

POWERING THE FUTURE OF S&OP

3 capabilities to fuel your journey

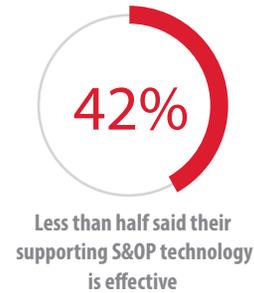


THE CHANGING FACE OF S&OP

Sales and operations planning (S&OP) has long been the backbone of many a business, helping drive success and stability through regularly scheduled decision-making activities. It's been a procedural staple in supply chain planning for more than three decades. But these are tumultuous times, and what worked in the past may not be the best path forward.

Gone are the days when sequential, isolated planning and monthly meetings based solely on satisfying revenue and margin goals provide a solid recipe for success. As Matt Davis, Senior Vice President of Research for SCM World, points out, "... S&OP – in its current form – must evolve or it will be killed off."¹

End-to-end initiatives now span beyond the confines of a single company's supply chain, encompassing its extended supplier and customer value networks as well. The visibility to look beyond your own four walls is no longer a nice-to-have. It's a necessity to your supply chain's very survival.



According to SCM World and the results of its cross-industry supply chain executive survey, a third of those polled still call S&OP 'a necessary evil', and less than half (42%) say their supporting S&OP technology is effective.² Legacy enterprise resource planning (ERP) systems, disparate supply chain modules and Excel spreadsheets just aren't cutting it anymore.

Digitization, sparked by the rise of the Internet of Things (IoT), the expanding number of connected devices and big data, is driving a shift in consumerism. Your company needs to keep pace, or risk falling behind forever. The reality of running a profitable global business now requires speed and agility in both strategic and execution planning. It's time to move beyond the S&OP practices of the past and step toward the future, to revolutionize your planning and start a new chapter on your journey to supply chain success.



3 FOUNDATIONAL CAPABILITIES

Paving the way for this new era of planning are three foundational capabilities your supply chain needs to adapt to the changing pace of business. When combined together, they provide a powerful new future for S&OP, one where decision-making is faster, better and more profitable.

WHAT-IF SCENARIOS

Simulating scenarios is nothing new. It's long been heralded as a sign of a mature S&OP process. It lets you ask the question 'what-if?' But traditional simulations take time and often happen in silos, ultimately slowing down the time it takes to analyze data, model options, make a final decision and then get the necessary buy-in from other functional business areas.

What-if scenario simulation helps with making trade-off decisions between conflicting KPIs, divisions or business partners to find a situation that provides the best overall win for the company as a whole. But to get there, scenarios must be simple and quick to run, combine data from multiple sources, allow for simple side-by-side comparisons of options and support collaboration across the enterprise and extended supply chain. If it's not fast and easy, it won't happen.

When it comes to best-in-class companies practicing S&OP and scenario simulation, an Aberdeen report explains, "They have an advantage over their competition in every case, including constrained and unconstrained planning, risk scenarios, visibility into service level impacts during execution, and the ability to respond to unplanned events in a timely manner."³

Having the ability for anyone to run a simulation using any data at any time, and then share the results with others in the supply chain means a more effective way to connect data, process and people within a single system. It creates the ability to ask the right questions of the data and provides a record of the answer, and the decisions that led up to it.



What-if scenario simulations help answer questions like:

What if sales of the new product are slower than we expect?

What if we run a promotion to clear out inventory of the older model?

What if a supplier goes bankrupt?

COLLABORATION

Organizations are now looking to involve as many people as possible in the decision-making process as a way to put everyone's skills and expertise to best use. Gone are the days when planning for a single function happens in isolation. Collaboratively making decisions allows faster, more efficient understanding of the end-to-end impacts of potential choices.

Very rarely is it a case of you running a simulation, deciding it's the best course of action and then committing the change all on your own. Or if it is, you're likely looking at some very angry colleagues. The reality is you'll need to share your scenarios with those in other functional business areas to work out a compromise. You can't rob Peter to pay Paul without at least letting Paul know he's about to be shorted.

