

APICS INSIGHTS AND INNOVATIONS

2012 SALES AND OPERATIONS PLANNING

Exploring real-world S&OP practices in
supply chain and operations management

APICS



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APICS and IBF Present 2012 Sales and Operations Planning Insights and Innovations Executive Summary

In order to keep industry professionals informed of practices and innovations in sales and operations planning (S&OP), APICS and the Institute of Business Forecasting and Planning (IBF) conducted a survey exploring S&OP. Use this S&OP research to your advantage. Compare your organization's data to the overall results of the survey. Where is your organization leading or lagging in reported practice? Look for causes or insights as to why difficulties exist. For example, if forming consensus is a challenge, the cause may be the different goals expected of the S&OP process among different participants. The 2012 results reveal a number of goals typical of S&OP practice beyond balancing supply and demand.

The 2012 S&OP survey results reveal the following data:

Planning horizons. S&OP sophistication tends to increase based on how far ahead S&OP planning horizons become. Comparing “up to 6 months” and “more than 18 months” responses shows that S&OP demand consensus review, product rationalization review, and supplier review become more advanced as planning timelines increase. S&OP planning horizons may also vary by industry practice and business management planning horizons such as budgeting or new product research and development.

Budget process. Forty-five percent of respondents say they closely link the S&OP process to their financial budgets. Strong financial integration should ideally be a part of the S&OP process. However, this can be difficult to achieve in practice. Financial departments may have different forecasting and analysis processes. The survey showed this a priority, not necessarily a practice.

Importance of S&OP. Respondents not currently practicing S&OP still rate the S&OP process as important to their organizations. On a scale of 1 to 10, 20 percent of respondents rated S&OP an 8; 10 percent rated it a 9; and 18 percent rated S&OP as a 10. People who realize the importance of S&OP may be good resources to support the process, even if they are not formally involved in S&OP.

Customer service. Sixty-seven percent of respondents selected customer service as a primary S&OP goal. Only 29 percent selected customer service as a secondary goal. Successful S&OP is not solely internal: customers notice. The importance of customer service may further reinforce the need for improving S&OP as a competitive advantage, not just in terms of supply and demand, but in customer relationships.

Where is your organization leading or lagging in reported practice? look for causes or insights as to why difficulties exist.

Demand and supply. Demand consensus review as a standard part of S&OP also varied by industry. Seventy-three percent of respondents in the chemicals industry said they do demand consensus review versus 51 percent of respondents in consumer packaged goods (CPG). One hundred percent of respondents in the chemicals industry said supply review was a standard S&OP process compared to 65 percent in the CPG industry. These differences highlight S&OP as an adaptive process, reflecting different industry practices, challenges, and goals, as well as varying maturity levels of S&OP practice.

APICS and IBF Present 2012 Sales and Operations Planning Insights and Innovations

The goal of the S&OP survey conducted by APICS and the IBF was to gather follow-up information about S&OP practice that would add value to existing research from 2011. The 2011 survey focused on maturity, whereas, the 2012 survey focuses more on implementation. Overall, this research represents opinion and practice in areas related to improving S&OP performance and focuses on the opinions and perspectives of supply chain and operations management professionals.

Respondent profile

- Almost three-fourths of respondents indicated that production and manufacturing is the primary activity of their organizations.
- Respondents are evenly represented in years of experience in operations management.
- A little more than half of the respondents are managers involved with team or functional management. Twenty percent of respondents are directors and in charge of department-level or middle management.
- Forty-six percent of respondents indicate the head of supply chain planning as the official “owner” of the S&OP process.
- Although 23 percent of respondents were supply chain or operations management professionals for more than 21 years, only three-fourths have experience implementing or practicing S&OP in the past 10 years.
- Twenty-five percent of respondents work at organizations that employ between 100–499 employees. Thirteen percent of respondents work at organizations with 25,000 or more employees.

Current S&OP trends

The following trends were revealed by the 2012 survey results:

- Supply chain and operations management professionals, whether or not they are formally involved in the S&OP process, understand how important S&OP is. They may not know actual practices, but they are in a position to add value to the process by providing supporting information and teamwork, even if they are not at formal S&OP meetings.
- The survey revealed an approximate 50-50 split between S&OP processes integrating or not integrating with the organization’s or business unit’s budget. Ideally, S&OP processes should take into account business unit or organization budgets. Specifically, S&OP practice should always roll up (combine data into fewer summary reports) to the business unit’s or organization’s financial projection. This roll up is sometimes called the annual operating plan or budget.
- Beyond balancing supply and demand, other primary objectives of S&OP practice cover a broad area: they include maximizing revenue, minimizing risk, improving customer service, responding quickly to market changes, and reducing inventory. This range of primary objectives suggests that an S&OP team should have an expansive mix of skills and experience.
- The most common key performance indicator (KPI) used to measure S&OP performance is forecast bias or error. Forecasting performance also appears in the 2011 APICS S&OP research, which revealed that low confidence in forecasting or forecast ability is a common S&OP difficulty. Efforts to improve forecasting advance S&OP performance.
- Despite S&OP having existed as concept and practice for many years, it is not used globally. Survey results show more use of S&OP in North America and Western Europe than in other geographies.

