

**Anaplan**

# Deliver agility with an expanded vision for S&OP

Evolve your process to drive  
growth in uncertain times



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## Summary

### **Transform S&OP into an engine for growth**

Though sales and operations planning (S&OP) originally aspired to bring business functions together for a more collaborative approach to business planning, today's S&OP is most often used to address gaps between supply and demand. It can and should do much more.

Increasing disruption in the business environment has created an urgent opportunity for S&OP to expand its role. Uncertainty makes high-functioning agility and integrated business planning essential to success.

It's time to create new goals for S&OP, reinvent your S&OP processes, and invest in connected planning capabilities to drive business agility and growth. Michael Detampel, senior solutions director at Anaplan, describes the challenges supply chain leaders face and offers five key recommendations to optimize S&OP results.



## Part one

Identify where traditional S&OP misses opportunities to fuel business success

### **S&OP was born in a time of siloed systems and relative stability**

When the concept of sales and operations planning (S&OP) was introduced in the mid-1980s, Excel was a time-saving new tool for data analysis. Departments assembled and circulated their own reports using their own numbers—harvested manually and frozen in time. Forecasts were made based on historical data because the future could reasonably be presumed to look something like the past, and circumstances changed slowly enough that S&OP could follow a roughly lunar cycle.

Today's business cycle requires continuous and rapid recalibrations. While these challenges are partly mitigated by access to more powerful tools and capabilities, much of the S&OP process is the same today as it was decades ago. Thus far, S&OP has lagged behind in the evolution toward connected, collaborative, agile processes, missing opportunities to deliver significant benefit in several areas of the business.

### **S&OP's collaborative perspective has retracted to focus on immediate needs**

The original vision of S&OP was to bring the commercial and operational sides of the business together to collaboratively improve business decision-making. Over time, this vision has shrunk to a more perfunctory process and short-term perspective. In many organizations, S&OP is the mechanism used to address urgent supply chain problems, a sort of operational SWAT team. Sequestered in the fringes of business planning, it is used to stamp out fires and play catch up, mending gaps between supply, demand, and finance. When a crisis strikes, the fragile process breaks down and planners are left to their instincts.

### **Satisfaction with S&OP results has been eroding; crises put a spotlight on its weaknesses**

Even in terms of firefighting, S&OP isn't living up to expectations. Research suggests satisfaction with traditional S&OP results has been waning. In 2016, a survey by Supply Chain Insights found 65 percent of those queried said S&OP was effective. By 2019, only 35 percent agreed.



Our monthly cycle quickly went out the window. The S&OP process essentially broke because by the time we did the demand review feeding into the supply review, the data was already two weeks old and changing too quickly to be useful.


Businesses are missing opportunities to enhance the customer experience, improve operations, and drive growth. Whereas S&OP ought to be the ideal forum for identifying and meeting changing customer needs, a Gartner report indicated 70 percent of supply chain leaders felt they did not have an advantage in responding to varying customer expectations. In terms of business growth, Accenture has published research saying 78 percent of those surveyed feel they are missing opportunities to leverage the supply chain as a driver of revenue growth. When it comes to optimizing operations, 87 percent of respondents to a Gartner survey said it's critical to align supply chain and finance, yet few organizations do so.

[1] Supply Chain Insights LLC, "Sales and Operations Study," March–May 2019. See reference: <https://www.supplychainshaman.com/sales-and-operations-planning-2/is-sop-excellence-slip-slidin-away/>

[1] Gartner, "Future of Supply Chain: Reshaping the Profession," November 2019

[1] Accenture, "From Inventory to Influencer," 2019

[1] Gartner, "How Supply Chain Leaders Work with CFOs to Optimize Costs," September 2018



## **Dynamic business environments demand a level of agility beyond what traditional S&OP can deliver**

In a business climate where rapid change and disruption are the new norm, waterfall-style S&OP practices that might have been acceptable in the past are increasingly seen as impediments to agility. Traditional S&OP as it is currently practiced under-utilizes what could be a powerful source of integrated business intelligence and planning, vital capabilities for dealing with uncertainty.