Collaborative decision-making is ushering in an era where informed trade-offs are being made. Instead of working toward individual objectives, the focus is on the same set of corporate-wide metrics. It's less about what's easiest and best for your functional area, and more about what's the right decision for the entire company.



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RECORD KEEPING

There's still one fundamental problem plaguing companies who already have what-if scenario simulation and collaboration in place. It's that in many cases, data manipulation, what-if scenario creation and collaborative discussions are taking place across multiple systems. In addition to the time it takes to circulate all the relevant information to decision makers, it's likely you're only capturing the end results, not the debate and trade-offs leading up to it. All those important details about trade-offs and compromises are lost, and that history can never be reclaimed. As George Santayana famously said, "Those who cannot remember the past are condemned to repeat it."

In order to learn and grow from past mistakes, we need to understand why we made a particular decision in the first place. We need versioning capabilities. Looking at the past helps provide a clearer path for the future. That means capturing the context of decisions, as well as the outcome – providing a better picture of cause and effect. Ideally, this historical record keeping and versioning is happening within a single system of record, the same system where you created the scenarios and fostered the collaboration.

That allows you to quickly and easily retrieve past scenarios that are similar to your current reality. You'll be able to step into the past and see what bias may have been in place. You can then compare the past state of your supply chain to where it stands today and look into the future to see where it's going.



HELLO TO CONCURRENT PLANNING

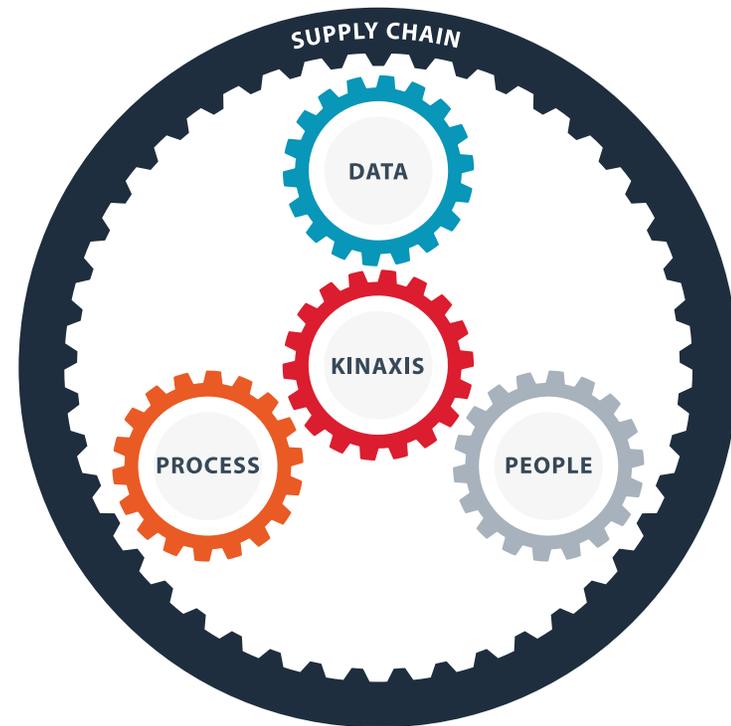
These foundational capabilities – what-if scenario simulations, collaboration and record keeping – are driving the future of S&OP. Combined they provide the backbone for an emerging concept known as concurrent planning, which is changing the very nature of S&OP best practices. Gone are the days when it took weeks to respond to unexpected supply chain changes.

Concurrent planning is the ability to continuously and simultaneously plan, monitor and respond to changes in a single supply chain management solution. It bridges functional silos and connects all nodes in the supply chain, enabling cross-functional coordination and faster, more effective decision-making. It allows you and your peers to seamlessly scenario plan across multiple time horizons, providing improved performance and profitability.