Benefit from APICS research

This survey information can benefit supply chain and operations management professionals in a number of ways:

- The survey results help isolate areas to prioritize for improvement within organizations.
- The results may suggest new S&OP supporting players or roles.
- Survey results show that professionals who are not practicing S&OP still recognize its importance and may have helpful information, insights, or other value to add.
- The results reinforce the importance of supply chain planning management and senior management remaining in harmony with each other.
- In organizations where the supply chain is not understood or seen as strategic, S&OP ownership and practice may suffer. The survey results provide evidence for improvements in all these areas.

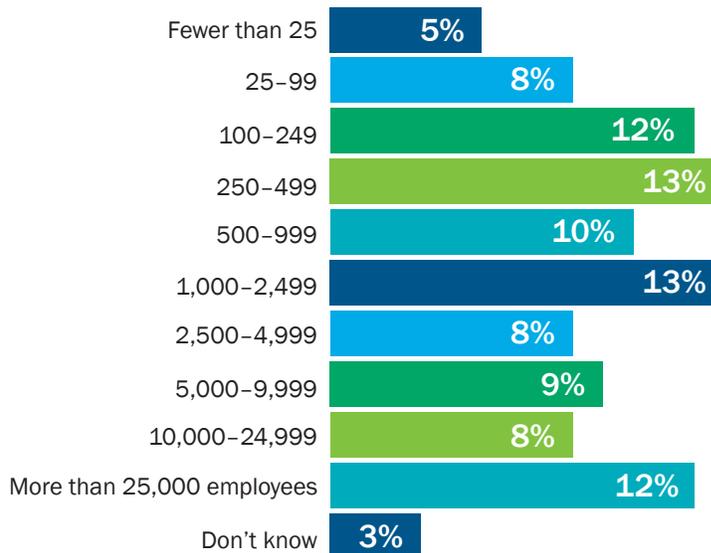
S&OP best practices

Follow these S&OP best practices to advance S&OP performance at your organization:

- Encourage and involve senior management in the S&OP process no matter who has ownership.
- Improve forecasting capabilities.
- Increase support or involvement with supply chain and operations management professionals who have useful insights for the S&OP process; these professionals are likely to understand the importance of S&OP.

Size of organizations

Respondents were asked how many employees work at their organizations.



Experience implementing S&OP practices

Respondents were asked if they have professional experience implementing S&OP practices at their current organizations.



Goals of S&OP processes

Respondents were asked what best defines the goals of their S&OP processes.



