

Conquering the Seven Deadly Challenges of Sales & Operations Planning

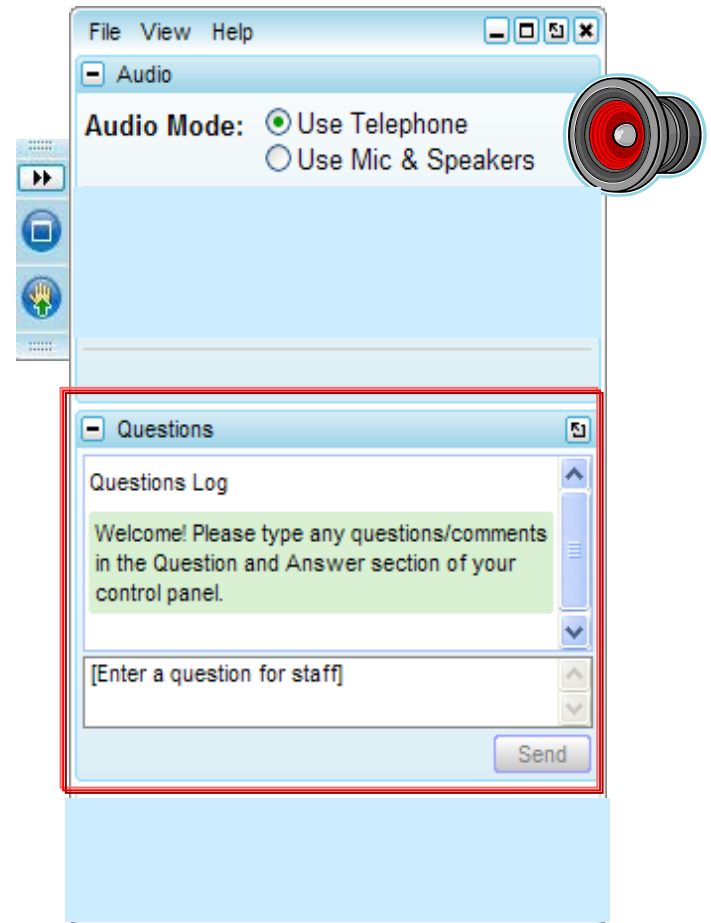
Jane Barrett

AMR Research Team – Industry Value Chain Strategies

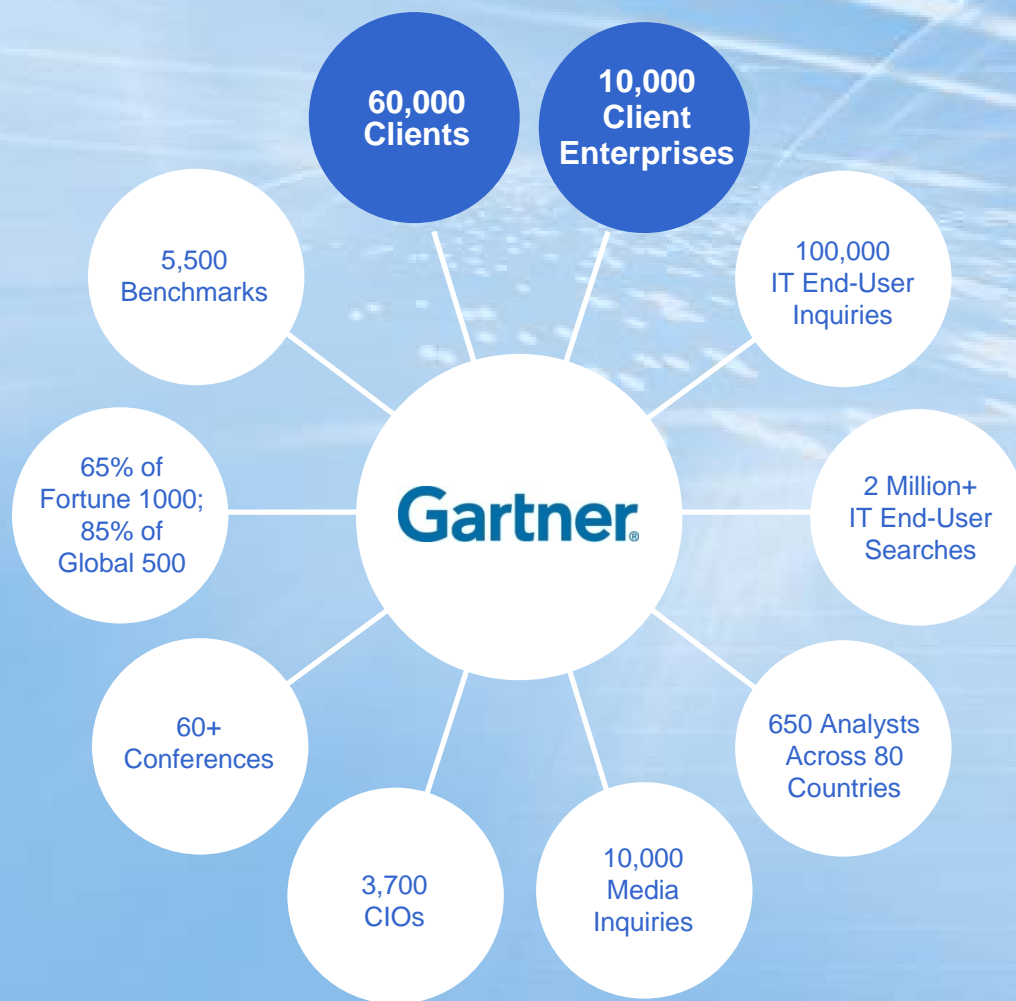
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Conquering the Seven Deadly Challenges of Sales & Operations Planning

