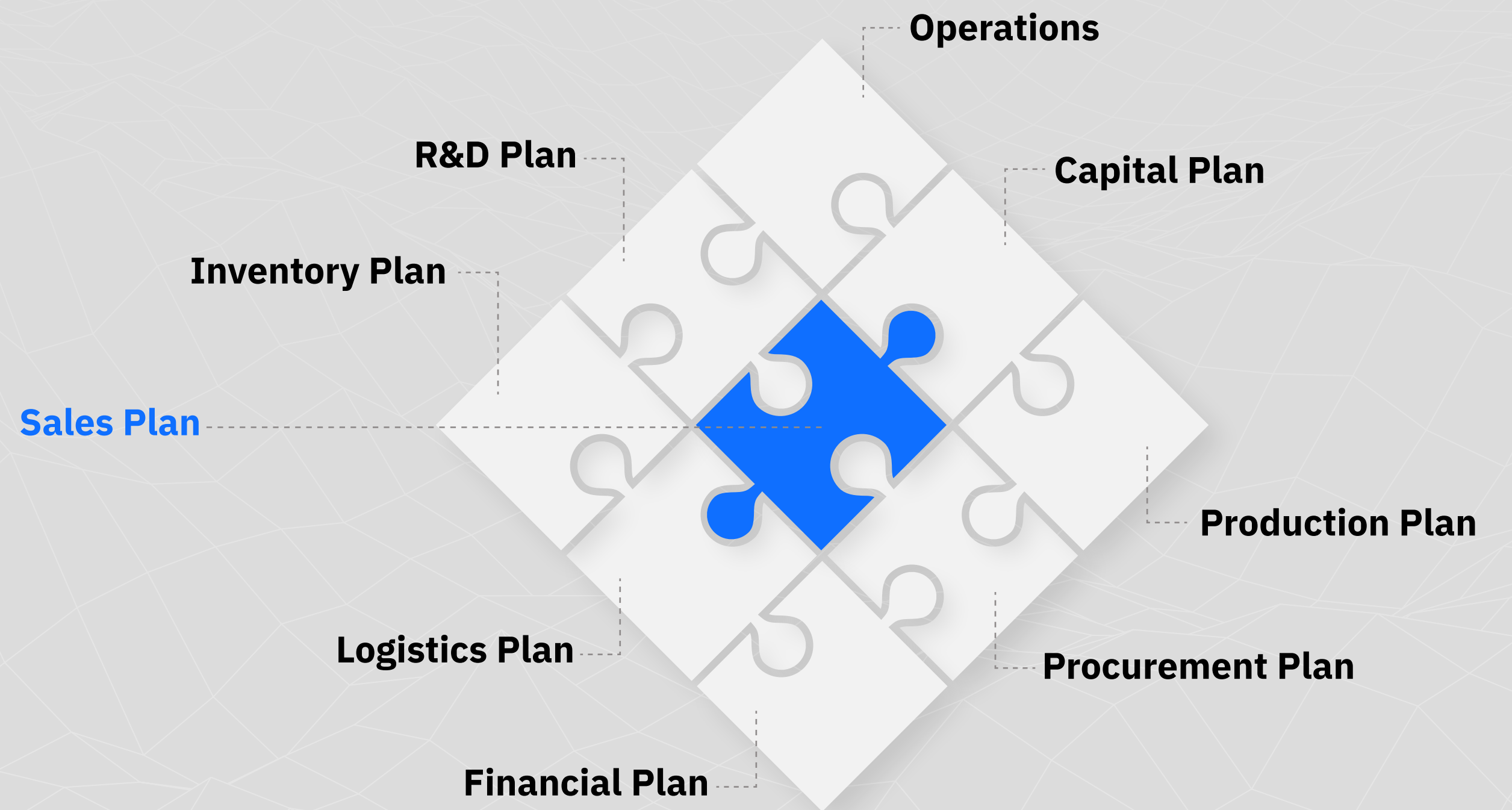
Finding the answers to these questions can drive financial and operational performance to the next level of success for your business.