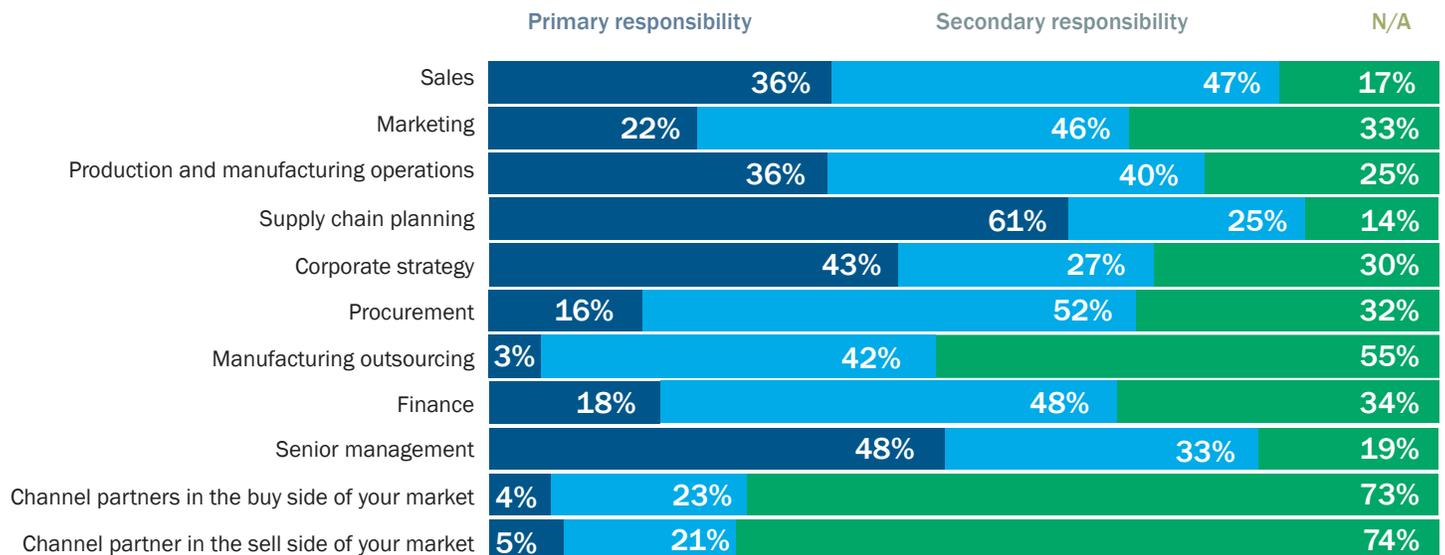
Importance of S&OP processes

Respondents were asked to rate the importance of the S&OP process to their companies on a scale of 1–10.

0–Not important	1	2	3	4	5	6	7	8	9	10–Very important
3%	3%	4%	3%	6%	9%	10%	15%	20%	10%	18%

Who is responsible for S&OP

Respondents were asked who takes responsibility for running the S&OP process.



Degree and impact of supply chain challenges

Respondents were asked to rate the degree and impact of supply chain challenges to their organizations and S&OP processes for the 2011 calendar year on a scale of 1–5.

	0–No impact	1	2	3	4	5–Extreme impact	N/A
Demand volatility	1%	1%	3%	14%	34%	44%	4%
Commodity prices	2%	14%	15%	22%	26%	13%	8%
Supplier development and the building of reliable supplier relationships	2%	12%	19%	25%	19%	14%	9%
Manufacturing intellectual property protection and the control of counterfeiting	29%	21%	11%	10%	10%	2%	16%
Delivering a safe and secure supply chain	7%	11%	22%	22%	18%	14%	6%
Geo and political risks and shifts	15%	22%	21%	18%	7%	8%	10%
Control and scheduling of external manufacturing operations	4%	6%	8%	18%	35%	23%	7%
Product quality consistency in operations	4%	4%	13%	16%	31%	22%	11%
Product returns and warranty	10%	26%	14%	17%	19%	3%	11%
Control and scheduling of external manufacturing operations	10%	11%	17%	17%	23%	9%	13%
Corporate social responsibility	16%	23%	19%	16%	6%	8%	12%
Governmental compliance	11%	18%	13%	15%	20%	14%	9%
Tax efficient supply chain goals	20%	18%	19%	15%	8%	5%	15%

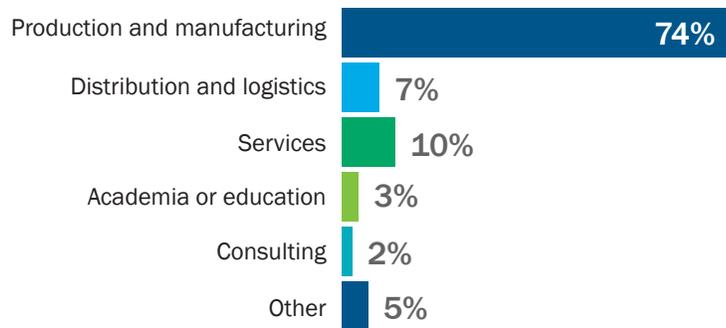
S&OP information sources

Respondents were asked where they turn when thinking about improving S&OP processes. They were asked to rate their responses in accordance with the likeliness that their abilities would increase their personal skills or knowledge about S&OP.

	0–Would not increase personal skill or knowledge	1	2	3	4	5–Most likely to increase personal skill or knowledge	N/A
Internal education and training courses	8%	13%	9%	20%	24%	22%	4%
Training offered by enterprise resource planning (ERP) or technology providers	8%	12%	17%	18%	22%	17%	5%
Training offered by consulting firms	4%	15%	19%	19%	22%	16%	5%
Online or self-study materials or books	2%	12%	10%	25%	27%	22%	2%
S&OP conferences	4%	11%	24%	24%	20%	13%	4%
Professional social media serving S&OP	11%	22%	16%	30%	12%	3%	6%
None of the above	24%	3%	0%	3%	0%	3%	67%

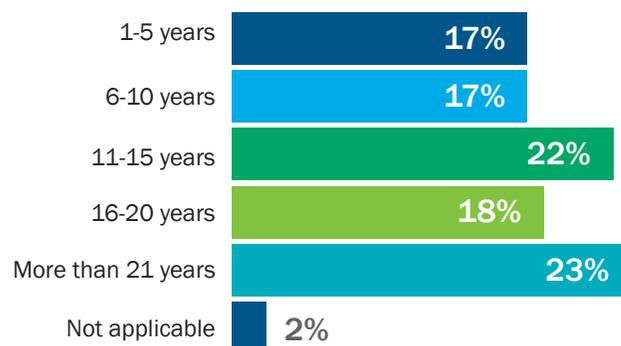
Primary company activity

Respondents were asked which choice best describes the primary activity of their companies.