With concurrent planning, you'll be able to achieve the following all from within a single system:⁴

- ▶ **Synchronized demand, supply, product, capacity and inventory management**
- ▶ **Active monitoring of current and projected business results**
- ▶ **Rapid what-if analysis and scenario comparison to evaluate alternatives and impacts across multiple functions**
- ▶ **A detailed view of past states of your supply chain including context and historical record keeping for future events**
- ▶ **Cross-functional collaboration for faster trade-off decision-making**
- ▶ **Continuous orchestration of business activities and coordinated course corrections that optimize overall corporate performance and profitability**

CONCURRENT PLANNING

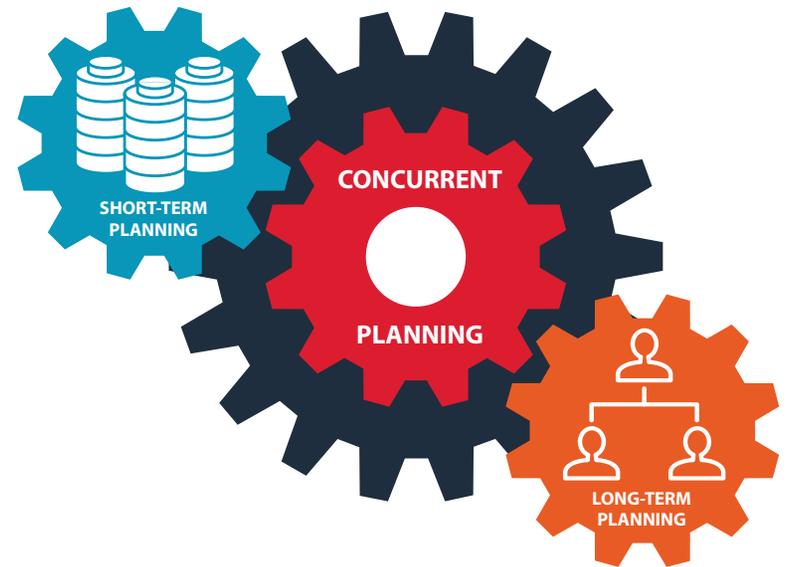


Concurrent planning helps solve the planning horizon challenges many organizations now face. Namely, bridging activities for short-term planning (low impact, high frequency) with long-term planning (high impact, low frequency), and accounting for high impact, high frequency events. The cadence and scale of these planning activities makes it difficult to synchronize them across multiple horizons.

As it stands in most organizations today, short-term planning is a result of distributed and siloed decision-making. Long-term planning decision-making is centralized and hierarchical. Concurrent planning allows for a seamless approach to short and long-term planning with a networked and democratized approach.

The future of S&OP is collaborative decision-making and perpetual planning. This revolutionized way of looking at planning concurrently could shift business processes and supporting organizational structures. Frequency no longer becomes a limiting factor, and the resulting faster scenario analysis and simulation will enable efficiency and cost savings.

Technology giant Cisco is proof positive of the results of concurrent planning. In one use case, backlog was reduced by an estimated \$500-800 million per year and expedited sales orders were lowered by more than 10%, resulting in cost avoidance of more than \$10 million annually.⁵



Leading biotechnology company Amgen has also experienced supply chain success thanks to concurrent planning. The company has transformed its planning capability, increasing collaboration across business functions and ultimately driving greater profitability and growth.⁶

Concurrent planning allows you to overcome supply chain challenges by radically shrinking planning cycles and response times, while improving the accuracy of analysis and the profitability of actions.



The future of S&OP is **collaborative decision-making** and **perpetual planning**.

GOODBYE TO SCHEDULED DECISION-MAKING

Transitioning to this new way of looking at S&OP requires more than just combining foundational capabilities. It requires a big, bold move – saying goodbye to scheduled decision-making. For many, that may seem like an impossible step. How can you let go of the security of regular meetings planned weeks in advance? Or the safety of knowing those big decisions only come around once a month? Given the complexity of business, hectic travel schedules and packed calendars, it seems to make sense to schedule these executive S&OP meetings so far ahead.

The reality is, supply and demand waits for no one – not even your executive team.

