



# Helping your organization thrive through transformative S&OP

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Is your business becoming easier and simpler each year? Probably not. Leaders like you are forced to cope with unprecedented levels of disruption, uncertainty, risk, and complexity. You're expected to identify potential, respond intelligently, drive business success, manage unexpected issues, and then identify the next opportunity or challenge. More commonly, you manage dozens of issues in parallel.

And to make matters worse, most organizations lack the sales and operations planning (S&OP) mindset and resources needed to cope with these pressures. Many organizations use outdated, inefficient tools—like email and spreadsheets—to make S&OP decisions. This can result in higher operating costs, limited agility, and significant business risks. Limits are exposed and challenges can't be met.

This paper explores how a new approach to S&OP can mitigate these challenges while amplifying business success. With the right toolkit and the right mindset, you can rely on S&OP for business intelligence and business control that helps your organization thrive.

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## Confronting the unexpected

There's never been a more complicated or uncertain time to sell products and services. Today's challenging marketplace is exposing the limits of many manufacturers' supply chain practices. Manufacturers know they need to move beyond focusing on supply chain cost cutting and look toward optimized supply chains that are more reliable, responsive, and agile in order to cope with marketplace demands and competitive pressures.

To make matters even more challenging, your business is likely increasingly reliant on interlinkages and dependencies. Supply chains are more complex, production is globalized and distributed, and many tasks are outsourced. Products frequently exist in an ecosystem or depend on other products and services, rather than standing alone.

And at the same time, you're facing the implications of digital transformation. Old business models are being disrupted by always-on Internet connectivity and immediate access. Set-top box manufacturers are suffering because Netflix® and Hulu® stream directly to smart televisions. Amazon's capacity for same-day or next-day delivery is pushing Walmart® to close stores and reduce stock, resulting in a domino effect that impacts individuals, suppliers, and communities.

You know the stakes—businesses that don't see and respond to these changes face extinction. Car companies and taxi companies are wrestling with new approaches to transportation from Uber® and Lyft® that are shaking up old assumptions and challenging the status quo. Or consider Nokia®, a once-leading mobile phone manufacturer that failed to understand how emerging technologies—iOS, Android, and touchscreens—could drive them into irrelevance. Bad choices lead to bad outcomes.

The good news is that, in a sense, none of this is news. You've already been learning to address the unexpected. You know that each day brings change. But where should you begin?

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## Addressing supply and demand

All of these challenges really come down to supply and demand. Any successful business has to reconcile sales forecasts with supply and demand planning, despite rapid changes, interlinked processes, digital transformation—and much uncertainty about the future. At the same time, you have to address increasing demands for variation, shorter lead cycles, and higher volatility.

Where supply and demand are concerned, many organizations consistently exhibit three challenges that lead to fundamental business problems:

1. Demand visibility
2. Quick adaptation
3. Comprehensive management

**Do you lack visibility?** Low visibility into demand—a lack of granularity or accuracy—is a common problem that leads to overproduction or underproduction.

**IDC points out** that the extensive availability of information gives buyers the tools to make informed decisions very quickly—which could have a huge impact on demand.

Your visibility has to be based on real-time, auditable data that extends beyond your company's four walls, gathering demand insight from suppliers and customers as well as sales, marketing, manufacturing, and finance.

Imagine that a site in India reviews your product, gives it five stars, and suddenly, you have an uptick in demand for a country-specific product version—but you can't see it, because your tools only give you give you visibility by product line, not by SKU. You're left wondering whether to ramp production for all versions, because you don't know which version is selling. Without visibility, you're stuck. You can't know what to do.

**Can you adapt quickly?** Businesses have to adapt because the marketplace keeps changing. For example: a major smartphone provider recently suggested that its next-generation phones would ship without a 3.5mm phone jack. Now, dozens of headset and headphone manufacturers are scrambling to redesign their products, which forces shifts in design, supply, production, and distribution. And manufacturers then have to change their forecasts because consumers are likely to wait for headphones that don't have cables.

But few organizations could cope with that kind of change. Many S&OP approaches don't enable rapid, effective adaption because they're informal, clumsy, and limited. Imagine trying to adapt by doing the typical thing— emailing dozens of factories, suppliers, sub-contractors, salespeople, and distributors. That's a recipe for being ineffective because it's not structured, not integrated into sources of data, and not automated to cope with changes in organization or personnel. You could find yourself emailing a manager who left the week before or blasting people who aren't involved, leading to a slower, more ineffective response.

So many organizations are stuck with cumbersome, manual approaches that keep them from responding to change properly. Relying on manual approaches that are a decade old is courting disaster. Older software packages can't keep up with today's demands, because they suffer from a limited ability to source and crunch data. If you're using an old toolkit, you can't adapt as well as you should.

**Can you manage your value chain?** If you lack visibility and adaptability, you lack control. You won't be able to respond properly because you won't know what to respond to in the most optimized, cost-effective, impactful way. Not being able to understand changing purchasing behavior and rapidly incorporate it into supply chain management processes can lead to higher inventories of unsold products and sudden product shortages. Not being able to see and respond to the dynamic nature of your business means that your business is less dynamic.

Most of today's organizations lack the tools and processes to really take control of the value chain, particularly when there's change. Imagine something big goes wrong—a sub-contractor goes out of business, or there's a product recall, or one of your plants is thrown offline due to an earthquake. Do you really want to call dozens of people in the value chain, from suppliers and distributors to salespeople, and try to respond, adapt, prioritize, and succeed? Probably not. It's a ton of work that's hard to drive efficiently or consistently. And if you're out of the office, who else could do it? Manual processes and procedures break down whenever there's unexpected pressure—which, in today's world, is a constant possibility.