Jane Barrett



Jane Barrett
Vice President, Industry Value Chain Strategies
AMR Research

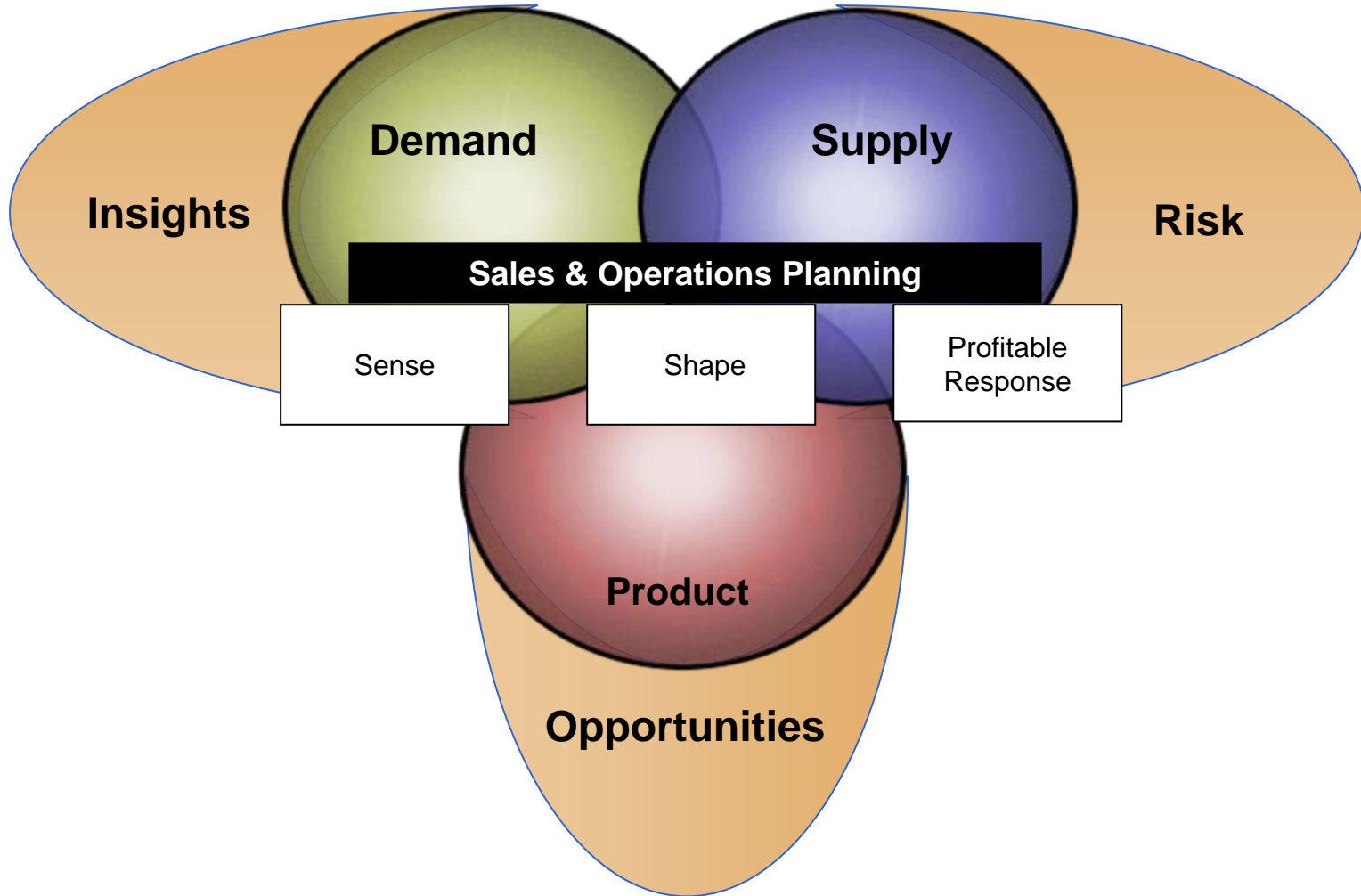
Joined AMR Research in June 2006 focusing on research and advisory assistance in:

- Value Chain Strategy and Planning
- Sales and Operations Planning
- Supplier Management
- Metrics & Scorecards

As an analyst, Jane has helped organizations across manufacturing industries with strategy, definition, best practices and insights from leaders in these areas. AMR Research methodologies, frameworks and maturity models are used to diagnose current state and support the creation of a vision and roadmap for the initiative. Included in the roadmap process is identification of prioritized projects and action items.

Prior to joining AMR Research , Jane spent 20+ years in IT, manufacturing, technology, and consulting industries., working for QAD, Fujitsu Glovia, OpenPro, Hewlett Packard and Unilever. Jane moved to the US in 2000 and earned her bachelors degree from University of Natal, South Africa in 1983.

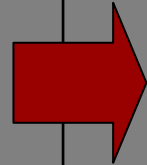
S&OP is at the Intersection of being Demand-driven



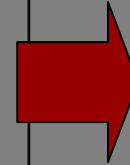
The AMR Research Framework for becoming demand-driven

S&OP Process Definition Changes

1990s



Early 2000



Demand-driven
Leaders

1. Develop a demand forecast
2. Balance demand with supply
3. Consensus meeting
4. Publish the plan

1. Collect sales input
2. Develop a forecast
3. Shape demand consensus refinement
4. Develop a constrained supply plan
5. Review and gain agreement through a Consensus meeting
6. Publish the plan

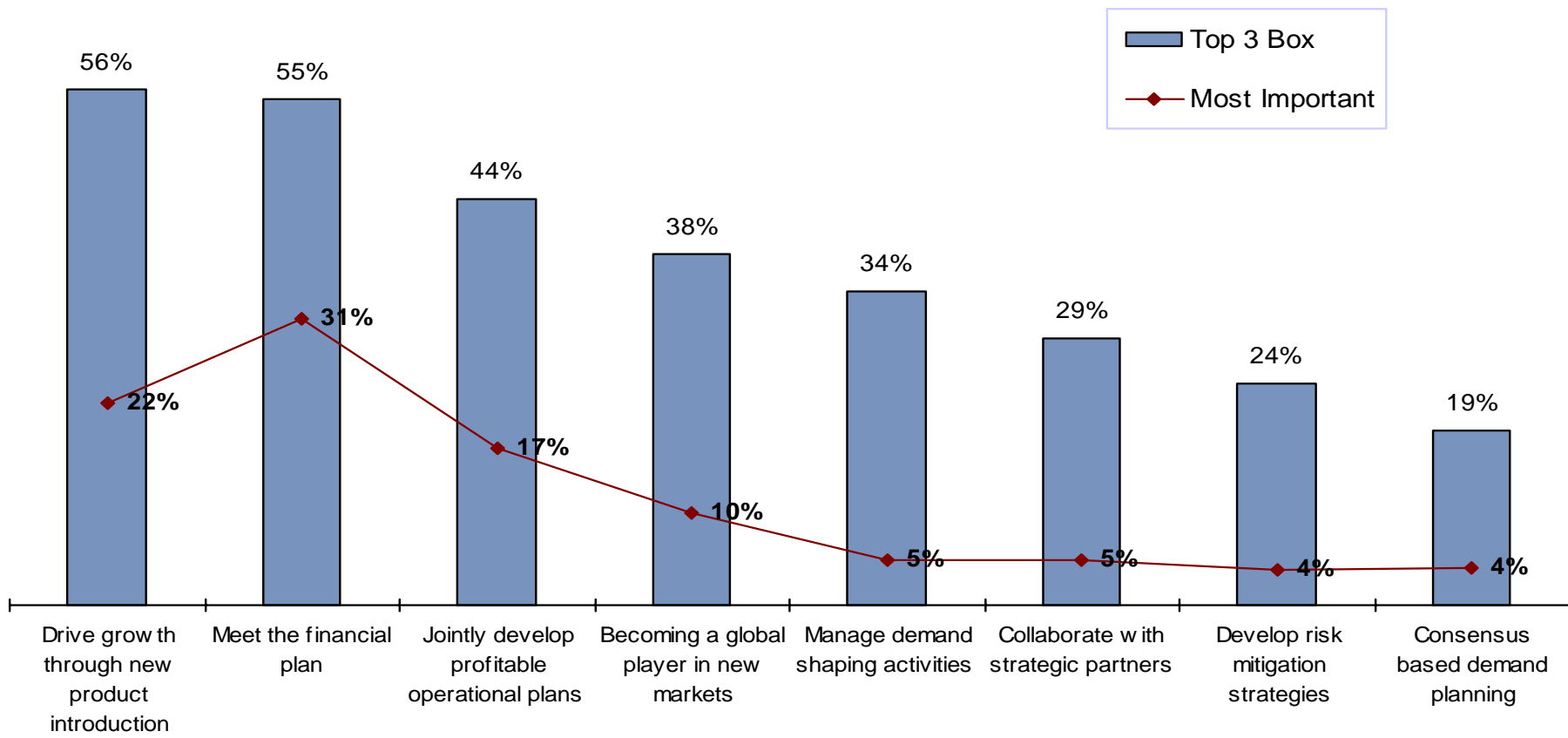
1. Collect sales and market input
2. Develop a demand plan
3. Demand consensus refinement
4. Shape demand based on what-if analysis on demand for supply
5. Develop a constrained plan by supply
6. What-if analysis by supply to determine trade-offs on the measurements and identify demand-shaping opportunities
7. Review and gain agreement through a consensus meeting
8. Publish the constrained plan
9. Measure and communicate the plan

