

---

## ***Sales & Operations Planning: Building an Enterprise Plan of Record***

*By Rob Schneider, CEO and President, Steelwedge, Inc.*

The Sales & Operations Planning process is not new. But until recently, it has been undervalued. In part, that's because S&OP is an ad hoc, informal process and, frankly, no one really trusts the results. Today, however, as the manufacturing economy begins to pick up speed, there's a renewed interest in making S&OP a strategic weapon.

Broadly speaking, S&OP is the process by which executives and planners in sales, marketing, product management, finance and operations collaborate to align their respective plans based on a global view of demand. The goal is to understand and project current and future demand variables across every part of the enterprise, then align customer, product, operational and business plans based on multiple perspectives. Yet in most companies, the reality is that the S&OP process falls fall short of achieving these goals.

According to Vinay Asgekar at AMR Research, "As companies come out of the last downturn, S&OP is gaining recognition and momentum."<sup>1</sup> When the economy starts to move from demand constraint to supply constraint, companies struggle to get a more balanced view of demand and supply.

### **Discrete Manufacturers Seek Demand Visibility**

Nowhere is this trend more apparent than in the discrete manufacturing industries. Telecom equipment maker Tellabs recently put in place a collaborative planning and forecasting process designed to align supply and demand across product lines and customer sets, and moved responsibility for the process from operations to marketing. The result: Tellabs realized \$10 million in annual savings by reducing inventory, improving fill rates and optimizing the product mix to align with demand.

Advanced Fiber Communications recently implemented a closed-loop, cross-departmental S&OP process. "Given the challenging business environment of the telecommunications industry, we believe that we must accurately and efficiently capture and synchronize demand signals from every corner of our business," says Jeff Rosen, vice president of operations at AFC.

At network infrastructure provider Enterasys, a similar effort is underway. "We want to move from disconnected silos to a collaborative planning process that spans sales, marketing, finance and operations," says Len Couture, CIO of Enterasys Networks.

Why are these and other companies suddenly waking up to the strategic value of the S&OP process? Because after a decade of lean manufacturing initiatives, most manufacturers realize that the investment of millions in specialized systems, like CRM, ERP, financial planning and product lifecycle management, has reached a point of diminishing returns.

---

<sup>1</sup> Vinay Asgekar, Sales Operations Planning: Bringing Order Out of Chaos," AMR Research Alert, February 27, 2004.

Moreover, in the wake of recent corporate scandals and regulations like Sarbanes-Oxley, stringent new corporate governance requirements dictate that companies establish repeatable decision-making processes, document assumptions, establish controls and reconcile high-level financial projections with their operational plans. Today's marketplace is more competitive and at the same time more closely regulated than ever. To prevail, you need a plan of record that incorporates the knowledge of your entire enterprise.

Creating and maintaining an enterprise plan of record requires new thinking, more clearly defined practices and a new class of cross-functional, cross-enterprise business planning applications, designed to leverage existing investments and provide a coordinated view of the business. As Vinay Asgekar says, "An ad hoc S&OP process is neither efficient nor scalable, nor does it lend itself to making the best decisions. Companies need a formal, enterprise-level process supported with scalable technology to compete."<sup>2</sup>

### **Finding the Right Tool for the Job**

When you look at the tools they use, it's no wonder today's informal S&OP processes don't work. To gather demand data and align plans, most companies use a combination of traditional supply chain planning applications and good old-fashioned spreadsheets. Unfortunately, these tools were not designed to support the S&OP process, and it shows.

An effective S&OP process must reconcile disparate units of measure from around the company. Sales may measure demand by customers or regions, product management by product lines, operations by SKUs and BOMs. To create an enterprise plan of record, you must be able to convert data across types, and drill down to understand the assumptions underlying each set of data.

Spreadsheets have the virtue of being ubiquitous; even your sales, marketing and finance executives are already users. But when it comes to reconciling and aligning disparate plans, your common everyday spreadsheet fails miserably. It won't help you resolve inconsistencies among various data types, nor will it allow you to drill down on designated cells to get more detailed information.

The traditional APS, SCM and ERP applications do a good job of automating their respective functions, such as order-to-cash or procure-to-pay, but were not designed to support trans-functional processes such as forecast-to-mix-to-margin. Also, supply chain planning tools are necessarily complex, yet this very complexity makes them inappropriate for executives and other enterprise planners.

### **A New Platform for S&OP**

Having worked for years at various ERP and SCM vendors, my colleagues at Steelwedge took a fresh approach to supporting the S&OP process. We built a next-generation planning platform that effectively fills the gap between corporate strategy and departmental planning, enabling management to easily gather and reconcile disparate data across functional silos.

The Steelwedge Enterprise Demand Management (EDM) platform was designed from the ground up to help companies establish an enterprise plan of record. Steelwedge EDM is enabling our customers to make the S&OP process a strategic differentiator. Here's how:

- **Accessible User Interaction.** Steelwedge has combined the intuitive, familiar desktop environment of spreadsheets, email and web browsers with the architecture, security and collaborative capabilities of an enterprise system to engage executives and planners in a meaningful, relevant planning dialog.

---

<sup>2</sup> Ibid.

- **Process Automation and Event Management.** Robust yet intuitive business process management and exception-based planning keep information flowing across the enterprise, ensuring timely participation.
- **Adaptive Analytics and Performance Measurement.** The Steelwedge adaptive analytic engine combines quantitative techniques, including time-series and causal regression analysis, with advanced qualitative techniques to enrich forecast accuracy, and performance monitoring tools enable you to continuously improve your forecast and planning cycles.
- **Intelligent Data Integration and Transformation.** Steelwedge combines industry-standard technology with deep domain expertise to automatically aggregate and normalize data, providing smart translation to get every department – from sales to materials planning – speaking the same language.

If you are looking to upgrade your S&OP process, now is the time. If you don't, your competitors surely will. As you approach your S&OP initiative, here are a few tips:

- Define a formal process that will enable you to incorporate the input of all key stakeholders.
- Provide application support that enables users to easily access key data and manage the entire process.
- Do “what if?” analysis to test multiple demand scenarios as input to your plan.
- Monitor the execution of your enterprise plan of record and modify it frequently based on real-world results.

The benefits of a well-run S&OP process can be significant. By establishing an enterprise plan of record, it should help you reduce inventory, boost service levels, drive incremental revenues and improve return of assets. If properly conducted, S&OP will become a major contributor to growth and profitability.

##

Rob Schneider is President and CEO of Steelwedge, the leading innovator in the field of Enterprise Demand Management. For more information, visit [www.steelwedge.com](http://www.steelwedge.com).