

BUSINESS VALUE GUIDE

COGNOS PERFORMANCE BLUEPRINTS
SALES AND OPERATIONS PLANNING



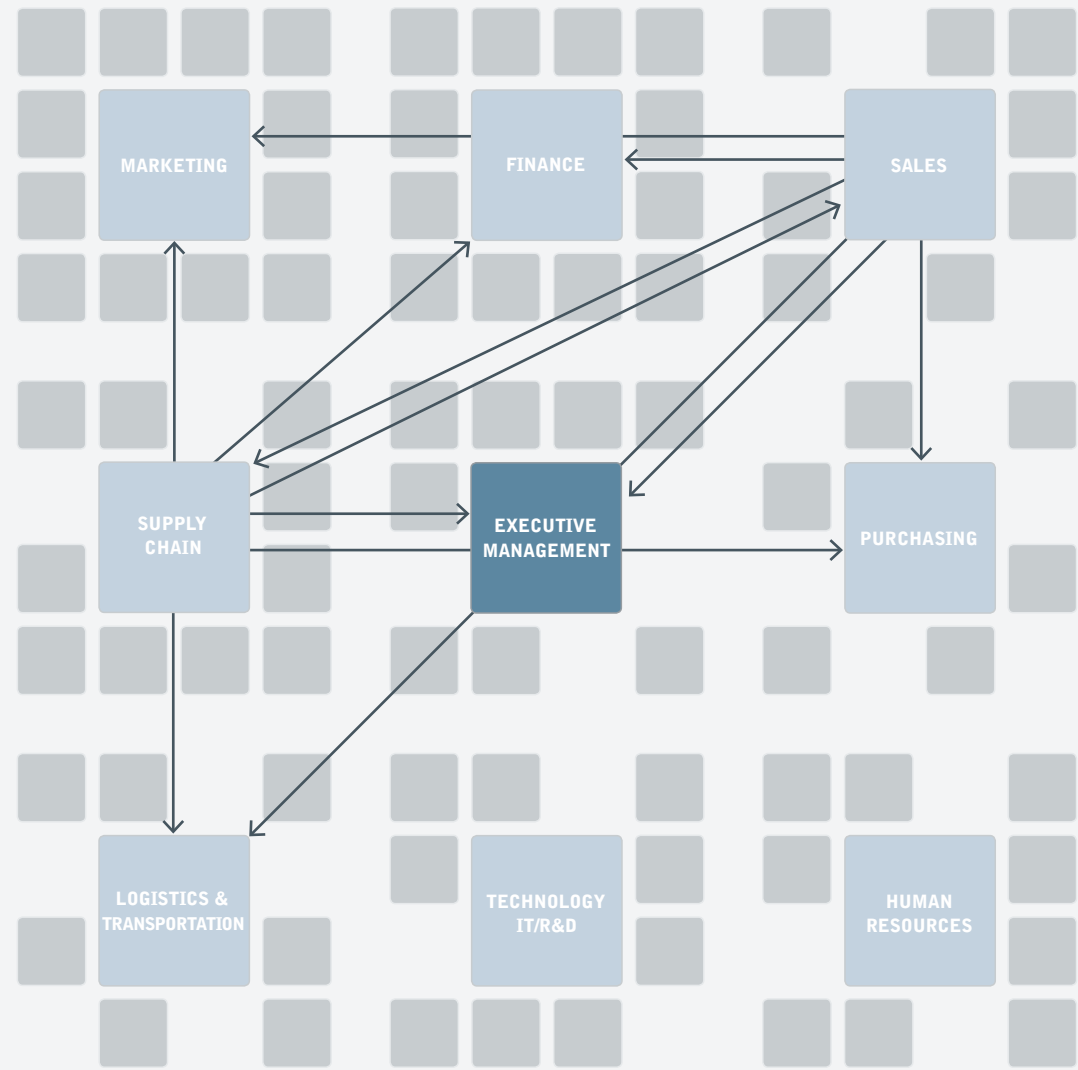
BEYOND BALANCING SUPPLY AND DEMAND

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The Sales and Operations Planning Blueprint is designed to help manufacturers balance supply and demand for their products, and much more...

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 of 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.