S&OP Key Research Findings

- As the curtain closes on the recession, S&OP has gained steam
- Performance gaps have grown
- Metrics remain a stumbling block
- Gap between S&OP and execution
- Data accuracy and timeliness issues causing pain
- Better use of technologies drives S&OP maturity
- No clear definition of S&OP technology space

AMR Research study of 182 manufacturers/retailers – August 2009

Business strategies S&OP process is focused on

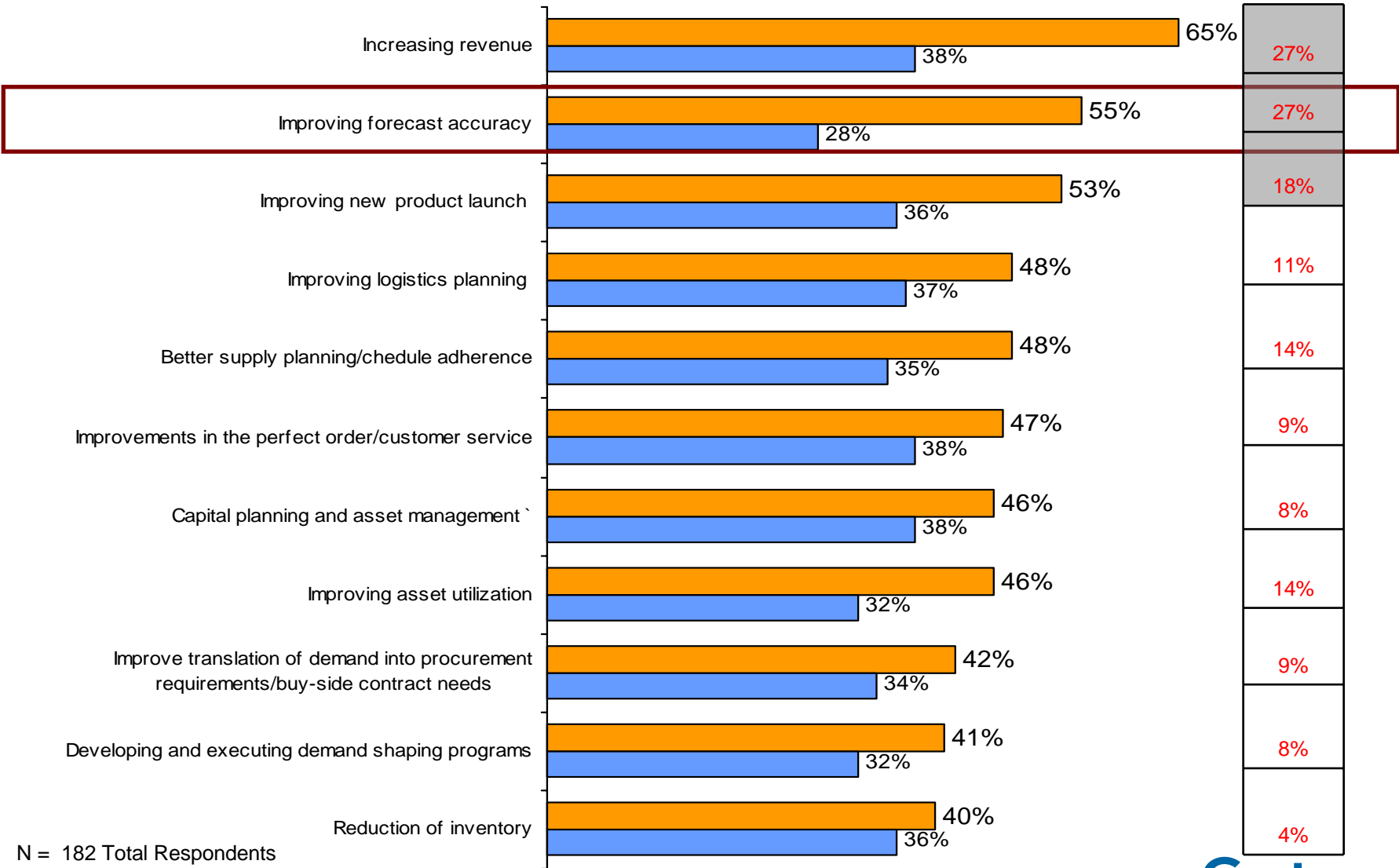


N = 182 Total Respondents

Business Benefits – Importance vs. performance

[TOP 3 Box Summary]