Siloed business functions, disparate data and technology limitations bred this type of linear planning model. Traditional S&OP planning cycles are typically monthly, or at least that's the goal. It's not uncommon to hear teams say things like "My monthly S&OP cycle takes six weeks to execute" or "The process to gather the data is time consuming and by the time we present our S&OP to our leadership, the world has moved on and our plans are no longer valid."⁷

Current S&OP processes are often sequential and rigid, creating those inefficient functional silos like that of demand, supply and production planners. This breeds an inability to rapidly incorporate adjustments like short-term promotions, price changes or unexpected interruptions outside of regularly scheduled planning cycles.

It's a case of plan then execute. Plan demand, then plan supply, then plan capacity, then plan inventory, etc. If a potential risk interrupts one of those steps, it's back to the beginning, starting all over again with a new plan — and that's assuming you even notice the problem before execution, which unfortunately isn't always the case.

These disconnected approaches also fail to allow for cross-functional collaboration, a vital component to effectively managing unanticipated supply chain risk or last minute changes. The time it takes to analyze, model and make informed decisions increases exponentially with every silo that needs to be part of the decision-making process, or be informed of the resulting action's impacts.

There's also an issue with how long it takes to capture data from extended supply chain partners and customers. If your data is housed in multiple systems with little to no integration, it's likely going to take a lot longer to get the most up-to-date information needed to support analytics and decision-making. Real-time data integration using a single system of record is key.



	Stage 1 React	Stage 2 Anticipate	Stage 3 Integrate	Stage 4 Collaborate	Stage 5 Orchestrate
FOCUS	Firefighting with no centralized analysis	Building cost-efficiency within each function	Connecting core supply chain processes	Working together to make profit-driven decisions	Turning innovation into execution
OUTCOME	Business unit revenue focus	Functional performance improvements	Integrated supply chain decision-making	Demand-driven fulfillment through internal/external collaboration	Value creation through innovation across internal/external networks
METRICS	Business unit-specific	Functionality-specific	Integrated metrics, managing trade-offs	Outside-in metrics across extended value chain	Value-based metrics aligned across ecosystem
TECHNOLOGY	Disparate systems with limited functional support	Push for integration of systems	Support for end-to-end supply chain processes	External connectivity and mature processes supported	Network-wide value creation, risk management and scenario analysis for profitable trade-offs
ORGANIZATION	Dominance of sales or manufacturing in decision-making	Emergence of Centers of Excellence (COEs)	Cross-functional decision-making across internal supply chain	Supply chain part of corporate strategy	Supply chain shapes corporate strategy

Based on the Gartner Five-Stage Maturity Model for S&OP

As Dr. Madhav Durbha, VP of Industry Strategy at Kinaxis, asks in his blog, is S&OP just a really expensive band aid?⁸ The answer is no. It's one of the benchmarks of an established supply chain, and to be great at it requires more than just reacting to the data in front of you (especially if it's already six weeks out of date!).

Research firm Gartner has developed a five-stage maturity model for S&OP. Reaching the pinnacle of its model requires your S&OP process to react,

anticipate, integrate, collaborate and orchestrate.⁹ Gartner recognizes the need for dynamic decision-making, including real-time monitoring, fluid what-if analysis and response planning aligned with strategic goals.¹⁰

So how can you transform your S&OP processes to be more dynamic? By ensuring your supply chain supports what-if scenario simulation, cross-functional collaboration and historical record keeping. Say goodbye to scheduled decision-making and hello to concurrent planning.

NEXT STEPS TO A BRIGHTER S&OP FUTURE

Decisions you make now could have long-term implications. What you do in the supply chain affects more than just on-time delivery. It affects relationships – with colleagues, suppliers and customers. It affects brand integrity. It affects profitability.

The rapidly increasing pace of business demands changes to current S&OP practices, and advanced technology is making it possible through concurrent planning. It's time to step away from siloed, scheduled decision-making and move toward collaboration and parallel planning.

You need to shift the S&OP paradigm to embrace the future. That means developing the ability to plan, monitor and respond to supply chain changes simultaneously and within a single supply chain management solution. It means bridging functional silos and connecting all nodes of the value chain with end-to-end visibility.