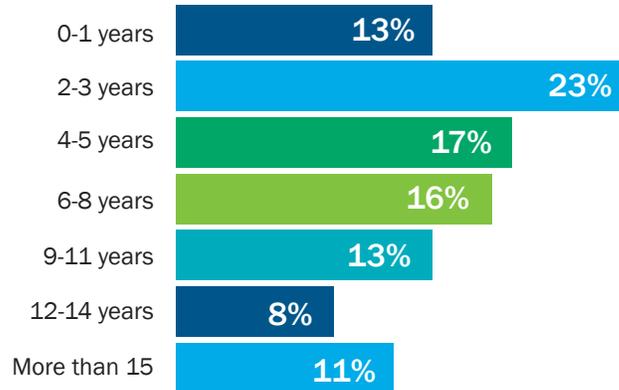
Length of professional employment

Respondents were asked how long they have been a supply chain or operations management professional.



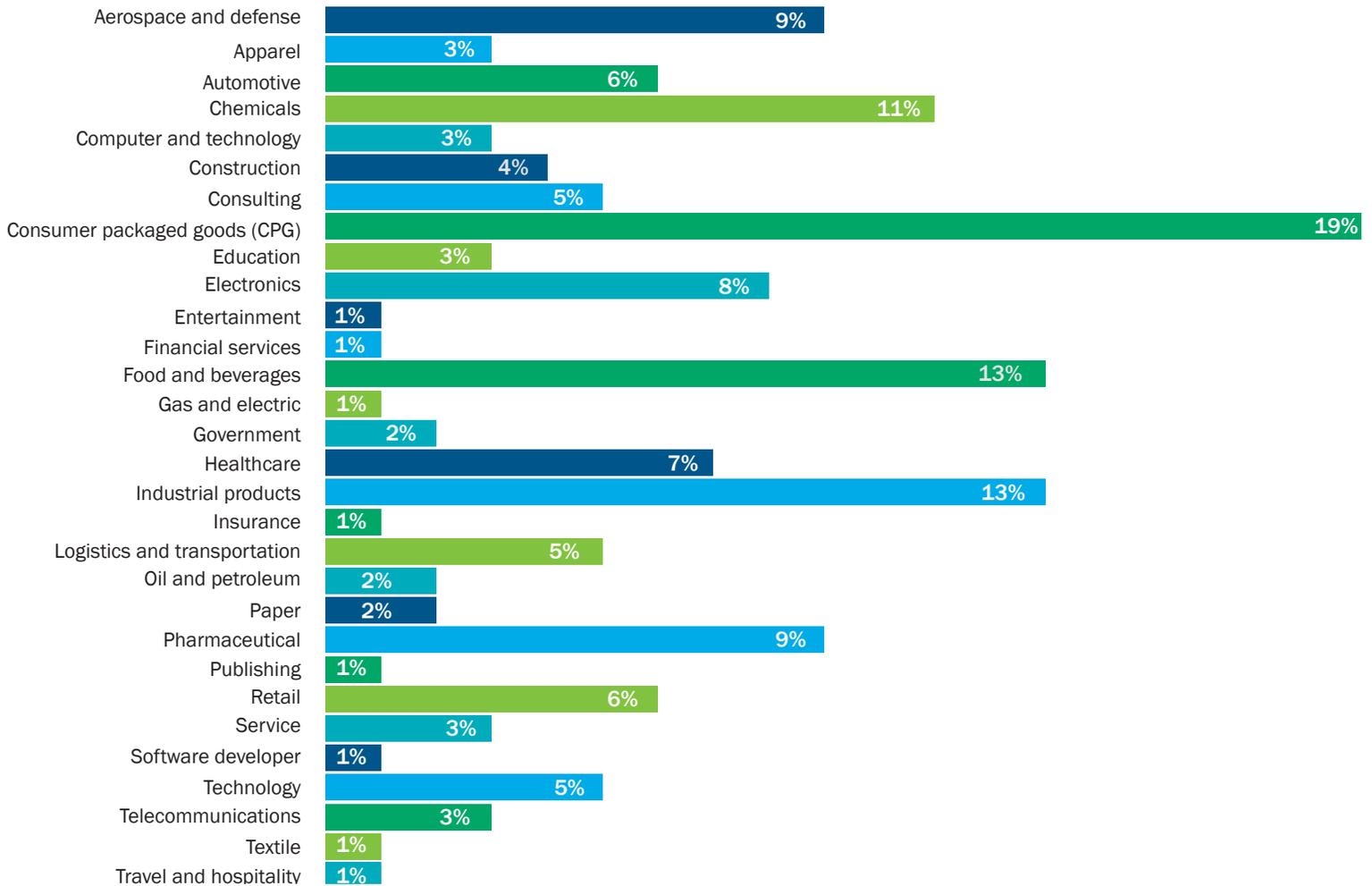
Experience implementing or practicing S&OP

Respondents were asked how many years of experience they have implementing or practicing S&OP.