Performance Gap Score



N = 182 Total Respondents



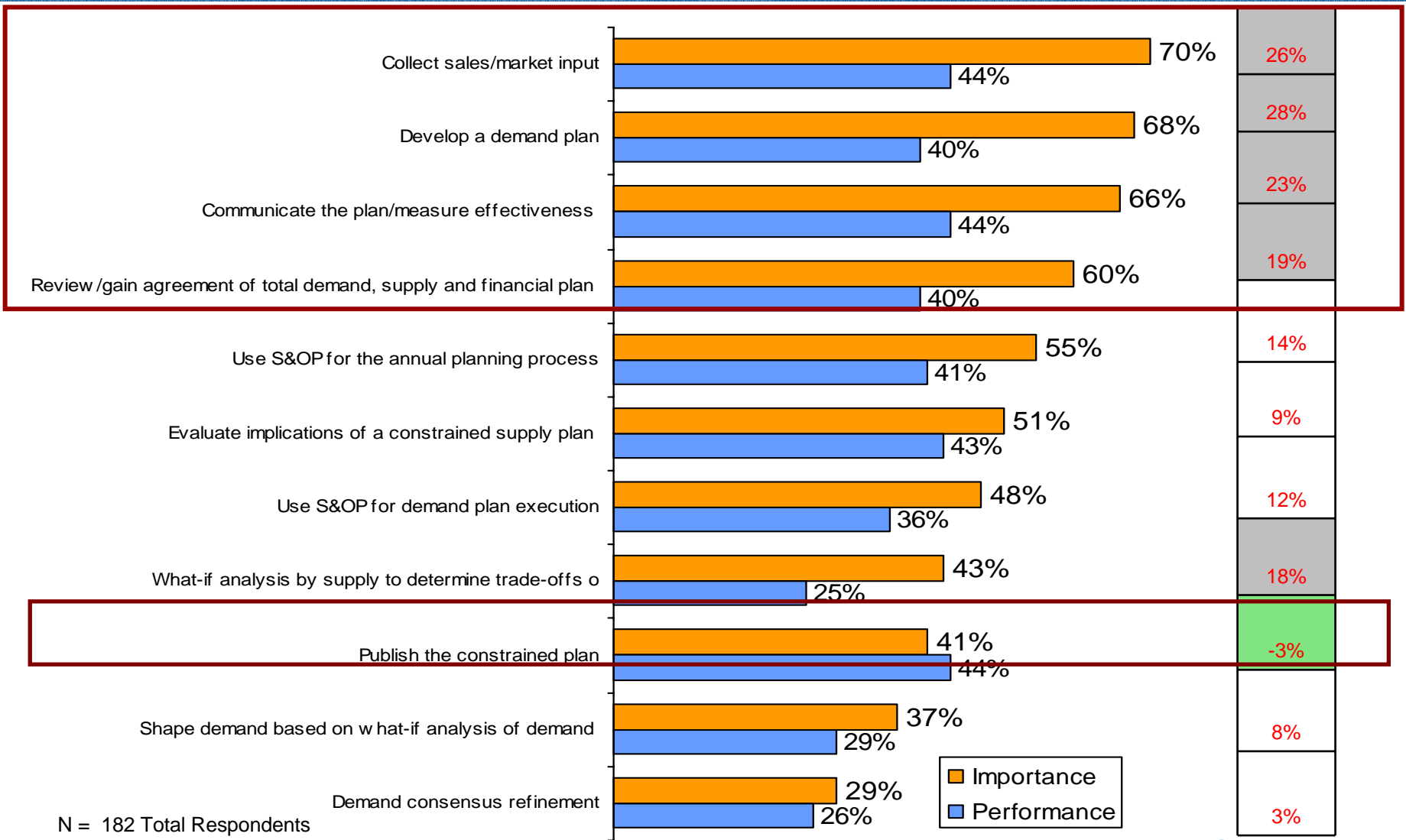
Q: What's your biggest benefit to running S&OP?

- A. Improving new product launch effectiveness
- B. Improving forecast accuracy
- C. Increasing revenue
- D. Improvements in perfect order / customer service
- E. Better supply planning / schedule adherence

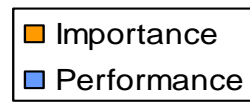
S&OP capabilities – Importance vs. performance

[TOP 3 Box Summary]

Performance Gap Score



N = 182 Total Respondents



S&OP Maturity Model

27%

40%

19%

14%

| Stage | I Reacting | II Anticipating | III Collaborating | IV Orchestrating |
|------------------|--|---|---|---|
| Balance: S&OP | | | | |
| Goal | Development of an operational plan | Demand and supply matching | Profitability | Demand sensing, and conscious tradeoffs for demand shaping to drive an optimized demand-response |
| Ownership | S = Sales OP = Factory capabilities | S = Sales and Marketing Plans OP = Production and factory capabilities | S = Go to Market Plans OP = Design of demand driven plan, make & deliver processes | S = Go to Market Strategies and Solutions OP = Translation of demand into plan, make, deliver, source and service strategies, with connection to execution |
| Metrics | Order fill rate, asset utilization, inventory levels | Order fill rate, forecast error, inventory turns, functional costs | Demand error, customer service, working capital, total costs | Demand risk, customer service, cash flow, market share and profit |