# Good decisions are integrated decisions

Now that you know successful S&OP happens with the interlock of every department, how can you be sure that your plans are linked and not disconnected? Coordinated decisions lead to coordinated execution and greater business performance.

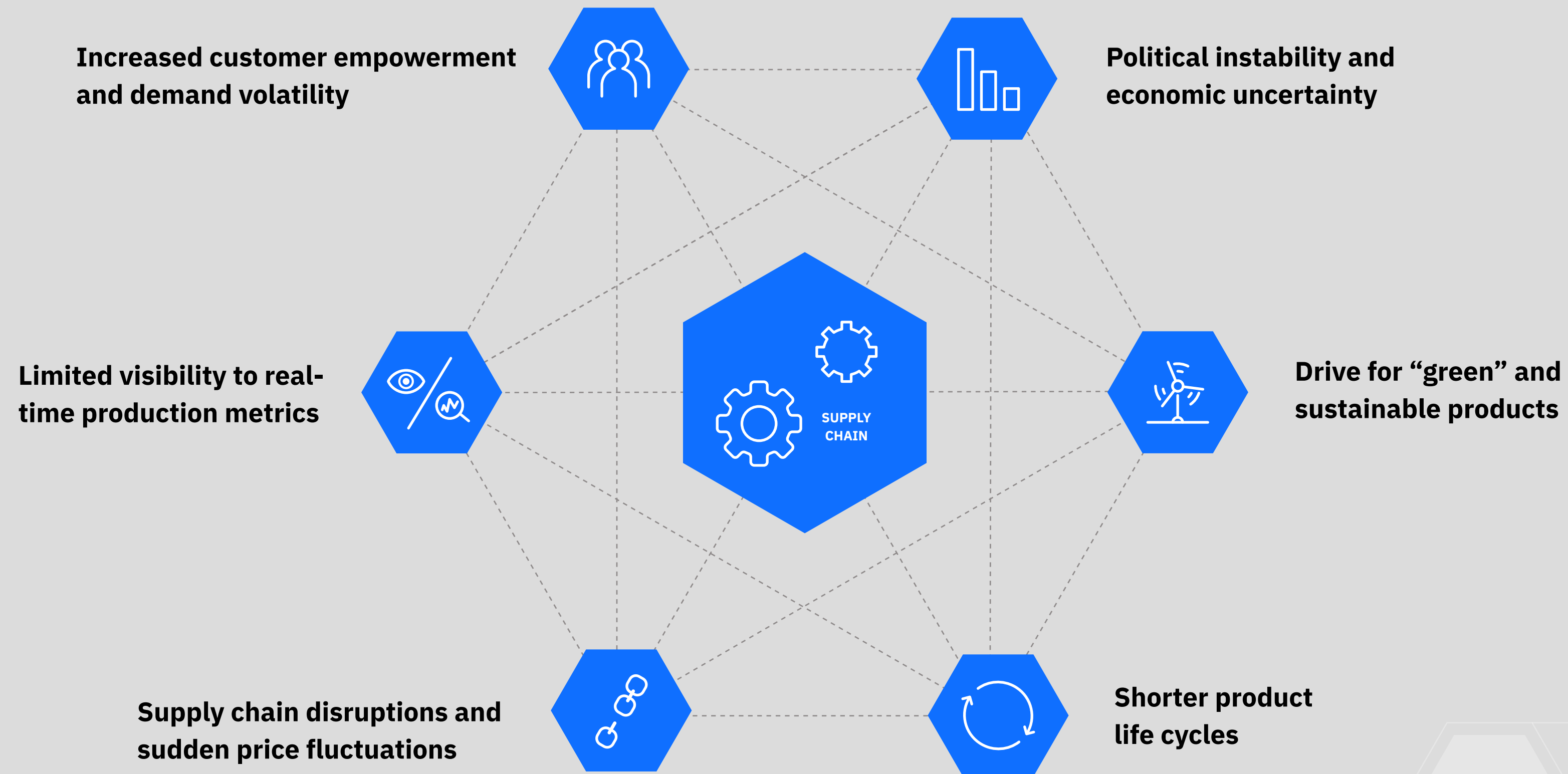
Strategic S&OP is all about integrated decision-making, understanding inter-related tradeoffs, and driving toward bottom-line metrics with cause/effect accountability. This is a very difficult challenge in many organizations because of roadblocks in areas like communication and translation of terms (for instance, converting units to dollars, or SKU's and plants to brands and channels, etc.). As a result, most decision sets or plans are not integrated with decision sets from other functional areas, leading to suboptimal performance and poor execution. A set of decisions that is aligned across business functions means that execution can be meaningfully measured by function in a way that reflects that function's contribution to the whole.