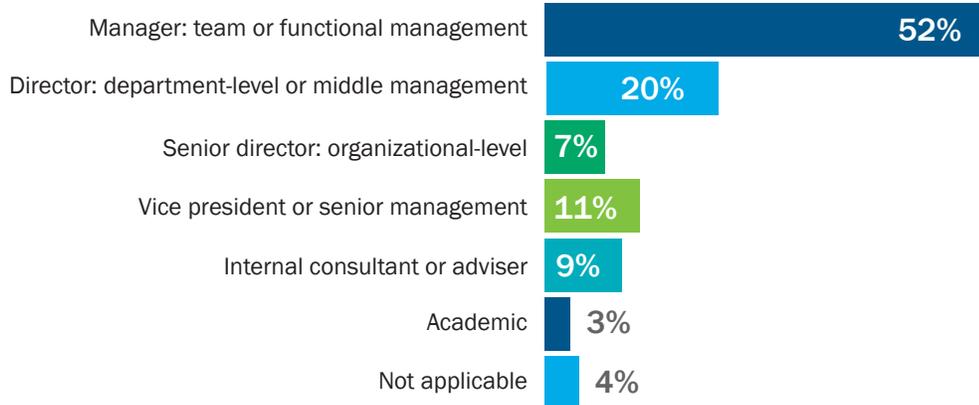
Industry

Respondents were asked what industry their organizations belong to.



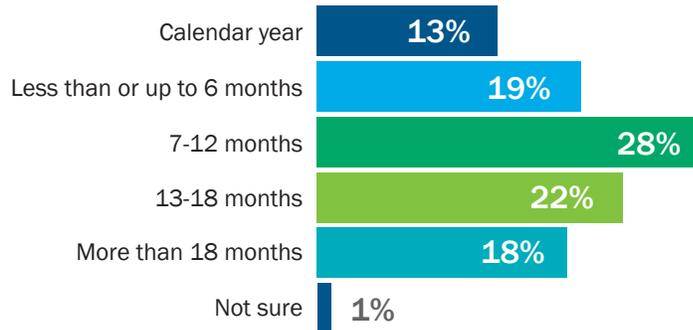
Management position

Respondents were asked which type of management best represents their current positions.



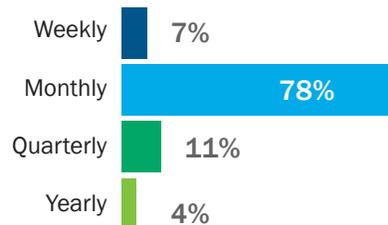
S&OP planning process

Respondents were asked how far in advance they plan for their S&OP processes.



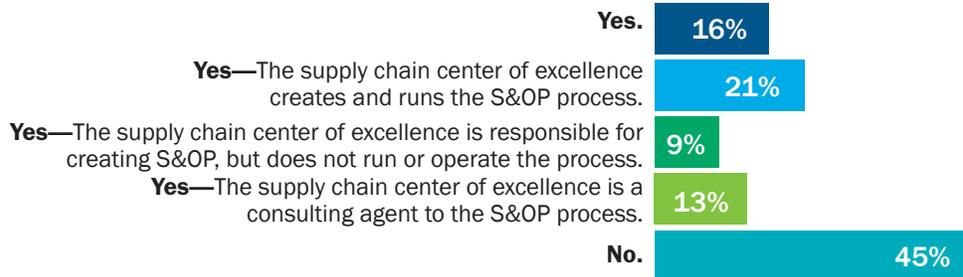
S&OP cycle time

Respondents were asked what their cycle times (period one completes all steps of the S&OP process) were.



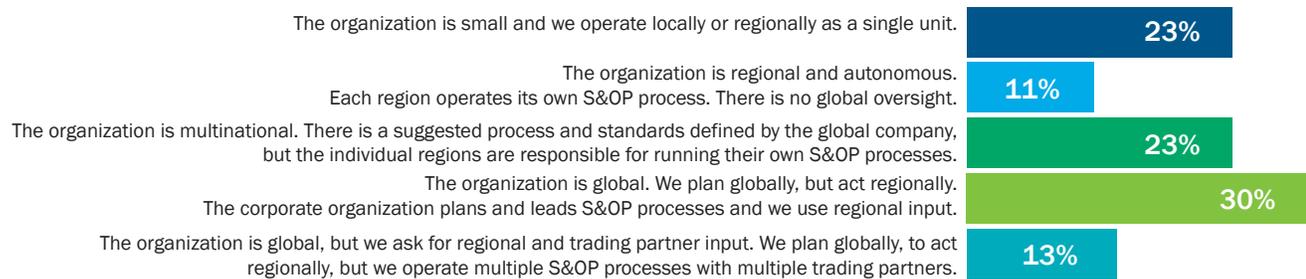
Corporate centers of supply chain excellence

Respondents were asked if their organizations have corporate centers of supply chain excellence.



