

# Sales and Operations Planning Performance Blueprint

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## Highlights

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- ***Provides High IT value, integrating common technology standards and network-friendly architecture.***
- ***Enables Web-based demand and supply planning to help organizations manage resources effectively.***
- ***Centralizes multiple data sources and allows reporting, analysis and scorecarding to monitor performance and facilitate effective decision-making.***

Sales and Operations Planning (S&OP)—by which manufacturers match product demand with production capabilities to create an appropriate supply plan and meet financial goals—has emerged as a key driver for improved performance. But the goal of balancing supply and demand, though important, cannot be viewed in a vacuum. For companies to achieve peak profitability and sustainable competitive advantage, they must ensure that their S&OP process is part of a larger performance management process coordinating activities across sales, manufacturing, operations, marketing, finance, and purchasing. This performance management imperative arises from the competitive need to improve sales and operations planning, and from the need to comply with transparency and oversight mandates such as the Sarbanes-Oxley legislation.

Manufacturers have long struggled with their S&OP processes for myriad reasons, many of which share a common root—uncoordinated planning, metrics, and reporting across

departments. This lack of coordination leads to “predictably unpredictable” business results: little consideration of the impact that one department’s actions may have on another, unreliable forecasts that are visible only in pockets of the company, no consolidated financial view across the business, reactive supply planning, and—ultimately—sub-optimal profitability.

The *IBM Cognos® Sales and Operations Planning Performance Blueprint* provides an enterprise-wide performance management framework including planning, metrics, and reporting. The *Blueprint* reconciles sales and demand planning with production planning and constraints, and allows management to make decisions based on the trade-offs among manufacturing, purchasing, operations, finance, sales, and marketing. It provides a workflow component that helps to drive compliance with the process, as well as a single source of information that ensures a consistent, consolidated view of company plans and performance across all departments.

## *Sales and Operations Planning Performance Blueprint*

### **Silos make S&OP ineffective**

In many manufacturing companies, each department is an island to itself. The sales department has its own goals and objectives, processes and technologies, even its own vocabulary. The same is true of marketing, finance, purchasing, and production. Quite often, the assorted departmental goals, objectives, processes, and systems are not linked to overall organizational goals, and may even be in direct conflict with one another.

Such a “silo syndrome” may manifest itself as a failure to meet customer demand in a timely fashion, increased costs to meet unanticipated demand, excess product in inventory, or missed opportunity stemming from misallocation of scarce resources.

### **Spreadsheet proliferation contributes to the problem**

Technologies in many companies—such as enterprise resource planning (ERP) systems, supply chain management (SCM) systems, and budgeting systems—are unable to support S&OP. Thus many manufacturers have turned to a tool they know and trust: the spreadsheet. While a spreadsheet may serve as a passable short-term solution to departmental needs, the enterprise-wide use of spreadsheets can effectively sabotage successful implementation of consolidated,

coordinated sales and operations planning. Spreadsheets exist as pockets of information, typically using local assumptions and leveraging data that is not only isolated in a silo, but which may not even be up-to-date. Spreadsheets are almost always disconnected from one another, and cannot scale to meet the needs of a large (or even mid-sized) organization.

Management at most companies cannot even hope to drive optimal performance or assess the trade-offs vital to ensuring the ideal mix of production and external resources without a more sophisticated, coordinated S&OP approach.

### **The IBM Cognos performance management solution**

IBM Cognos 8 Planning is a Web-based, high-participation enterprise solution for modeling, planning, budgeting, and forecasting in manufacturing companies. It lets management define the process, models, and content required, and then distribute pre-populated, Web-based templates to data contributors across all departments in the company. Contributors within the company supply required information, leveraging views that are specific to their job area. IBM Cognos 8 Planning helps achieve consistent operating performance through highly collaborative, real-time planning.

By integrating with IBM Cognos 8 Business Intelligence (BI) capabilities, our planning solution gives users the power to publish reports and conduct analyses based on critical information such as product sales, new product introduction costs, inventory levels, machine and labor capacity, transportation and logistics costs, and projected revenue, among others. Using the Web, IBM Cognos 8 Planning collects more information from more people more often. As a result, up-to-date intelligence is available when needed, allowing more time for analysis and better-informed, more effective decision-making.

### **IBM Cognos Sales and Operations Planning Performance Blueprint**

With the *IBM Cognos Sales and Operations Planning Performance Blueprint*, manufacturers can reconcile sales and demand forecasts with supply plans using a single, integrated solution that ensures all departments are aligned with one another. The *Blueprint* extends the planning process beyond finance to sales and operations management—the people at the regional, district, division, or plant level that are accountable for performance.

IBM Cognos Performance Blueprints are pre-configured solution building blocks that allow companies to jump-start their planning implementations.