Internal alignment, however is just one contributing factor for successful S&OP. Read on to understand what external challenges influence S&OP in a market with ever-changing demand.

# Adapting your supply chain

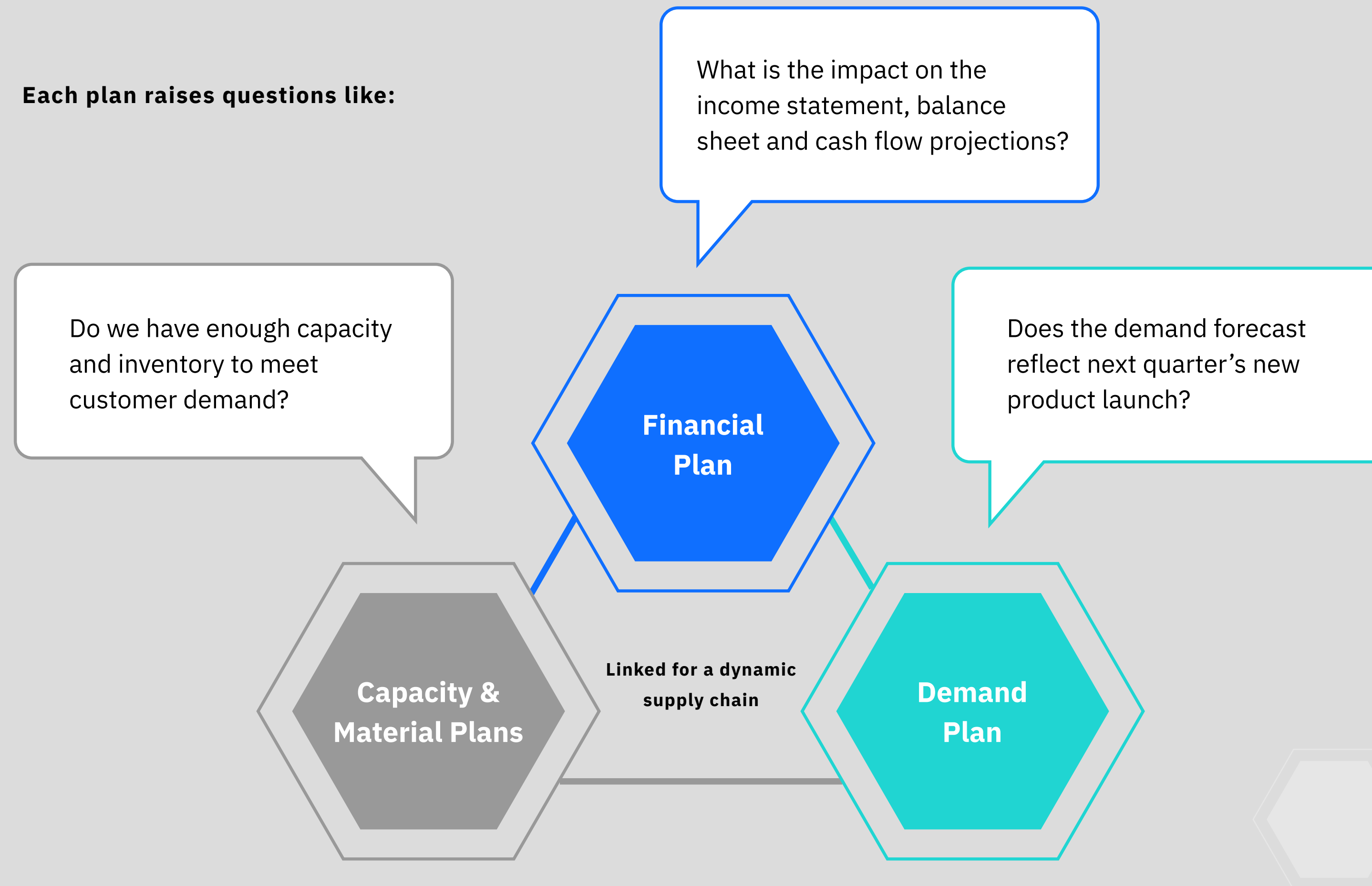
Companies must adapt their supply chain in the face of global economic challenges and changing customer demand. They face these changing variables:



