

# The trouble with S&OP

*One man's meat is another man's poison – and so it is with sales and operations planning. The shape of successful S&OP is bound to depend somewhat on your industry and scale. However, the technologies you choose and the behaviours you enable are critical throughout, says Brian Tinham*

**S**ales and operations planning – the methodologies, techniques, processes, tools and IT – has been around for decades, but still the planet is littered with manufacturers getting it wrong or, at best, suboptimal.

Reasons are numerous and some have little or nothing to do with S&OP itself, ranging instead from inaccurate ERP data to flawed systems, poor training, misconceptions, behavioural issues and problematic workarounds – all of which matters for UK manufacturing plc because without adequate plans, supply chains can't function. Also, production operations are not only likely to fall over, but fall short of the mark when it comes to customer service and flexibility.

In June, *Works Management* and sister title *Manufacturing Computer Solutions* staged the third IT Forum on this very important subject. We put operations and supply chain managers and directors, manufacturing experts, consultants and software vendors around a table for a morning to thrash out S&OP processes, systems and related issues – partly to understand what is going wrong and partly to offer advice to those needing help.

The event kicked off with early results from our online S&OP survey, which not only reveals the kinds of problems endemic in so much of production today, but demonstrates the difference in choices

between those who believe they are excellent or very good, compared with the rest. (The full survey findings can be downloaded at [www.itforum.mcsolutions.co.uk/supply-chain/ITRT3-survey.pdf](http://www.itforum.mcsolutions.co.uk/supply-chain/ITRT3-survey.pdf))

Very quickly a pattern emerges, and it's confirmed by the figures for how respondents say they create and manage links between production, sales, supply chains and finance for effective S&OP. Those in the leaders' quadrant are 10% more likely to use formal S&OP processes and 12% more likely to run weekly S&OP meetings. They are also between 7% and 14% more likely to have intranet/extranet systems for S&OP, as well as advanced planning and scheduling (APS) to inform

S&OP, and tools to help make the collaboration work.

It's very hard to resist the conclusion that those that introduce structured, regular, frequent (but not too frequent) meetings – and ensure that (a) they are informed by good, live data, (b) all relevant parties are kept informed between meetings electronically, and (c) proven S&OP tools form an intimate part of that interaction – are the clear winners.

That said, at the IT Forum, we asked two very different manufacturers to present their approaches to S&OP, as well as production and supply chain operations – the aim being to extract advice and guidance, given their particular context. Russell Trotter, operations director at



*The third in the IT Forum series focused on sales and operations planning*

£22m-turnover intruder alarm systems manufacturer Texecom (part of Halma Group), was first up, with the story of how this organisation went from a stagnating command-and-control business to a high-growth lean exemplar, with a new ERP system, web EDI, empowered people and much more – all in just 18 months.

“We changed to pull systems, with scheduling only for the supply chain and we don’t manufacture anything unless an order comes in,” he said. “That alone reduced our stock of finished goods and raw materials by £2 million [45%] and increased product velocity by 20%.”

As for the operational side of S&OP, interestingly, part of Texecom’s transformation was intelligent use of the management team’s Blackberries. “Every morning, while I’m eating breakfast, all the previous day’s KPIs hit my Blackberry. So at 8.30am, the manufacturing meeting is not about the results from yesterday, but what are we going to do about them. By 9am we know the challenges for the day and we can get on with them.”

Clearly, there’s more to it, but the point is Texecom is getting live data (not spreadsheets) on the KPIs that matter to those that need it, when they need it, wherever they are. Beyond that, the firm relies on an Access database for past sales trends and predictions five months out. “We also feed in some of our customer schedules and, at the beginning of each month that links into MRP.” And hence the automatic schedule to its suppliers, which in turn helps them manage their own operations and supply chains. It’s all web EDI ordering, triggered from the ERP system, with automated sales order acknowledgements behind that, driven by SQL scripts that create XML files for Texecom’s web server.

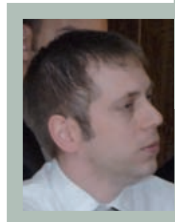
Texecom’s Blackberry access is not just a ‘nice to have’. Trotter explains that this is what’s behind making the company’s CRM system work successfully at the front line for field sales people – and hence also its operations scheduling. “We’ve got a Blackberry server and secure access to CRM and ERP, so sales people can see contact details, but also outstanding orders. They can go to each line item and see if they are being manufactured or if they’ve been despatched. They can also update our central systems wherever they are – all without a laptop.”

Sounds expensive and time-consuming? Yes and no. Andy Bowden, Texecom’s IT manager, explained that his entire ERP system, including hardware, software and services, cost around £250,000 and took 16 months to get to its current scope. The only additional investment was a £4,000 server for the CRM side, and all IT work was done in-house by just one person. How was that possible? In part, it’s about the technology and flexibility of most of today’s ERP systems – in this case Epicor Vantage. But also, it’s down to Texecom’s approach to its people – which is all about training and adding value.