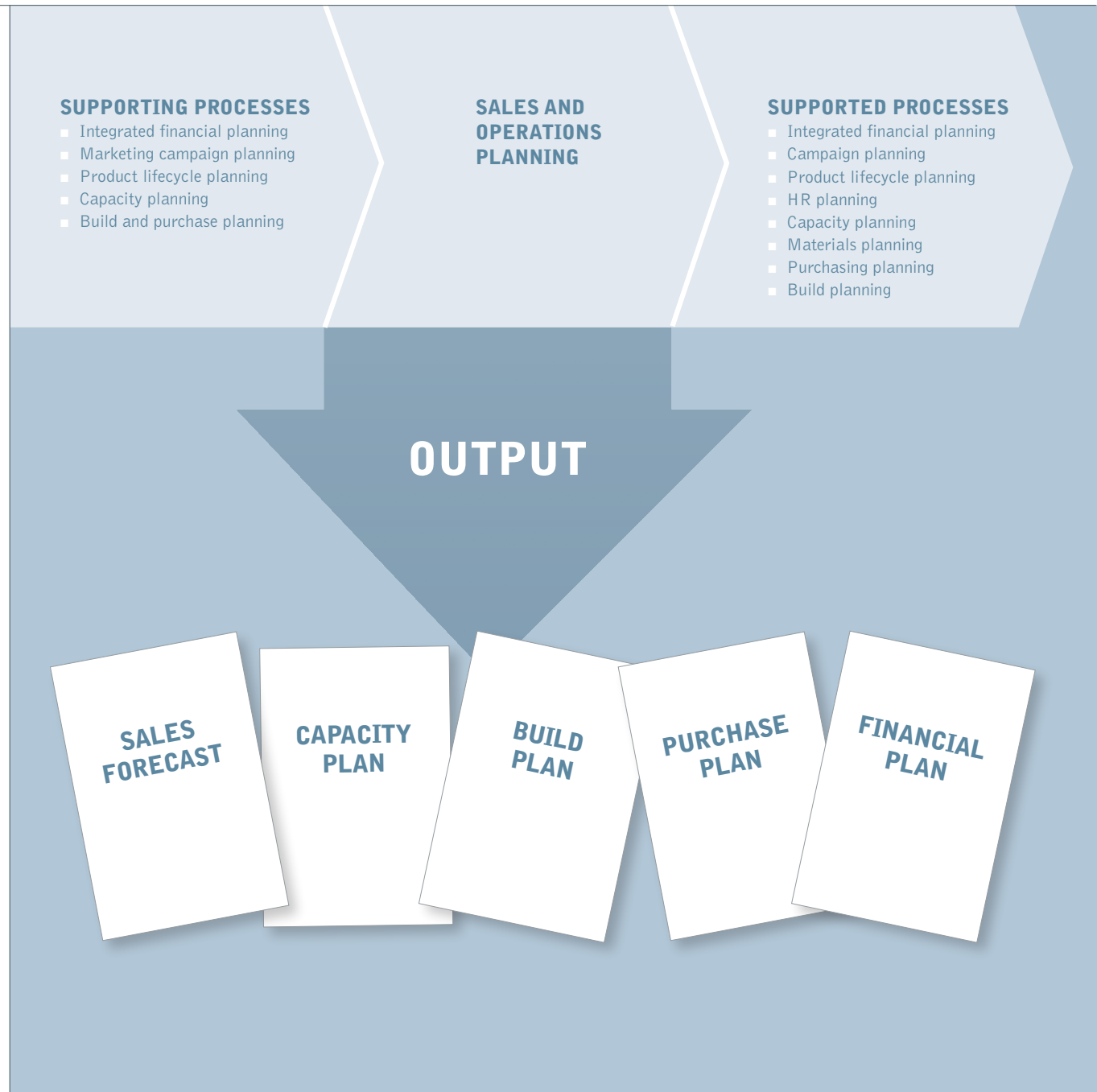
This Business Value Guide looks at best practices in sales and operations planning. It addresses challenges typically encountered in the process, key planning outputs, a sample workflow across the company, and the Cognos solution for S&OP.



The key outputs of the S&OP model are sales forecast, capacity plan, build plan, purchase plan, and financial plan.

