

# Julie Fraser: S&OP matures into strategic process

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In tough times, everyone must pull together. Fortunately, companies have been learning to do that for a while. In the past five years, sales & operations planning (S&OP) has become a more common process for manufacturing companies of all sizes and segments. And it's being forged into a new and more valuable practice in the crucible of this challenging economy.

Since S&OP is a multi-departmental business process, it's bound to evolve. For many companies, it began as a tactical process to balance supply with demand. In the early stages, sales and forecasts often drive operations plans, so most demand-planning providers have experience supporting the process. As the process matures, companies recognize the need to bring warehousing and production in as full partners in the process.

With the credit crunch and market volatility, inventory must be central to the plan as well. In fact, in Europe, S&OP is commonly called sales, inventory and operations planning (SIOP). Both tactical and strategic inventory management are involved in effective S&OP.

Now S&OP is moving into a far more strategic realm. Companies are learning to drive activities throughout the company to better match financial goals and corporate objectives. As that occurs, the CEO and CFO should become involved as well.



While S&OP is a business process, not a software application, supply chain software is essential to supporting a mature S&OP process. Some of the key characteristics to look for in software to support strategic decisions are increasingly common:

**Integration.** Look for integration among data sets with master data management from broad suite supply chain management and ERP vendors such as i2 Technologies, Infor, JDA, John Galt, Logility, OM Partners, Oracle, Prescient, and SAP. S&OP was the foundational concept behind Supply Chain Consultants' Zementer suite.

**Analytics.** Data analytics to support the multiple views and "what-if?" analysis inherent in S&OP can be in a larger suite, or an addition. Specialist supply chain analytics come from IBM's Cognos, Pelyco Systems, River Logic, and SAS, among others.

**Fast-moving forward views.** In today's market, many companies are making changes to plans well within their forecasting horizon. Specialists such as Kinaxis, Right90, and Terra Technology that deliver short-span, frequent forward-planning views can support improved S&OP accuracy and timeliness too.

**Inventory coverage.** Inventory optimization is different from other planning in that it uses stochastic or probabilistic planning. Rather than a single inventory need number—which is bound to be wrong—these tools provide a range to improve inventory availability. Companies using stochastic methods in software include IBM's ILOG, Llamasoft, Optiant, and SmartOps. ToolsGroup announced SO99+ this year—a supply chain planning suite with stochastic logic at its heart, not only in an add-on inventory optimization module.

No matter how mature your S&OP process is, it's likely you will need to conduct the process more frequently and with more granularity. As C-level executives leverage the output of S&OP meetings to help the business succeed, the process will continue to improve and mature. Be sure your people and software systems are ready.

**Julie Fraser** is Principal Industry Analyst for [Cambashi Inc.](http://Cambashi Inc.), and has been an industry analyst, consultant, and marketer for more than 20 years, specializing in manufacturing value network processes and systems. Julie can be reached through Manufacturing Business Technology, or email at [Julie.fraser@cambashi.com](mailto:Julie.fraser@cambashi.com).