## Sales and Operations Planning Performance Blueprint

The *IBM Cognos Sales and Operations Planning Performance Blueprint* is designed to:

- Help manufacturers balance supply and demand for their products.
- React quickly to new market opportunities or materials shortfalls.
- Align global business demands with regional production capabilities.
- Adjust the marketing mix mid-stream.

The *Blueprint* enables a coordinated business process that allows performance to be managed at all levels within the company, offering a single view of reality.

Going far beyond annual planning and budgeting, the *IBM Cognos Sales and Operations Planning Performance Blueprint* provides simplified and streamlined planning, forecasting, analysis, and reporting functionality. The *Blueprint*:

- Allows capacity, cost, and throughput modeling of multiple products across multiple plants to determine the right combinations.
- Evaluates supplier capabilities when creating a supply plan.

- Helps plan product mix among various plant and contract manufacturers.
- Considers sales volume, discounts, and promotions to drive revenue and demand volume plans.
- Identifies capacity, labor, supplier and financial obstacles to meeting the demand plan.
- Communicates demand changes quickly and effectively to production planners for re-evaluation of the supply plan.

The *IBM Cognos S&OP Performance Blueprint* integrates the planning process between primary areas—finance, production, purchasing, sales, and marketing—to ensure all departments are working in concert to optimize production and ultimately profitability. The rapid consolidation of plans streamlines planning cycles and allows companies to move to forecasts and supply plans better suited to the dynamic nature of manufacturing. Timely reforecasting allows companies to adjust to external factors, such as business or supply chain disruptions, consumer demand, competition, or economic changes.

### Planning prerequisites

**Scalability.** The *IBM Cognos Sales and Operations Planning Performance Blueprint* fits manufacturers of any size. Its Web-based design and attention to bandwidth economy make rolling it out to thousands of plants as easy as rolling it out to ten.

**Flexibility.** A company shouldn't change its structure to fit someone else's off-the-shelf system. The *IBM Cognos Sales and Operations Planning Performance Blueprint* is flexible enough to fit any business. Companies of all sizes use IBM Cognos solutions for planning, business intelligence, scorecards, and dashboards.

**Compatibility.** The *IBM Cognos Sales and Operations Planning Performance Blueprint* capitalizes on existing technology investments, extending the value of existing transactional systems. It also shares information with other solutions—and readily accommodates future growth.

## Sales and Operations Planning Performance Blueprint

### **Drive better performance through planning, analysis and reporting**

The *IBM Cognos Sales and Operations Planning Performance Blueprint* uses a sophisticated bi-directional calculation engine for forecasting demand, planning promotional lift, evaluating production capabilities and constraints, and determining supplier capability and costs. It uses the Web to accelerate and take the pain out of data collection and performance measurement, and makes it easier to do what's most important—plan for improved sales and operations, and ultimately, profitability. And the *Blueprint* provides access to powerful reporting and administration tools designed for finance personnel and for all levels of operations.

**High IT value.** At the back end, IBM Cognos 8 Planning uses common technology standards. At the front end, its network-friendly architecture minimizes network traffic, while its choice of Web or Microsoft® Excel® interface means easy deployment and maintenance with minimal end-user training.

### **Web-based demand and supply planning.**

IBM Cognos 8 Planning helps companies plan, manage and control production resources efficiently and cost-effectively.

### **Easy data access and manipulation.**

The centralized database and powerful calculation engine features in IBM Cognos 8 Planning are designed to support rigorous analysis, consolidating multiple data sources into one S&OP environment and providing users with the data that they require.

### **Powerful reporting and analysis.**

IBM Cognos 8 Planning offers seamless access to data from multiple sources, allowing reporting, analysis, and scorecarding to monitor both financial and production performance and facilitating decision-making.

### **About the IBM Cognos Innovation Center for Performance Management**

The IBM Cognos Innovation Center was established in North America and Europe to advance the understanding of proven planning and performance management techniques, technologies, and practices. The Innovation Center is dedicated to transforming routine performance management practices into “next practices” that help cut costs, streamline processes, boost productivity, enable rapid response to opportunity, and increase management visibility.

Staffed globally by experts in planning, technology, and performance and strategy management, the Innovation Center partners with more than 600 IBM Cognos solutions customers, academics, industry leaders, and others seeking to accelerate adoption, reduce risk, and maximize the impact of technology-enabled performance management practices.

### **About IBM Cognos BI and Performance Management**

IBM Cognos business intelligence (BI) and performance management solutions deliver world-leading enterprise planning, consolidation and BI software, support and services to help companies plan, understand and manage financial and operational performance. IBM Cognos solutions bring together technology, analytical applications, best practices, and a broad network of partners to give customers an open, adaptive and complete performance solution. Over 23,000 customers in more than 135 countries around the world choose IBM Cognos solutions.

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