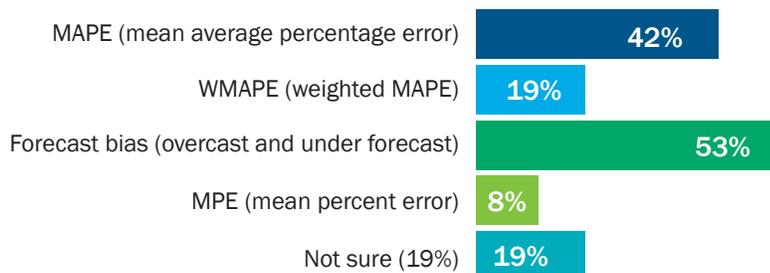
Global and regional S&OP processes

Respondents were asked how their organizations operate regionally and globally in terms of S&OP processes.



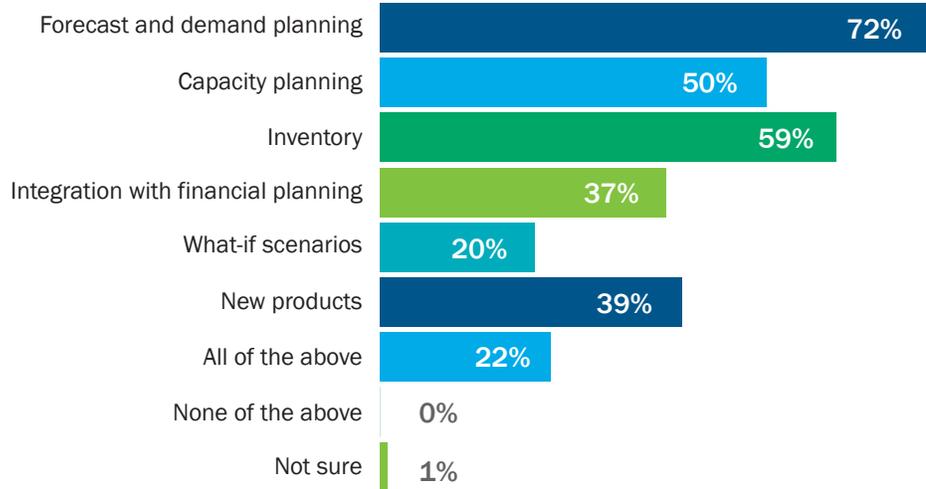
Forecast performance

Respondents were asked which forecast performance methods they use.



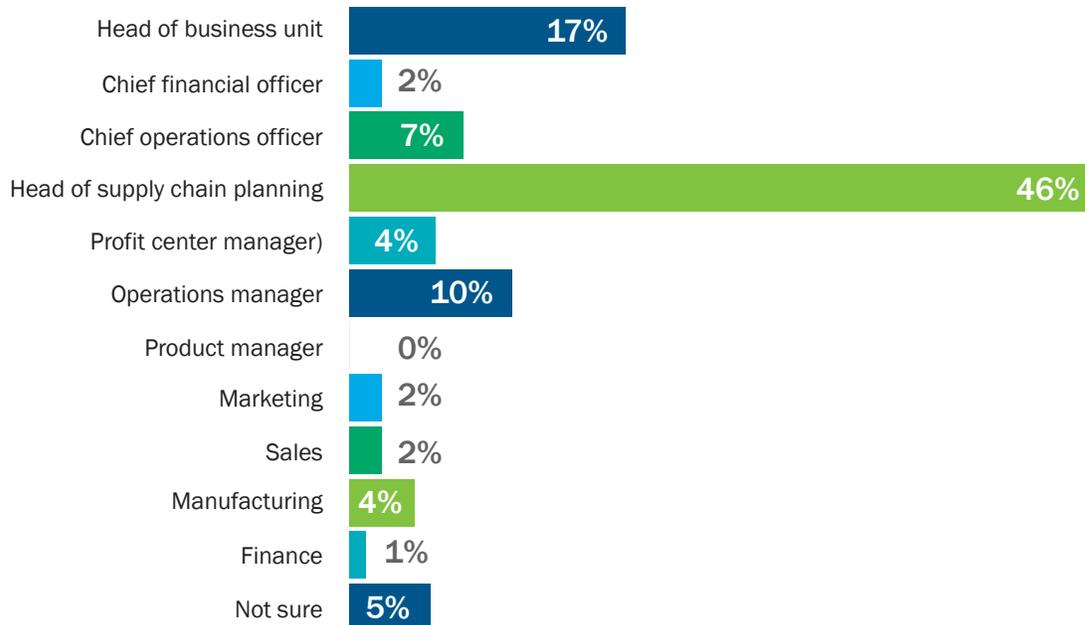
S&OP process focus points

Respondents were asked which of the following areas they are currently focusing on.