67% of companies cannot get beyond stage 2

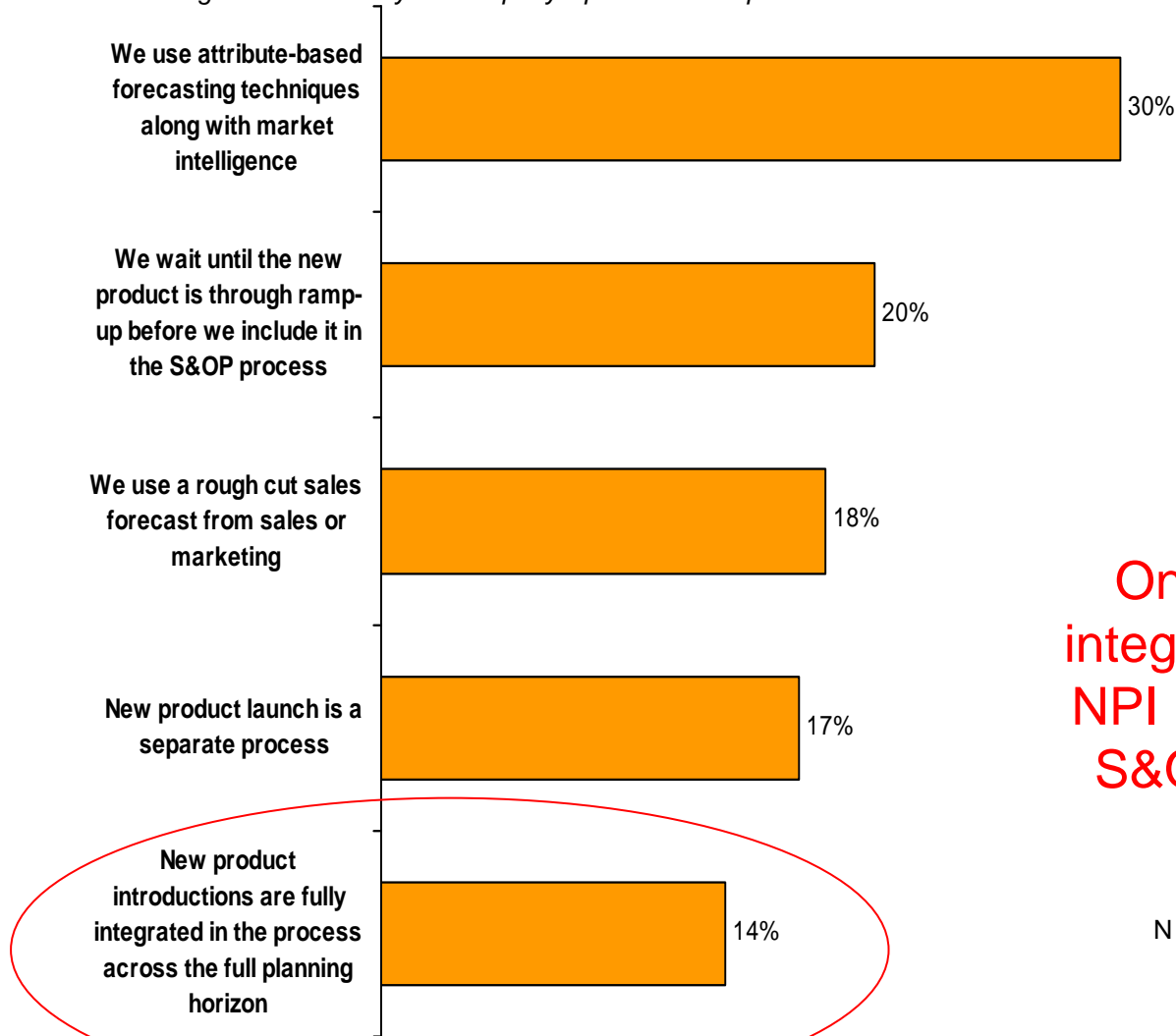
Increase in Organizational Balance

Q: How would you rate your S&OP Performance?

- A. Excellent – S&OP serves us well.
- B. Good – but requires further maturity to fully utilize
- C. Average – we are stuck and need to re-invent for greater utility
- D. Poor – requires significant improvement in definition, strategy, alignment and function.
- E. Do not utilize an S&OP process

Plans for new product introductions

Q. Which of the following best describes your company's plans for new product introductions as it relates to S&OP?



Only 14% have an integrated process, yet NPI is the top strategy S&OP is focused on

N = 182 Total Respondents

Q: What is the single biggest challenge within your S&OP process?

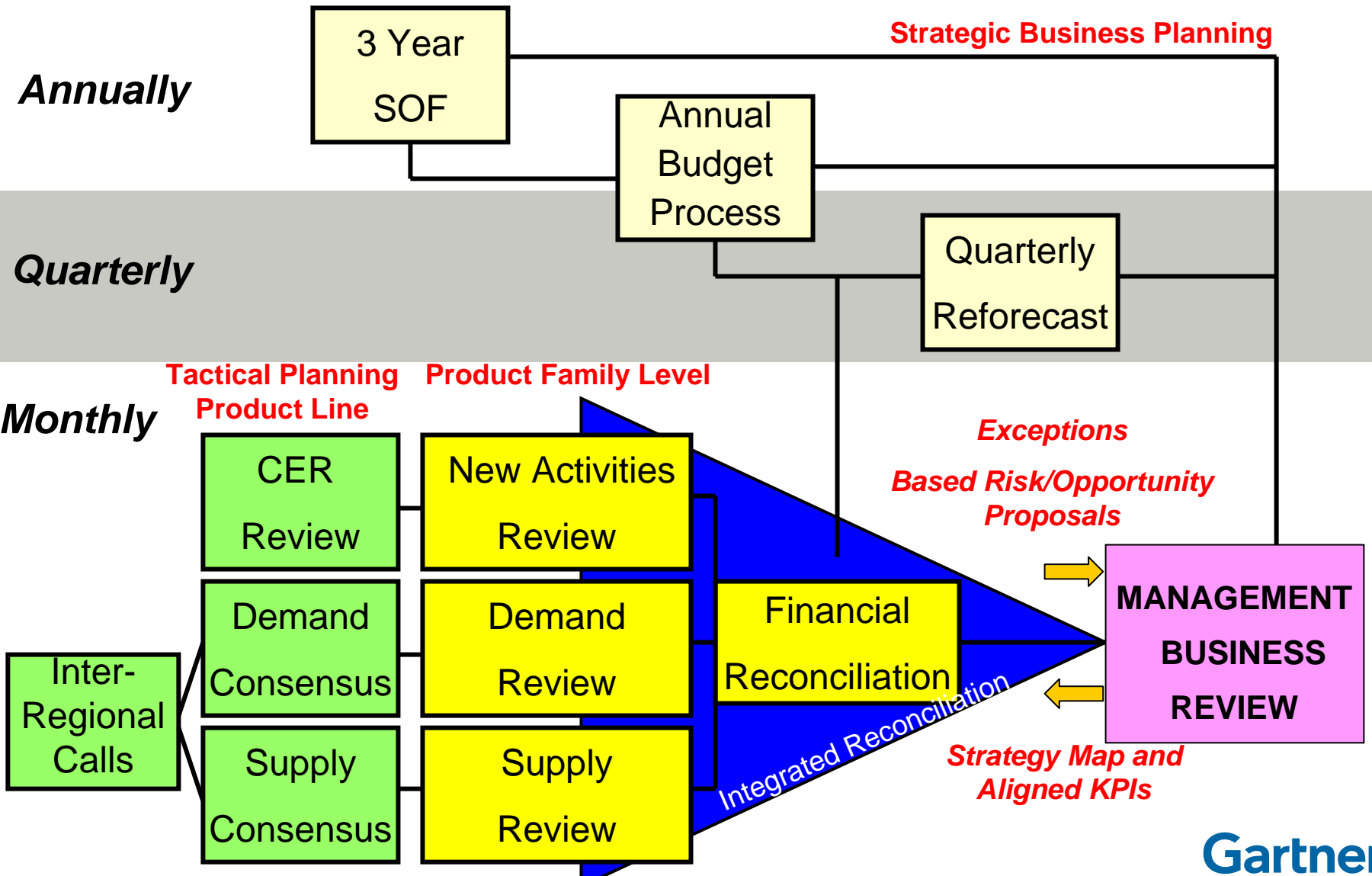
- A. Quality and timeliness of data
- B. Moving from demand and supply matching to profitability as the goal
- C. Driving use of the plan in daily operations
- D. Connecting strategic initiatives
- E. Coordination of global teams
- F. Other

Getting out of Neutral – Why is it so hard?