Simply put, most organizations lack the tools, processes, and insights to successfully manage supply and demand, and that's precisely why they can't adapt to the accelerating pace of change, resist competitive pressures, or maximize profits. Volatile market demand is the new normal, and these three problems may well block your success—unless you address them.

In today's markets, decision-making built on superior insight is a basic requirement. Without it, you run a high risk of being blindsided by organizations with better insight into market dynamics, disruptive forces, supply and demand, and a better capacity to manage their value chains.

Is your organization continuing to struggle with these challenges? Do you need new ways to identify the issues that's impede your business?

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A leading-edge S&OP toolkit lets you start small but evolve, over time, to a more

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## Identifying the right approach

The most straightforward path to success is adopting a mature and proven sales and operations planning (S&OP) solution. The right toolkit will let you view, manage, and direct your value chain—supply and demand, production and distribution—in new and creative ways.

With an S&OP solution, you'll have a new source of business intelligence, business adaptation, and business control. In a sense, when you use the right S&OP tools, you'll have a new ability to deliver superior integrated business planning, going beyond supply chain management toward driving business strategy and direction. You'll have just what you need to assess different scenarios, conduct comparisons, and assess costs, risks, and benefits. You'll be empowered to make a difference, drive higher levels of accuracy, and accelerate business decision-making that translates into competitive advantage—and better business.

### **What's the key? Data**

Every company is swimming in data, from the beginnings of the supply chain to customer deployments and support organizations. Companies have been running ERP systems for 20 years and they've got terabytes of data on everything they've ever sold, and they're just not using it. With the right S&OP toolkit, an analytics engine takes all the data your business produces, crunches it, and delivers insight.

For example, the right tool can use your data to produce very granular forecasts at the product SKU level—not just at the product line level. If there is a spike in demand, you'd immediately know where it's coming from—and how to adapt. Imagine what you could do with a toolkit that integrates all your data—including communications from suppliers, distributors, and salespeople—into a holistic view of how your business is performing day-to-day. You'd be able to address your challenges, including visibility, adaptation, and management, because you'd know that your view of the business was comprehensive, accurate, and up-to-date.

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With the right set of tools and processes, here's what you could come to expect:

- **Supply chain reliability**—You'll have the ability to perform tasks as expected; your value chain can become more predictable. Deliveries will be sent to the right place, at the right time, in the right quantity. You'll be able improve customer service levels.
- **Supply chain responsiveness**—Your business will accelerate and cycle time will decrease. Changes won't impede progress and new demands will be met.
- **Supply chain agility**—You'll have better insight, which translates into a better capacity to respond to external influences and marketplace changes. You'll be better positioned to gain or keep competitive advantage.
- **Supply chain costs**—Your overall costs may decrease, because managing your supply chain becomes more automated, functional, and repeatable. You'll be able to reduce the cost of operating supply chain processes. This includes labor, materials, management, and transportation costs. Ultimately, your cost of goods sold should go down.
- **Supply chain management.**—You'll be able fully leverage your supply chain assets. You'll have new ways to manage inventory reduction, in-sourcing versus outsourcing, cash-to-cash cycle management, supply chain and production capacity optimization. You'll be able to drive down inventory days of supply, while increasing capacity utilization.

You'll be in position to see more, do more, and have more success.

## Taking the next step

Beyond these improvements, top notch S&OP tools could enable other compelling benefits for your organization. An IDC report published in 2016 calls out a range of compelling "soft" benefits to robust S&OP.<sup>1</sup> These include better working relationships with other business functions, ownership in achievable targets, a sense of teamwork, a "can do" approach, and better functional alignment across the company. Do these sound like desirable goals for your business?

That's why companies like yours need to choose a market leading solution for sales and operations planning. With the right partner, you'll be able achieve a comprehensive and forward-looking S&OP platform built around functional solutions like demand and supply, collaboration, and analytical insights. You'll be in a better position to transform S&OP plans, people, and processes. You'll also gain greater insight into and control over your business. Capitalizing on deep business function integration, you can align operations and strategy, make better decisions, and plan to maximize profits.



The right S&OP approach allows you to:

- Drive a truly profitable, auditable, repeatable S&OP process.
- Achieve precise decision-making in a data-driven world.
- Improve top-line revenue through improved customer fulfillment.
- Increase profitability through better use in your demand-supply performance.
- Choose the most profitable path through what-if scenarios.
- Collaborate inside and outside your enterprise.
- Take advantage of a robust analytics engine for data-driven insights and decision-making.
- Accelerate supply chain execution.
- Monitor your value chain through an integrated view.
- Build S&OP capabilities in the cloud for added versatility, connectivity, and value.

But even though the right approach allows you to drive ubiquitous change, perhaps that idea is a little overwhelming. If you're hoping to start small, you can. A leading-edge S&OP toolkit lets you evolve, over time, to a more comprehensive capacity to assess, manage, and direct your value chain.

Many organizations like yours may choose to start with a singular focus, perhaps putting a better demand plan in place and using that to monitor their actual sales. By comparing the differences, you can start to detect trends. Once they realize that trend prediction is possible and accurate, they can extend tool capabilities in other directions. Still others want to catch up—and even exceed their competition. They see the value of deep change to cope with everyday acceleration.

This is a lot to take in. But let's face facts. Business isn't becoming any easier. Everything's accelerating; there are more risks than ever before. Production is more complicated; the marketplace is more challenging—and you have new opportunities to seize. This is the moment to seize them.



Learn more about  
sales and operations planning



<sup>1</sup> IDC Doing Sales and Operations Planning Right, Doc# US40919316, January 2016.

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