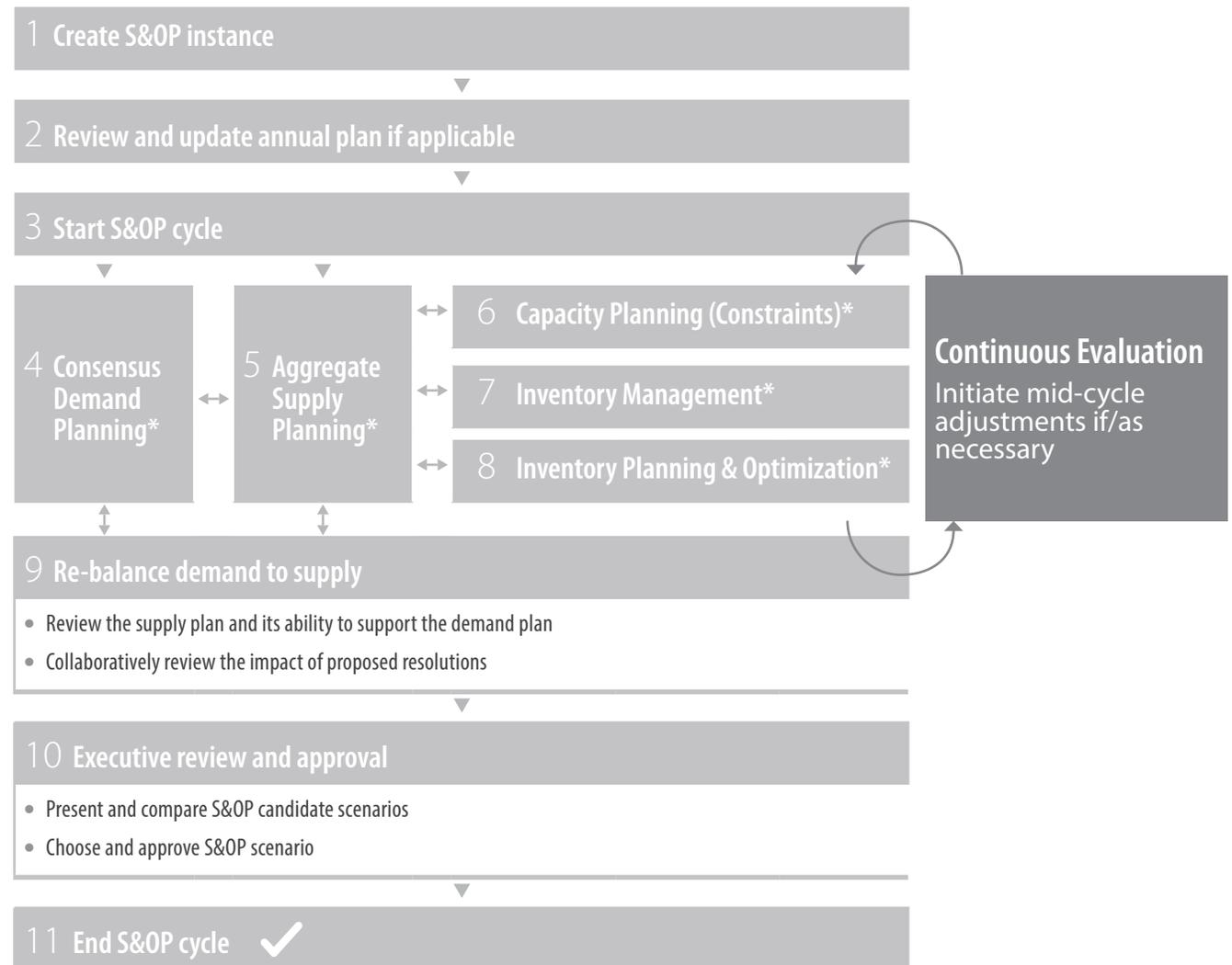
Critical to your future S&OP success is developing capabilities today that will support your supply chain planning processes tomorrow.