# Create a dynamic supply chain

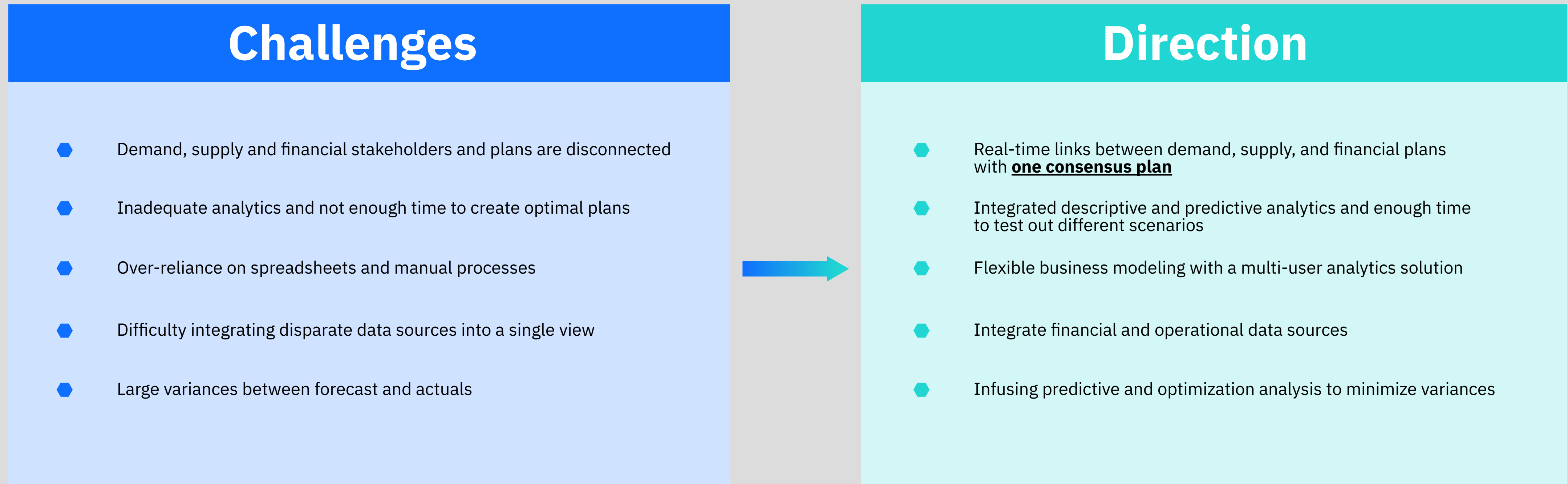
To face these challenges head on, create a more dynamic supply chain via an S&OP process that links customer demand, production capacity and materials plans with financial plans.

**Each plan raises questions like:**



# S&OP challenges in the supply chain

There are a number of key challenges that are common with organizations, even with those who already have an S&OP solution.



What does one consensus plan with linked financial and operational plans look like? Read on to delve further.