S&OP process “owners”

Respondents were asked who the official “owners” of the S&OP process are at their organizations.



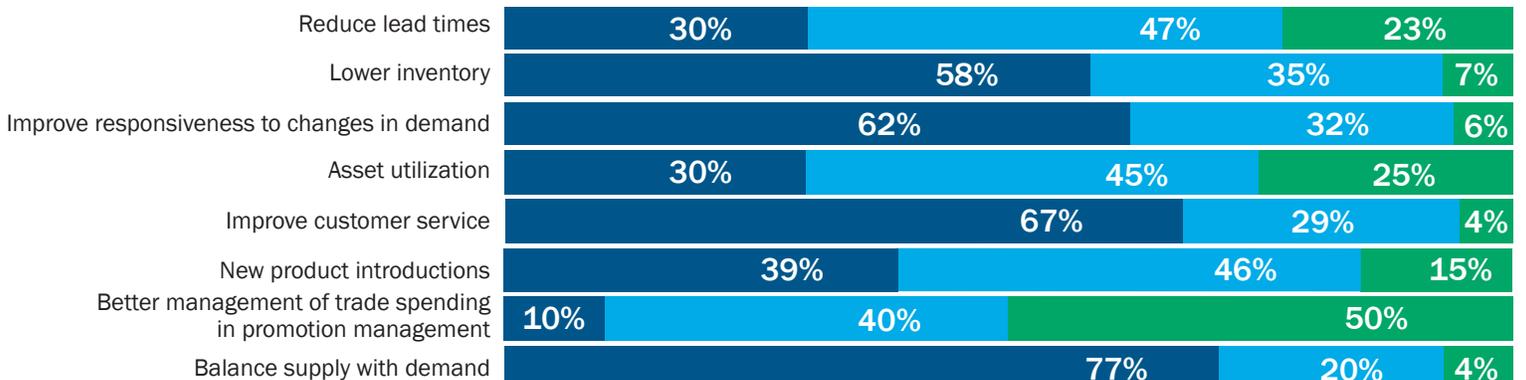
S&OP meetings content

Respondents were asked which meetings are part of their standard S&OP processes.



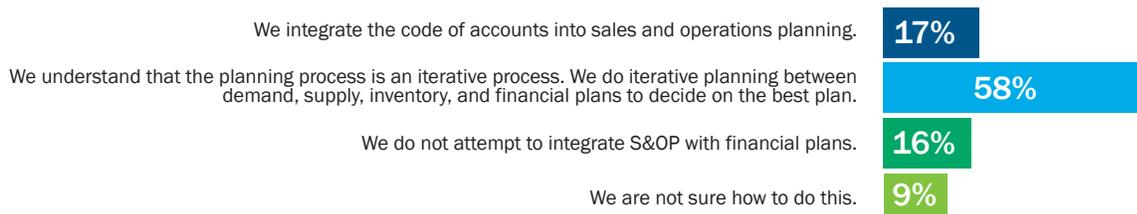
2012 S&OP process goals

Respondents were asked what their primary and secondary goals are for their 2012 S&OP processes.



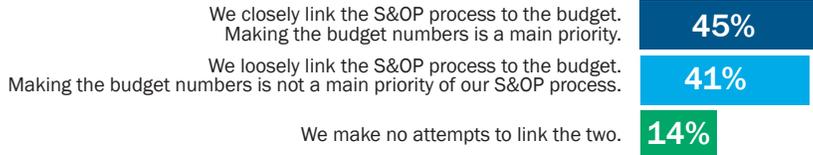
Integration of S&OP process

Respondents were asked if they have integrated their S&OP process with business planning and financial planning.