S&OP AND RAPIDRESPONSE

Kinaxis® RapidResponse® gives you the capabilities needed to run the supply chain you want, no matter where you are in your planning journey. You'll have all the supply chain planning and analytics competencies your business needs at your fingertips. RapidResponse enables you to revolutionize your planning by concurrently and continuously planning, monitoring and responding in a single environment and across business functions.

The RapidResponse S&OP application allows you to evaluate, collaborate and choose an S&OP plan that most closely aligns with the financial business plan. Since you're drawing all information from a single data model, you can combine demand and supply planning, volume and mix planning, and long and short-term planning. As a result, collaboration across functions (demand planning, supply planning, inventory management, capacity planning, finance, sales and marketing) occurs more naturally.



*Optional RapidResponse application or recommended data input.

The S&OP process in RapidResponse

Helping your team adhere to the timelines and dependencies associated with the cross-functional processes in S&OP are templates and task flows designed to guide users through their specific activities.

Leverage the S&OP application in conjunction with other supply chain management applications to create a broader, integrated solution. Depending on your needs, using the S&OP application alongside one or more related applications ensures synchronization across interrelated planning processes.

Companies using RapidResponse achieve advantages and broader value by using it with connected applications such as (but not limited to):

- Demand Planning
- Inventory Management
- Aggregate Supply Planning
- Master Production Scheduling
- Capacity Planning (Constraints)
- Order Fulfillment
- Inventory Planning & Optimization

With RapidResponse you'll be able to develop plans faster and more reliably, drastically reducing the S&OP cycle while producing more accurate results. Easy collaboration and scenario simulation means increased consensus and fewer surprises.



Adaptive Collaboration in RapidResponse

“RapidResponse has improved the confidence of company leaders that our S&OP process is dependable and that we can quickly provide reliable data for decision-making purposes.”

Operations Manager
Medium Enterprise Electronics Company

“The speed in which scenarios can be created and analyzed has gone from 24-48 hours to 10-30 minutes in our S&OP process with RapidResponse. Planners use scenarios to hone in on a solution that may involve changing and recalculating the scenario multiple times – that would take 24 hours for each cycle in our SAP planning tools.”

Operations Manager
S&P 500 Electronics Company



S&OP owner calendar

Our RapidResponse S&OP application includes the ability to:

- Set various financial targets and acceptable levels of variability
- Measure progress against those targets
- Identify gaps between the consensus demand plan and aggregate supply plan, and re-balance by changing or “shaping” the forecast demand in such a way as to be achievable
- Evaluate multiple supply-demand balancing scenarios against various company metrics to enable optimal trade-offs
- Enter and maintain S&OP assumptions

With our concurrent planning functionality, you’ll be able to quickly gain insight into the impacts of changes to the S&OP plan on operations, and conversely the impact of changes within a given function on the S&OP plan. RapidResponse provides the ability to scale and mature your S&OP processes to maximize business opportunities and minimize risks. You’ll be able to know sooner and act faster.

For more information on RapidResponse’s revolutionary capabilities or to see a demo, contact us at info@kinaxis.com.



S&OP owner Gantt chart

ABOUT KINAXIS

Offering the industry's only concurrent planning solution, [Kinaxis](#) helps organizations around the world revolutionize their supply chain planning. [Kinaxis RapidResponse](#), our cloud-based supply chain management software, connects your data, processes and people into a single, harmonious environment. With a consolidated view of the entire supply chain, you can plan expected performance, monitor progress and respond to disconnects when reality hits. RapidResponse lets you know sooner and act faster, leading to reduced decision latency, and improved operational and financial performance. We can prove it. From implementation to expansion, we're here to help our customers with every step of their supply chain journey.

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ADDITIONAL S&OP RESOURCES

White paper

[Supply Chain Planning 4.0: Planning Revolutionized](#) ▶

eBook

[3 Ways to Improve Supply Chain Collaboration](#) ▶

Webinar

[Concurrency: The New Era of Supply Chain Planning](#) ▶

Video interview

[Amgen Transforms Its Supply Chain Planning](#) ▶

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