“S&OP is a great concept, but it was largely architected and implemented as a way to bridge underlying processes that weren’t talking to each other the way they should,” said Michael Detampel, senior solutions director at Anaplan. “S&OP is still architected around a sequential, calendar-driven process that is simply too slow for today’s highly dynamic business environment. When things change mid-stream or if you want to look at alternatives, you may have to start the whole process over again. It’s not agile.”

## **Traditional S&OP bridges business functions but doesn’t sufficiently align their planning to optimize outcomes**

S&OP as currently practiced in most organizations brings input from various business functions together but doesn’t go far enough to yield necessary insights and produce truly integrated planning.

“In the last decade, the focus has shifted to integrated business planning which has meant bringing finance to the table,” said Detampel. “Businesses have made progress aligning and integrating their financial and commercial planning with their core operational planning. However, in practice, this integration typically occurs by

inviting the finance and commercial organizations to participate in the S&OP or IBP cycle as ‘guests.’ Although this helps align the different functional plans, it stops short of creating the one truly integrated business plan that many companies are seeking to develop and deliver.”

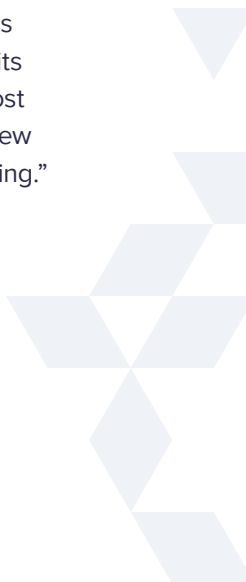
Organizations can improve the execution of their strategic plans by more thoroughly integrating strategic, operational, and financial planning. Better S&OP together with better strategic planning leads to more agile and effective business decisions.

## **Financial impacts are left out, missing the chance to strengthen financial positions**

Though S&OP decisions can have tremendous financial impact, finance is rarely involved in a holistic manner. Consequently, decisions get made without finance’s input. By the time the financial impact is clear, it’s too late to do anything about it. When disruption occurs, the problem gets worse.

“In a crisis, when you’re concerned with survival and making tough decisions about what to produce and what to sell, the financial impact is critical,” said Detampel. “In companies where that’s hard to get to, you end up going offline and doing back of the envelope calculations. It slows down the process and you can’t get alignment with the rest of the business.”

What’s more, when financial impacts do get consideration in traditional S&OP, the focus tends to be on top line revenue—simply converting units to dollars. Detampel suggests going further. “Most decisions would benefit from a more nuanced view of margin, working capital, or capital asset planning.”



## **S&OP relies on sales forecasts instead of actively shaping demand**

Many companies are content with simply forecasting demand rather than actively shaping it. The “S” contribution in S&OP is often relegated to sales forecasts, sometimes generated by analytics using historical sales or shipment data. These forecasts quickly cease to be useful in a crisis, when past data is no longer relevant. Even in the best of times, sales and marketing are mainly involved by providing inputs to a consensus demand plan. The supply chain then has to respond to the demand as best they can.

There is limited opportunity to have a dialog about how best to shape demand to address constraints or tap available capacity in the supply chain.

“One of the keys is to have S&OP not simply ‘consume’ a sales forecast or input from the sales organization,” said Detampel, “but to actively engage them in the process.”

Demand-driven, collaborative S&OP is a pathway to powerful integrated business planning. In Part Two, we’ll explore how you can evolve your S&OP process to help the business make more informed decisions quickly and seize opportunities to grow.

### **Traditional S&OP**

- Planning and data siloed by business function
- Sequential reviews and approvals span weeks
- Limited analysis of options; impacts unclear
- Inward-facing enterprise perspective
- Focus on meeting sales or financial forecasts
- Limited agility, limited foresight

### **Evolved S&OP**

- Connected planning across business functions
- Comprehensive access to real-time data
- Collaborative process for quick, consensus decisions
- Rapid analysis of scenarios and their impact
- Broader perspective encompassing external partners and data
- Focus on driving demand and growth
- Built-in agility, more accurate forecasting

## Part two

### Evolve S&OP to thrive on uncertainty, deliver business agility, and drive growth

Disruption can be a forceful motivator, but being prepared for the next crisis is far from the only reason to evolve your S&OP processes. Next generation S&OP holds tremendous promise for improving overall business function and achieving integrated business planning that drives results. Start evolving your S&OP process now to become the engine driving revenue and growth and to develop the capabilities the business needs to be resilient in the face of disruption. Five steps will help you transform S&OP from reactive problem-solving to proactive collaboration focused on achieving business objectives.