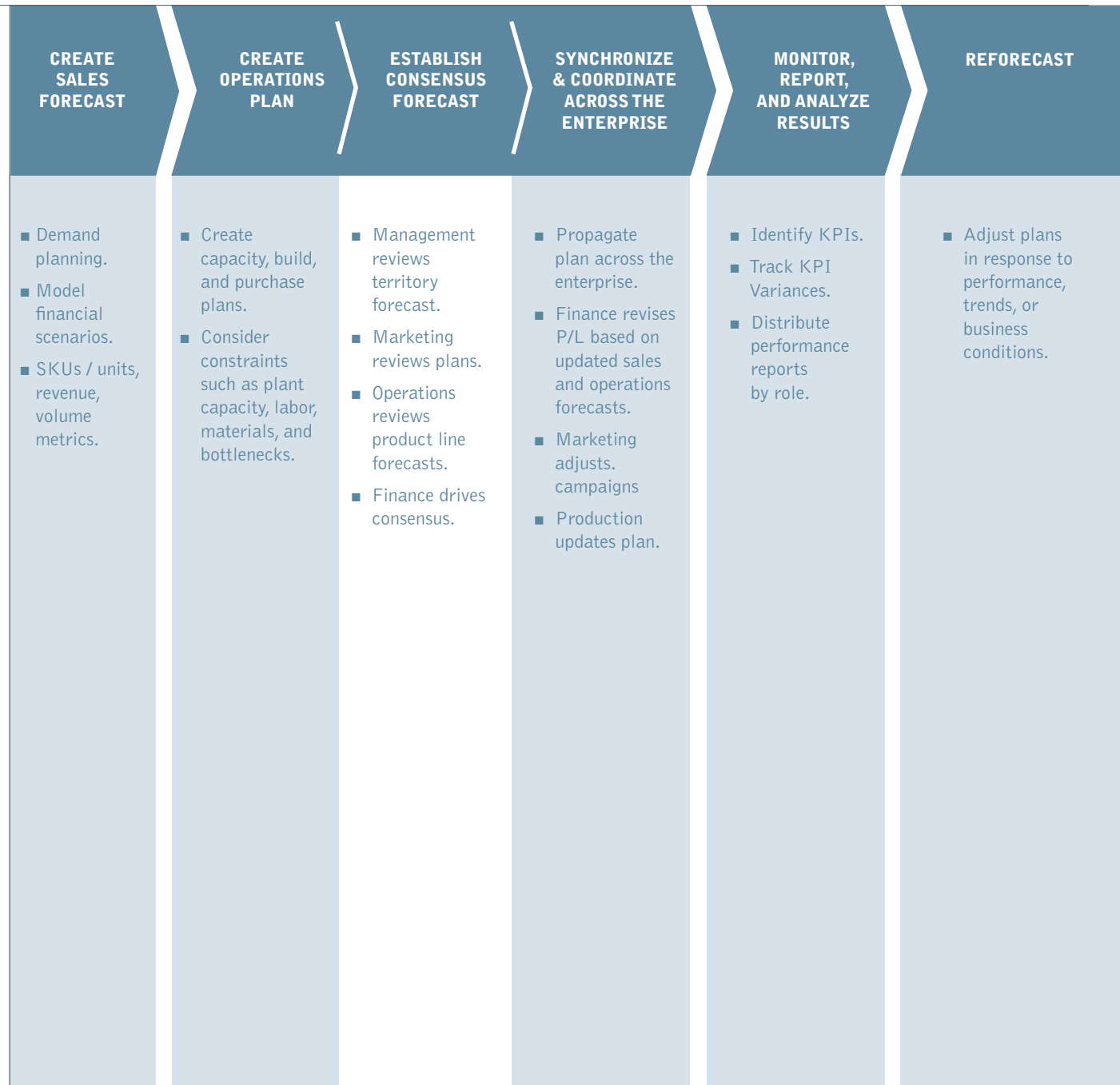
The creation of sales and production plans is impacted by multiple forces, including new product introductions, marketing initiatives, supply disruptions, and corporate directives. The key for S&OP is to provide sales and production plans that are coordinated and that consider capacity, materials, machinery, and labor constraints in addition to demand. This allows each department to plan appropriately. For instance:

- Sales forecasts product demand.
- Finance uses the plan for financial projections.
- Manufacturing uses the demand forecast to plan for materials and to determine what to produce and where, as well as what to outsource.
- Marketing plans campaigns to support corporate directives.
- Human Resources uses production plans to plan headcount needs, both in the plants and for services shared across the enterprise.