The 7 Deadly Challenges of S&OP: Change Management

- Clarity of goal
- Alignment to strategy
- Reward systems
- What is a good decision?
- Governance
- The Role of the Forecast
- Connection of planning to execution

New Focus of S&OP – Medical Device Company



Balance is Required

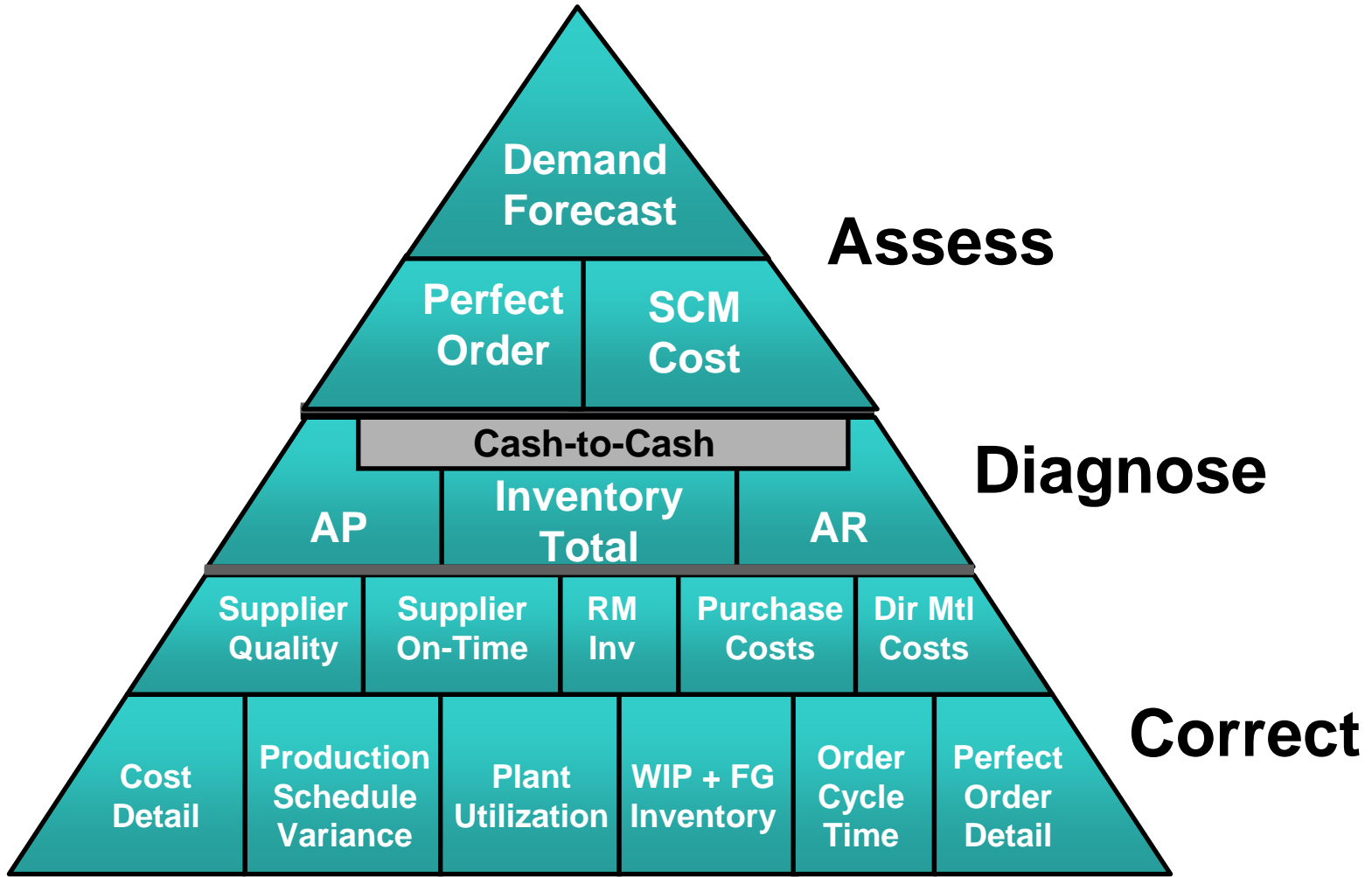
7 Demand-Shaping Levers

- Marketing programs
- New product introductions
 - Promotions
 - Trade deals
 - Sales incentives
 - Price management
- Supply shaping/runout strategies

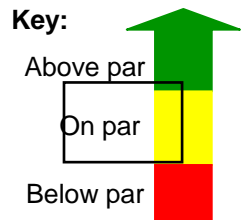
7 Levers of Agility

- Postponement/late-stage differentiation
- Drive transparency through VMI and SMI
- Design for supply and reuse
 - Logistics policies
 - Adaptive networks
- Flexible manufacturing strategies
- Tie agility strategies to demand shaping