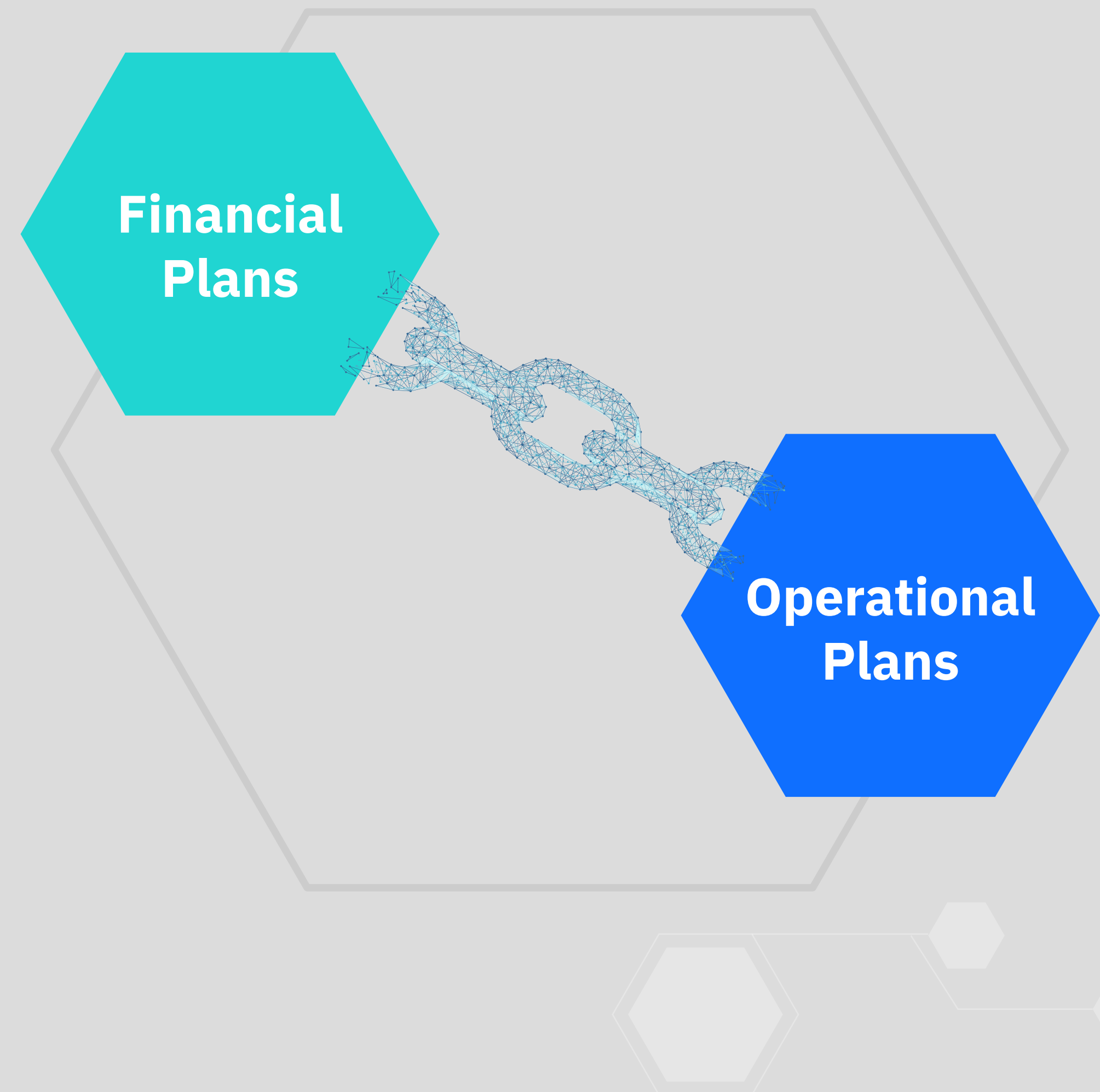
# Link your plans for a healthier supply chain

To cope with increasing volatility, uncertainty and risk it's no longer sufficient simply to roll-up the budget numbers once a year, or the forecast numbers on a quarterly or monthly basis. Instead, with the help of analytics, organizations can put information and insight into the hands of the people closest to the business to make resource allocation decisions quickly and intelligently.