We never had a formal S&OP process because our data was very good and our forecasting was very reliable. Suddenly, everything changed. We were using whatever data we could get to try to make more informed assumptions.

### 1) Align business planning for greater agility

S&OP is the original effort at connected planning. Bring key stakeholders into the S&OP process to align planning across the business, build consensus, and execute decisions quickly. Involve planning leaders from across all functions—operational, finance (back office), and commercial (front office)—to solve problems and recognize opportunities.



The business teams are now much more involved in the S&OP process than before. It's now a business-integrated process. Finance, marketing, GMs, everyone turns up at every business review we have now.

“Agility comes from your ability to quickly align or synchronize with other business planning functions,” said Detampel. “Sales is doing their own thing. Supply chain and demand planners are planning to different numbers. Marketing’s promotions calendar is meanwhile going to drive demand. If you’re not working together, the downstream implications of these various discrepancies can be very difficult to anticipate.”

Instead of a sequence of reviews and approvals, integrated S&OP can address the overall picture in one seamless process, surfacing disparities in planning that might not otherwise emerge until it’s too late. S&OP becomes the place where the business can assess options and alternatives with scenario planning, see their impacts, and achieve consensus quickly.

“If you elevate your perspective on what S&OP can be,” said Detampel, “it really is that engine for aligning your organization and making good business decisions, not just good supply chain decisions. S&OP can and should serve your broader business objectives.”

## 2) Involve finance from the start

Finance is a critical piece of successful S&OP given today's accelerated pace of business. Run S&OP in tandem with financial planning, not sequentially, to make financial implications clear in real time, allowing you to take action to address gaps in the plan while there is still time to do so.



We see S&OP as a basis for financial planning. Market volatility elevated our value focus. It's not just considering physical flows, production volumes, and stocks; cash flow and margin effects are now more relevant, too.

"S&OP should be positioned alongside key financial planning processes and not just trued up on a monthly and quarterly basis," said Detampel. "When you integrate financial planning along the way, you can see how you're doing. It's a dynamic process. If you're selling more product, how does that impact other aspects of the business? How does it impact your workforce planning? This all ties into the need for connected planning overall. It's ultimately about better integrating S&OP and aligning financial and operational planning."

## 3) Take action to drive demand

Involve sales and marketing to actively monitor and drive demand from within the S&OP process. It's not enough to include sales forecasts and invite representatives from sales and marketing. The most effective S&OP takes a business-level perspective, looking for opportunities to create synergies, increase demand, and optimize supply.



We can now bring the sales and financial teams together on where we see our business going, what we see it doing, and the position we need to set ourselves up for.

"Demand sets the pace for the rest of the organization," said Detampel. "Forecasting demand isn't enough. With forecasting, you're still being reactive. You should be taking steps to shape demand."

S&OP brings together what the sales and marketing teams are doing in terms of pricing, promotions, and incentives. Next generation S&OP lets you game-plan those efforts against the supply chain's ability to produce and deliver, so you can shape demand and eliminate supply constraints, giving the business the freedom to grow.

"We have a customer who actively supports their S&OP process with a mobile app that account teams can use to investigate available production capacity and capture sales opportunities. When they enter a customer order, they trigger an approval workflow and secure the material for a reliable supply. The collaborative process is very effective in using available capacity, thereby increasing revenue and margins," said Detampel.



#### 4) Broaden your perspective with external data

Collaborate with partners, customers, and suppliers to share information and build a more complete picture of the marketplace. When hosted on a shared platform, Gartner calls this a multi-enterprise supply chain business network. External insights and perspectives can help round out your view of what's happening in the market, supply chain, and business environment, particularly in a crisis.



We've challenged demand forecasts from retail, even down to the store level. We're having to pick up customer intelligence information as part of our S&OP process. We're really using all of our resources and collaborating with our stores to decide what we think is going to happen next.

"S&OP should extend not just horizontally through your business," explained Detampel, "but should become a platform for collaborating with your suppliers and customers."