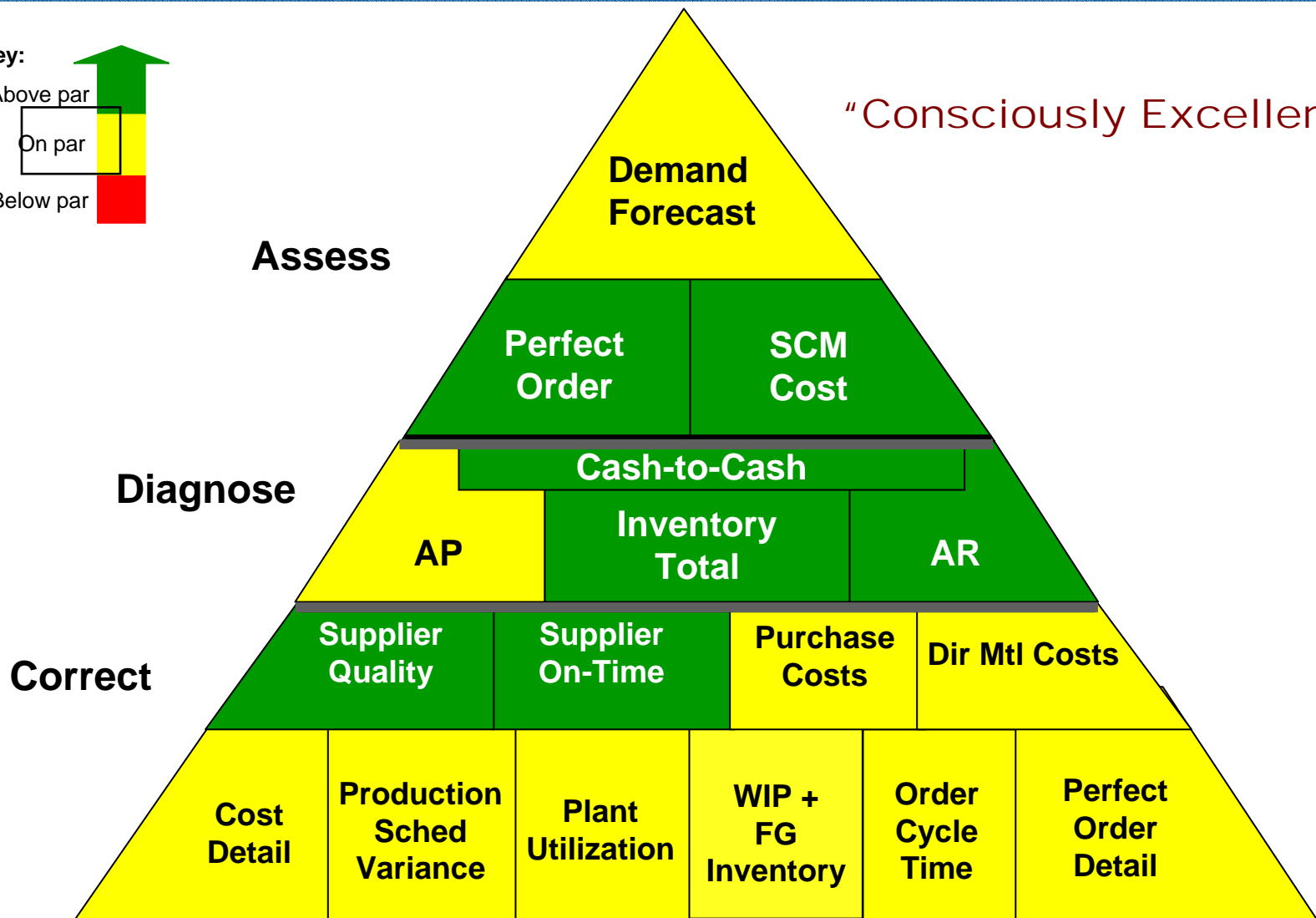
The Hierarchy of Supply Chain Metrics



What Good Looks Like....



“Consciously Excellent”



Example: Chemical Company Change Impacts

Mindset

Primarily, DDBO is a change in **MINDSET**, as the business moves from a Supply Driven to a Demand Driven mentality.

Process

The mindset is formalized through the Demand Driven Business Operations **PROCESS**.

Tools

Once the mindset and work process are established, **TOOLS** enable individuals in executing specific tasks. Tools support work throughout the DDBO sub-tracks.

For Demand Driven Business Operations to be successful, people must change their **MINDSET** to accept and learn the **PROCESS** using **TOOLS** as needed.