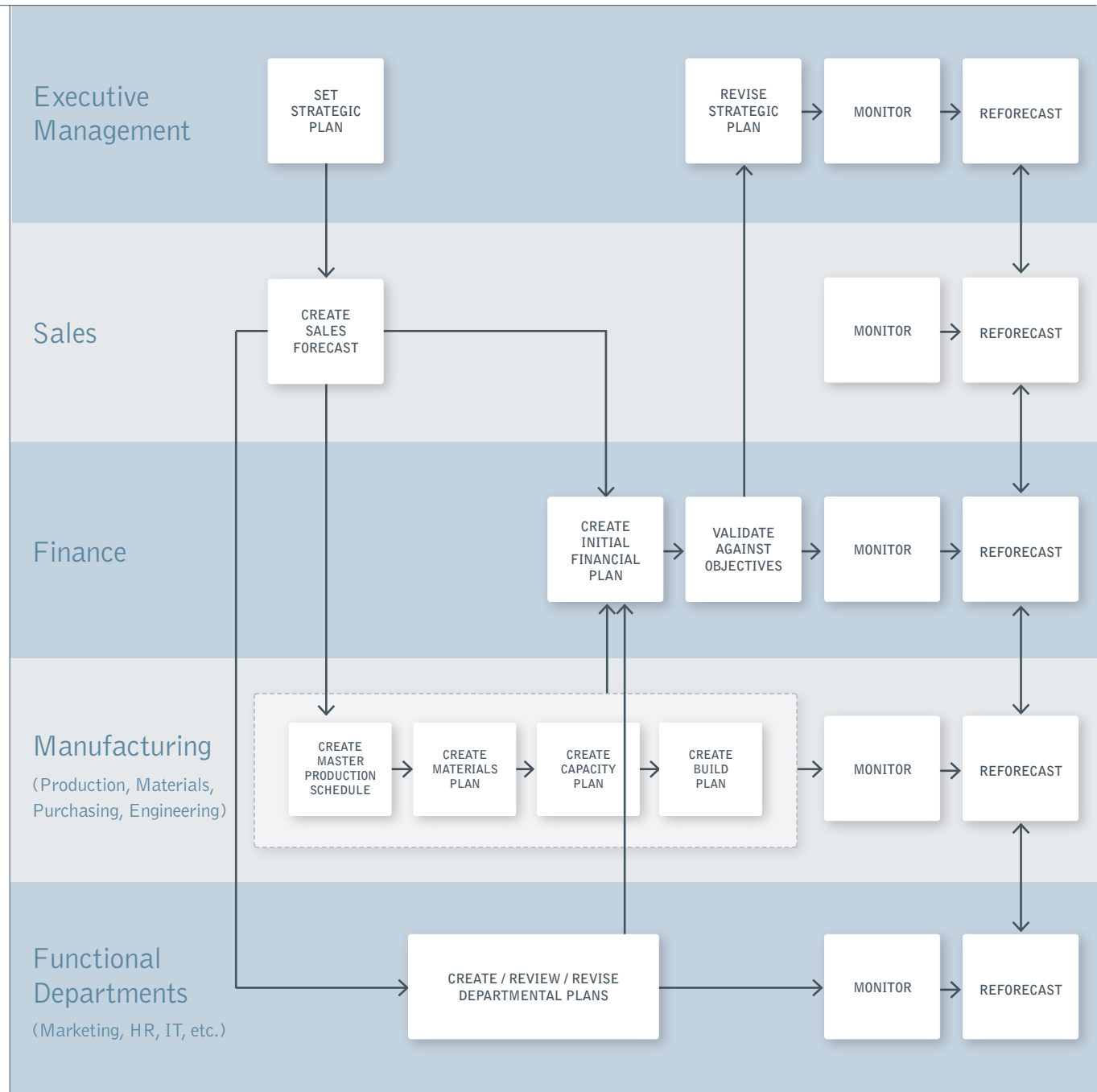
For sales and operations planning, a sales forecast is created that feeds the creation of an operations plan. A consensus financial plan is created, reviewed, and adjusted.

- A typical manufacturer creates a new plan by taking the prior period's plan and applying a given rate of growth. Best practice, however, is to plan using sophisticated demand planning.
- Sales takes the baseline plan and makes adjustments based on marketing activities, new product introductions, seasonality, and so on, to create a revised forecast.
- Regional management reviews the revised forecast to ensure it meets their expectations.
- Sales forecast is used concurrently by operations to create an operations plan that includes materials planning, capacity planning, production (build) planning, and purchasing planning.
- Marketing and corporate product planning executives review the plan to compare against their objectives.
- Finance reviews the plan to ensure the company's financial targets are attained.
- Throughout the process—and throughout the course of the time period—people from sales, operations, finance, and marketing review performance.