Meanwhile, at the other end of the spectrum, the \$11.5 billion Syngenta Crop Protection organisation, based in Basel, Switzerland, provided an entirely different perspective on the processes, systems and behaviours needed to support truly global S&OP. Make no mistake, if this is your scale, you’re in for the long haul, and you’re going to need some serious discipline and determination.



Above: Russell Trotter, Texecom’s operations director; left, Andy Bowden, IT manager



Mike Wilson, head of global supply operations for Syngenta, explained that the company was formed in 2000 from Novartis and Astra Zeneca, and started life with around 60 different ERP systems and 60 cultures. All of that, on the crop protection active ingredients side, is now under three instances of the same ERP system (SAP) around the world, plus one instance of SAP’s grand planning engine APO and an enterprise data warehouse. That enables one massive, coordinated S&OP process and culture, specifically covering strategic market sectors, that runs to a near-perfect monthly cycles. It’s an astonishing achievement, starting with transparency of information but crucially also involving a hierarchy of phased meetings, with information eventually aggregated all the way from local country team meetings running in parallel, through the regions, up to HQ.

So where does all this leave you? One of the key takeaways is the need to get processes, people and behaviours right – and that’s not just about training, important though it is, but helping your people to understand ‘why’. Cathie Metcalfe of Gradient Consulting cited one recent client with three sites around the world, one manufacturing and two distribution,

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where the problem wasn't just about different systems, but "people not understanding how what happens in their local markets impacts on their manufacturing and supply chain".

For her, the starting point is your people's (skill sets, attitudes and understanding. "Planners, for example, need to see sales and forecast data and understand its relevance – not simply think, 'I'm operations, not sales, so it doesn't matter'," she said. Then it's about removing home grown spreadsheets, where possible, and replacing them with ERP tools ("showing them where to find the data they need and also explaining why the change"). This is key: Metcalfe claims that 80% of this project was about improving skills and understanding.

Which brings us to spreadsheets – so high on the preference lists for so many in our online S&OP study. Why do so many still use spreadsheets, despite apparently more than adequate ERP systems? Forum had several answers, such as: ERP systems not properly rolled out on the reporting side; a requirement for more manipulation and simulation than ERP can comfortably deliver; horrible inaccuracies in ERP due to inadequate processes and poor data cleaning; businesses and/or operations changing faster than ERP can support; and simple failures to anticipate ERP upgrades, leaving interfaces to APS, for example, impaired.

Darren Dowding, senior business analyst for Cosworth Group, made the point: "Companies don't configure their lovely ERP systems to make the best out of their reporting packages – either because they run out of time and money, or because they can't decide what the spec should be. So people are bound to say, 'Just give me the

data and I'll do what I need in a spreadsheet'."

For Syngenta's Wilson, it's about discipline: "Spreadsheets are useful tools. My guys do simulations on spreadsheets, but they're all based on enquiries from our data warehouse. I have no problem with that [but] if they don't then reflect their plans back into the system, I'll sack them."

What about web EDI and the range of modern supply chain integration and execution tools? Chris Horne of Zebra suggested that low take-up is due to a general perception that they must be big company systems with big company price tags. But, he argued, most manufacturers only need small subsets of supply chain systems, and then, both prices and ROI are far better than most realise.

Then there is advanced planning and scheduling. Do you need it? Well that depends, and Forum had several ideas about 'on what'. Independent manufacturing consultant Graham Leake believes it's a question of complexity: "If you've got several work centres with different products competing for resources, either machines or people, you should think about something like Preactor – recognising that if your data isn't right, or you don't maintain it, then it's not going to work."

But Mike McCarthy of Preactor reseller RMS, formerly manufacturing analyst at Geest, reckons APS comes into its own where speed is of the essence. "We got confirmed orders at midday for shipping at 6pm and, without Preactor, a lot of our factories simply couldn't have operated. It



Above: Mike Wilson of Syngenta  
Left: Cosworth Group's Darren Dowding



was about how to get the most efficient plan for the day – minimising set-ups, clean down times etc, and Preactor very quickly gives you best fit."

None of that concerns S&OP directly – except that, if you have APS, then you can run 'what-if' simulations, and that capability puts you in a much better position to inform S&OP meetings close to the wire of what's possible – and, more important, what's optimal and desirable.

Returning to S&OP itself, though, what about the role for customer relationship management, along the lines of Texecom's recent development work? Gradient's Metcalfe was unequivocal: "One of my clients made sure that opportunities and quantities in the CRM tool were updated, with sales probability, precisely for the S&OP process. They ended up using CRM to drive the forecast and that resolved a lot of production problems because then operations had sensible visibility of the pipeline. As long as that process is managed [keeping a lid on exaggeration] you get to a situation where CRM becomes very useful for planning and can actually help pull sales and operations together." ■

This IT Forum was sponsored by Infor, Preactor, SAP and Zebra Technologies

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