We were triangulating multiple sources of data to say look, the forecast says X, the orders are Y, but we have other data that tells us most of our customers are doing Z. This allowed us to challenge the quality of the demand signal and then look in detail at inventory.

Including additional external data beyond your network of customers, suppliers, and partners can help you assess fast-changing situations and add nuance to analytics and scenario planning.

For example, retailers and consumer products companies closely track channel sell-through, pricing, and promotional data. Auto manufacturers look at employment data, GDP, driving, and mileage data to help predict long-term demand. Life sciences companies monitor demographic data on potential patient populations. Fashion brands track social media for trending topics.

"Bringing in more external market data and signals is critical for allowing you to better predict the future and better understand what actions you can take to drive the outcomes you want," said Detampel.

#### 5) Empower the planner

Explore your options with robust analytics and scenario planning, but empower the planner to make decisions quickly in times of crisis. While analysis offers insights, the planner has the experience to make informed decisions when it counts.

"In a crisis we've seen that companies where the planners were more empowered and had more ownership were able to move faster," said Detampel. "At key moments, you need some human intervention to take ownership of the decision-making. But the underlying processes and capabilities have to be there so they can evaluate the situation, explore alternative scenarios, and feel comfortable making a decision."

Human expertise combined with analysis brings the best of both worlds to important decisions in difficult moments, when either on its own may not see the complete picture.



The role of the demand planner has reemerged as being critical. It's the human element of crafting far more scenario-based and driver-based projections and leveraging those to explore more of the art of the possible and the range of potential impacts.

## Part three

### Expand your vision of what S&OP can do for the business



Disruption put the problems we already knew we had into stark relief. We are moving forward with new technologies we can leverage to help us perform better.

### Today's S&OP can align business functions to drive growth and agility

Growing uncertainty in the business environment presents an opportunity for businesses to get back to the original goals of S&OP: Bring siloed business functions together to anticipate change and build on each other's efforts to drive growth. By expanding the scope and mandate of S&OP, enterprises can access a powerful engine for aligning the organization, making good business decisions (not just good supply chain decisions), and achieving broader business objectives, especially increased revenue.

### Implement a connected planning platform to enable collaboration and analysis

No amount of agile process and thinking can deliver results without full visibility into data streams throughout the business. Access to a single version of the truth in the form of real-time data and integrated planning capabilities is essential to next generation S&OP. In addition, without the ability to explore alternative scenarios and run analytics and analysis, even the most engaged S&OP team will quickly fall back to intuition-based decisions when a crisis strikes. The right blend of human and artificial intelligence can give the enterprise the confidence to assess situations quickly and make decisive moves.



It's easy to get everyone around the table, but everybody has their own version of events. The number of individual reports is quite staggering. Legacy systems are driving the numbers. To have one platform, one system, one true data line that everyone trusts and believes in would be helpful from an operational plan perspective. It's important to understand and agree on what your assumptions and drivers are. If you see them changing, you can adapt your plan quite quickly.

## **Anaplan connects data, people, and plans to enable better, faster decisions**

Connected Planning with Anaplan gives you a platform for collaboration and analysis that enables the business to take on uncertainty with confidence. Anaplan delivers flexible, connected capabilities that dramatically transform the planning process to reveal fresh insights and new paths to success.

Find out how Connected Planning with Anaplan could transform your vision for S&OP. Create the platform you need to manage uncertainty, thrive in the face of disruption, and drive business growth.

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## **Further learning**

### **WHITE PAPER**

The keys to mobilizing next-generation S&OP

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### **WEBINAR**

The growth driver— S&OP the ultimate engine aligning business plans

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### **BLOG**

The reinvention of demand forecasting: Planning for the future when you can't look to the past

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### **DATASHEET**

Demand Planning



## About Anaplan

Anaplan, Inc. (NYSE: PLAN) is a cloud-native enterprise SaaS company helping global enterprises orchestrate business performance. Leaders across industries rely on our platform—powered by our proprietary Hyperblock® technology—to connect teams, systems, and insights from across their organizations to continuously adapt to change, transform how they operate, and reinvent value creation. Based in San Francisco, Anaplan has over 20 offices globally, 175 partners and approximately 1,500 customers worldwide.

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