Business Implementations – eS&OP

Business Steering Team

Global business Leadership - ownership and oversight of implementation



Business Implementation Team

Configures processes and tools to meet business requirements

Biz Implementation Leader*

Biz Manufacturing Rep

Biz Commercial Rep

Biz Financial Rep

Biz Supply Chain Rep

DDBO Implementation Advisor

Project Manager

DDBO Implementation Specialist

Human Performance Specialist

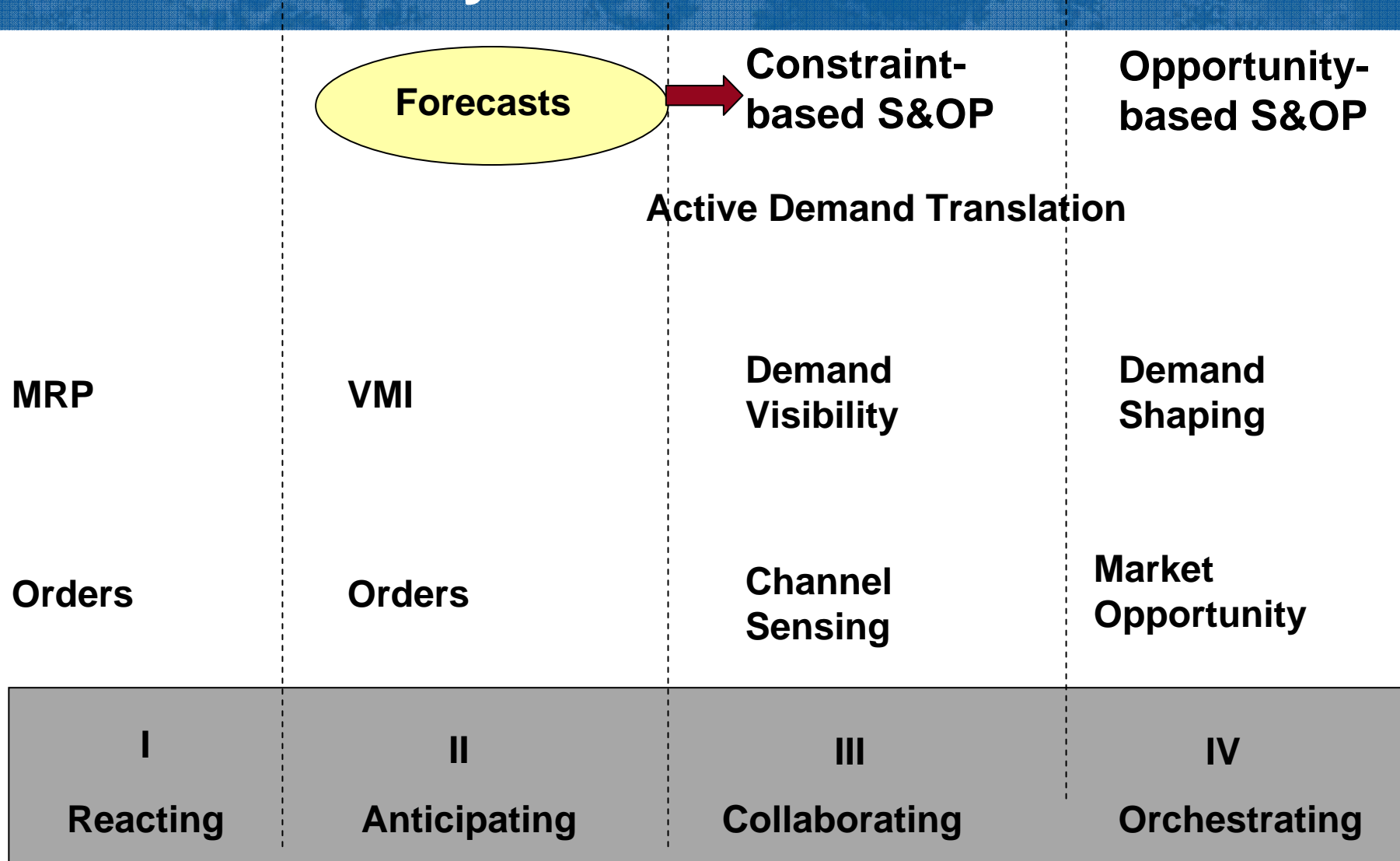


Business resource

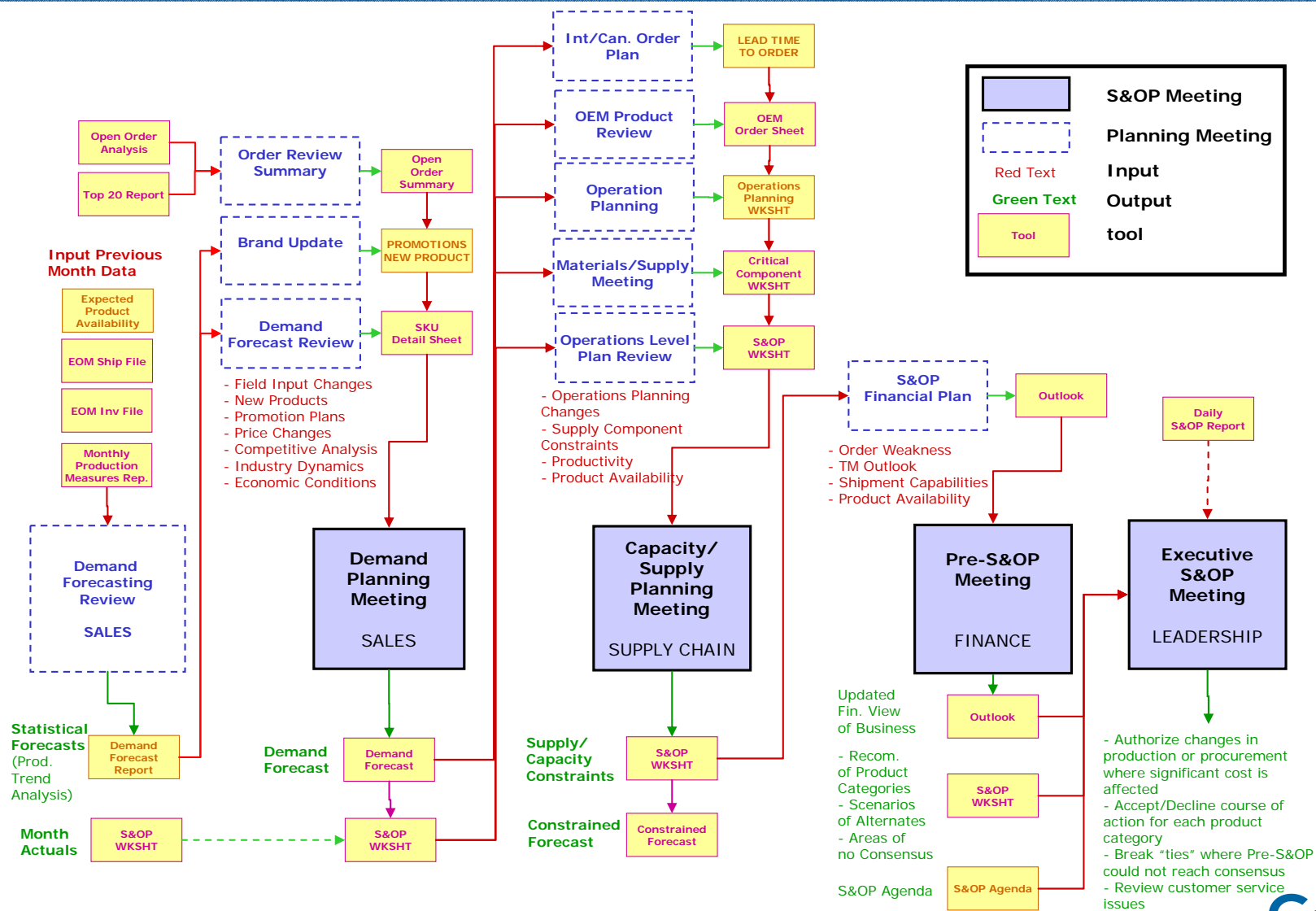


DDBO project resource

Demand Maturity



S&OP Meeting Structure – Discrete Manufacturer



■ ■ ■ ■ Recommended Research

Recommended Research

Research conducted by AMR Research:

- Conquering the Seven Deadly Challenges of Sales and Operations Planning
- Sales and Operations Planning: Transformation From Tradition
- S&OP Technology Market Update: Picture Still Murky
- Embraco Transforms Its Value Chain Through Integration of S&OP and Order Fulfillment
- A Chemicals Formula for S&OP Success
- Just How Long Do We Have To Wait for True S&OP in Life Sciences?

Upcoming Gartner Events

Other AMR Research Supply Chain Events

Conference:

- June 2-4 AMR Research Supply Chain Executive Conference (Phoenix)

Webcast:

- March 23 The AMR Research Top 25: Lessons from Leaders (Debra Hofman)

www.amrresearch.com

Upcoming Gartner Events

Gartner
Customer Relationship
Management
Summit 2009

3-4 March | London

europe.gartner.com/crm

Gartner
Business Process
Management
Summit 2009

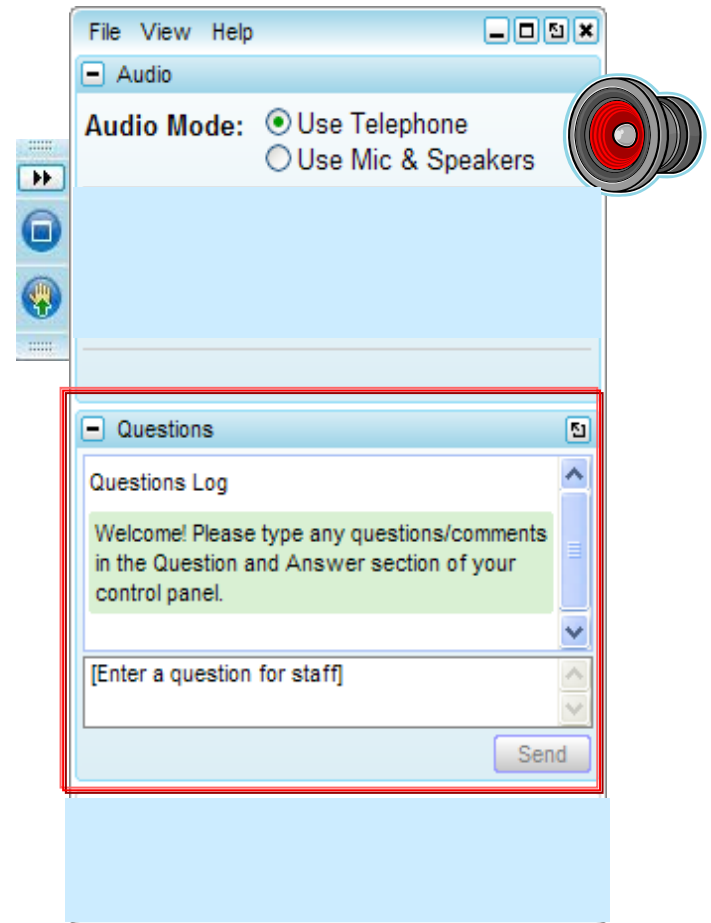
March 23-25
San Diego, CA

gartner.com/us/bpm

Thanks for participating!

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