For instance, marketing needs to adjust promotional investments to address shifts in the way customers search for information and buy. Sales needs to capture the latest sales projections at the point closest to the customer, create revised sales plans, and feed this into revised P/L projections. Cost center managers need to make workforce decisions – someone leaves the group, new hires are added, and compensation plans are adjusted. And all these resource allocation decisions need to be aligned with corporate objectives and linked to market events.

Analytics solutions, with the help of data science teams for optimization, can access internal and external data and apply predictive analytics to gain insights into factors that impact business drivers, and then express those drivers in operational tactics linked to financial plans. This creates agility to cope with rapidly changing business conditions.

See next page for a detailed diagram of linked financial and operational plans.

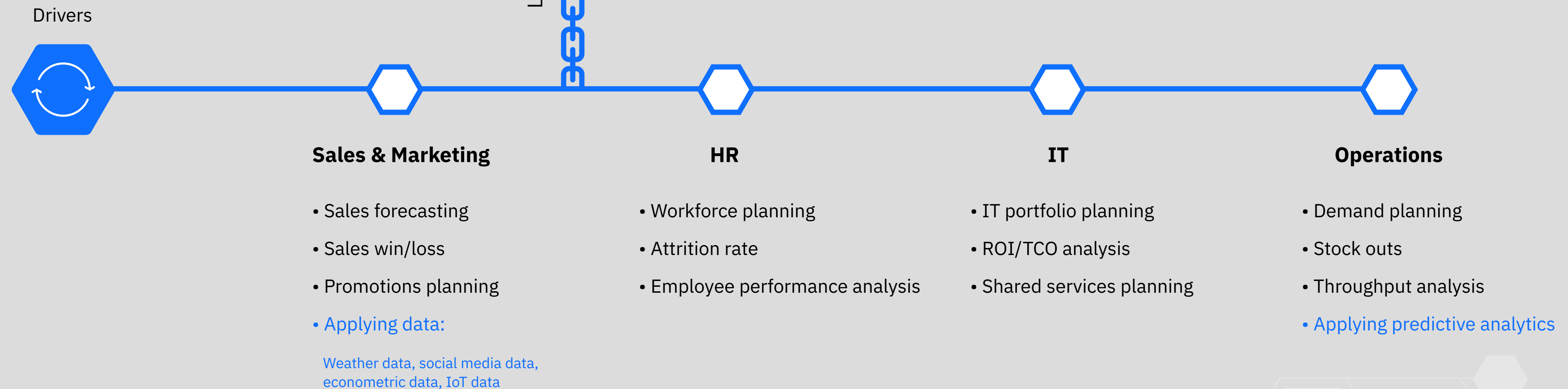


# Link financial and operational plans

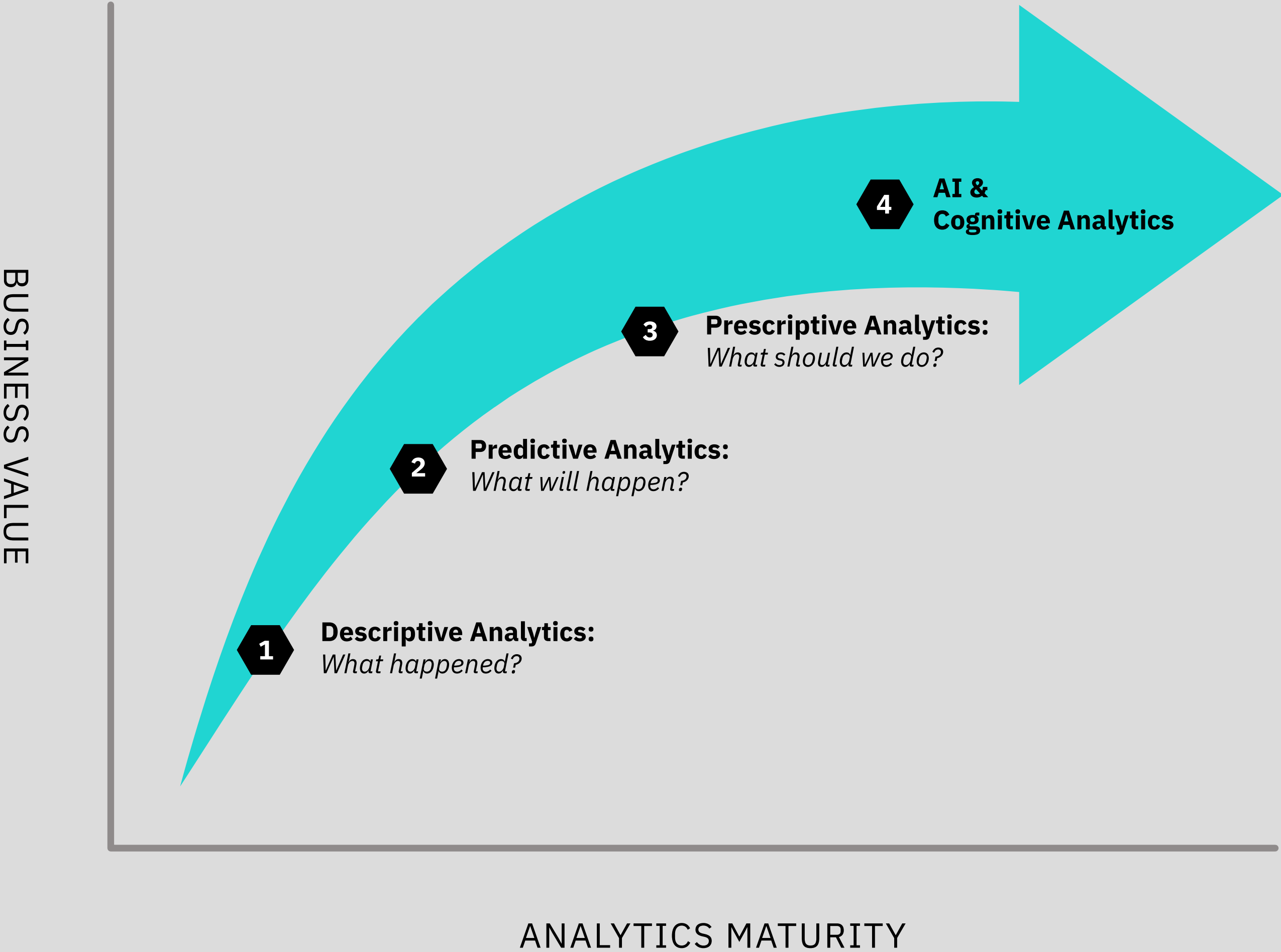
## Financial Plans



## Operational Plans



# Analytics journey to AI



Once your financial and operational plans are linked, find the value of your data by accelerating your journey to AI. Adopt a mature analytics strategy with descriptive, predictive, and prescriptive analytics with the ultimate goal of infusing cognitive analytics into your organization.

## Example Roadmap for Planning Forecasting & Analytics:

- 1 Rolling Forecasting Process Improvement Pilot**
- 2 Enterprise-wide Fiscal Year Annual Operating Plan and Forecasting Process**
- 3 Demand Planning, Sales Forecasting, Predictive Analytics**  
Commercial, Ops, Financial Planning and Analysis collaboration, Max value creation, Sales Forecasts, Supply Chain, S&OP effectiveness, Inventory velocity acceleration, Acquisition ERP migration avoidance, DSO improvement
- 4 Cognitive/Advanced Optimization**  
Commercial, Ops, Financial Planning and Analysis collaboration, Supply Chain Optimization, Customer Churn, Predictive/sales force productivity, Strategic pricing, Value creating M&A, Commercial applications

# Improve operational efficiency

How do you go about solving for your S&OP woes like imbalances in resource allocation, disconnected plans, and inaccurate forecasts based on limited visibility of data across business functions? With a combination of financial planning, predictive, and prescriptive solutions you can improve forecasting accuracy, achieve better operational efficiency, and boost revenue.

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- Complete the trifecta with IBM **ILOG CPLEX Optimization Studio** for easy translation of business problems to models for better outcomes.

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and resource allocation

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for highly accurate forecasts



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Produced in the United States of America  
September 2018

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