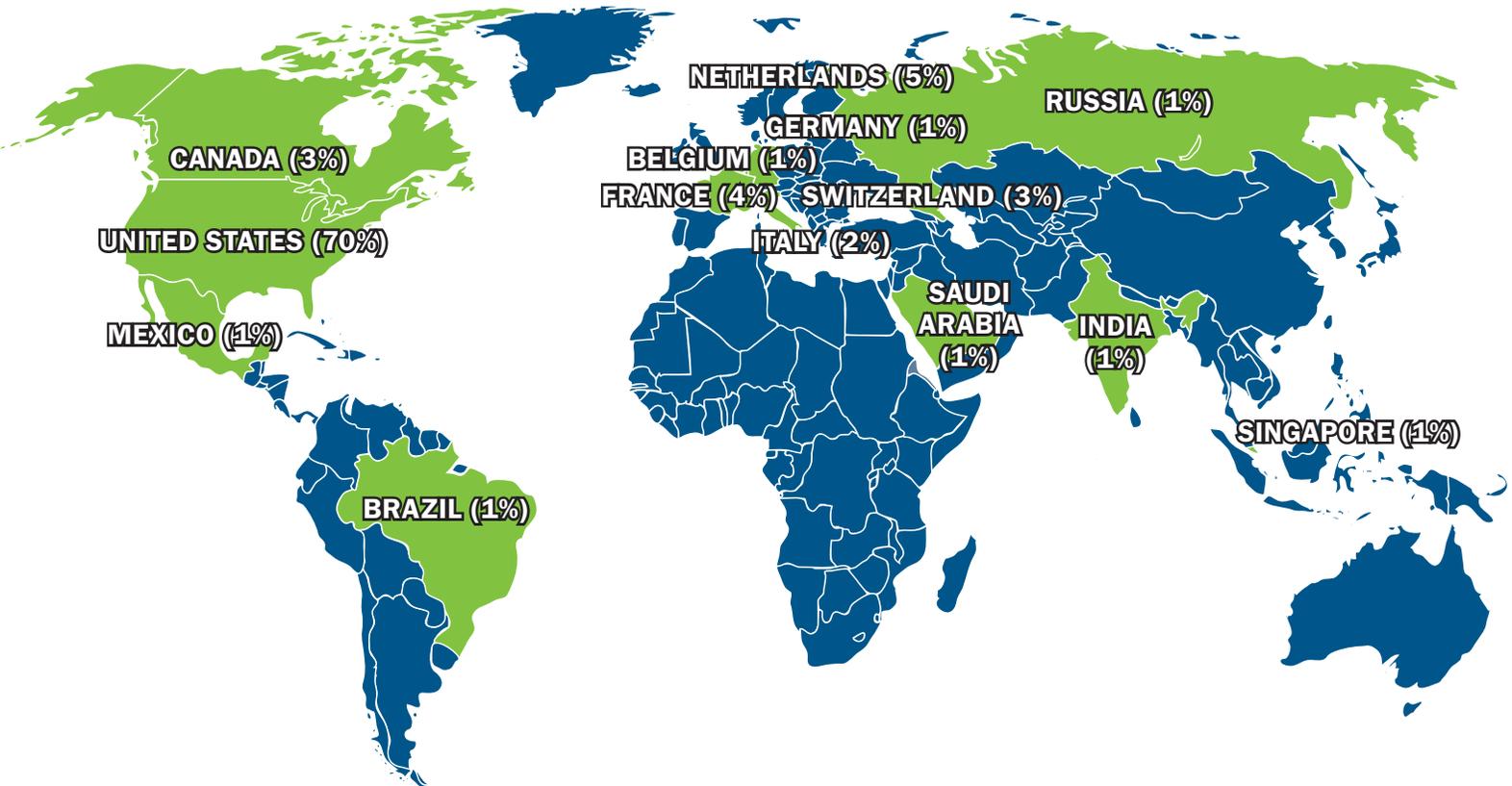
Financial role in S&OP process

Respondents were asked what the role of the financial budget is in their S&OP processes.



Survey respondent geographies

Respondents were asked to select their countries of residence.



Note: Approximately 15,000 professionals were invited to participate in the survey, which took place from March to April 2012. The survey results reflect an approximate 6 percent margin of error at a 95 percent confidence level.

ABOUT APICS

APICS is the leading professional association for supply chain and operations management and the premier provider of research, education and certification programs that elevate supply chain excellence, innovation and resilience. APICS Certified in Production and Inventory Management (CPIM), APICS Certified Supply Chain Professional (CSCP) and APICS Supply Chain Operations Reference Professional (SCOR-P) designations set the industry standard. With over 41,000 members and more than 250 international partners, APICS is transforming the way people do business, drive growth and reach global customers.

To learn more about APICS, visit apics.org.

ABOUT IBF

The Institute of Business Forecasting & Planning (IBF) -est. 1982, is a membership organization recognized worldwide for fostering the growth of Demand Planning, Forecasting, and Sales & Operations Planning (S&OP), its mission.

The IBF provides education, benchmarking research, training, certification, conferences and advisory services on a global scale. IBF is instrumental in helping businesses increase cash flow, market-share, and growth by improving forecasting and planning performance. Learning, sharing, and advancing are the foundational cycle that IBF members and their companies experience. No other organization has as much depth and experience in providing educational content for Demand Planning and Forecasting as IBF.