The typical workflow for creating sales and operations plans begins with executive management and works through sales, finance, manufacturing, and functional organizations.

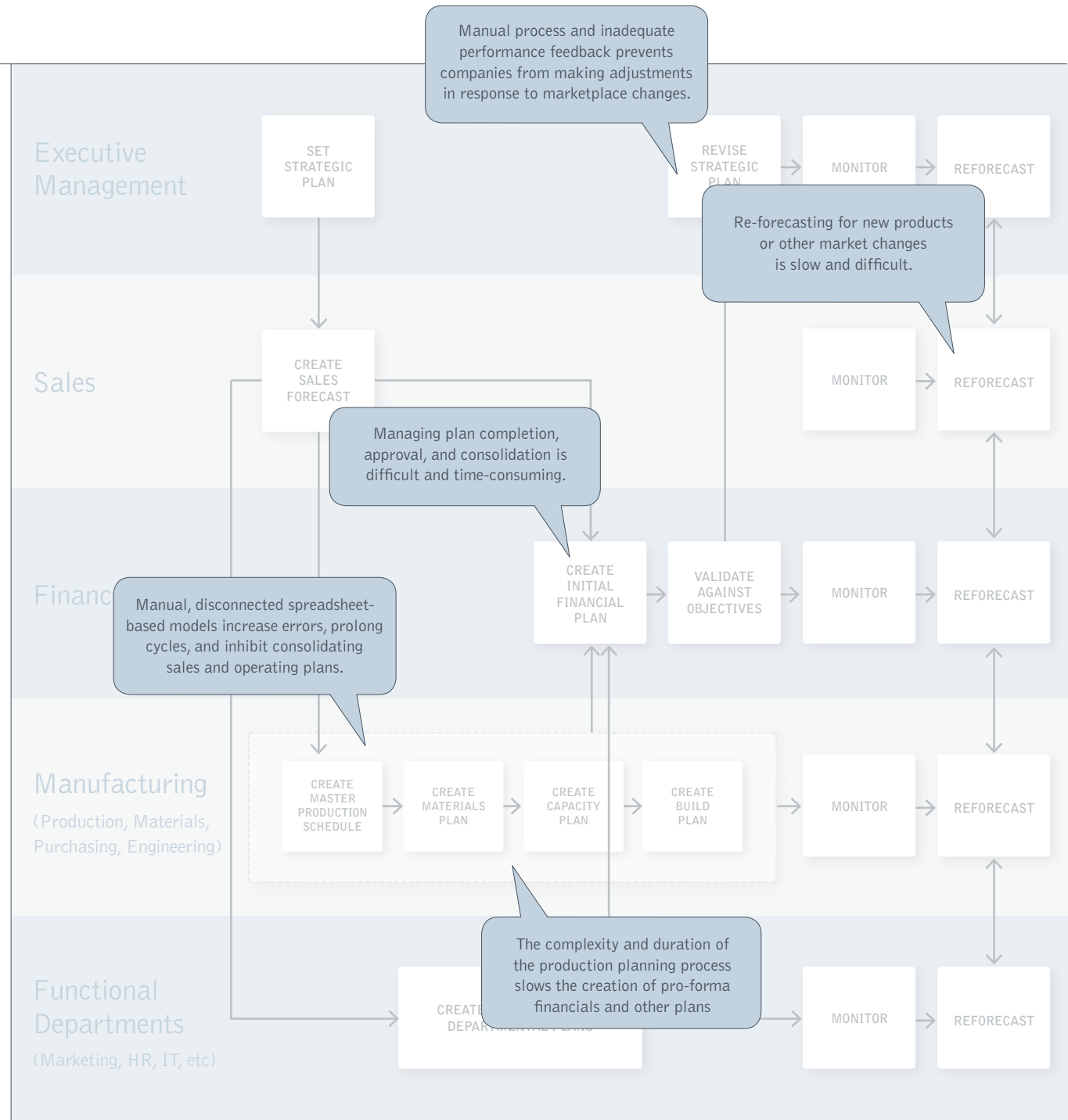
- Most companies follow a strategic planning process that begins with executive management setting the strategic direction. The financial implications of the resulting strategy are modeled in finance, and ultimately finalized by the executive team.
- The sales team models demand and creates a sales forecast based on the company's strategic plan.
- The manufacturing group initially creates a master production schedule, often including a rough-cut capacity plan. Then materials requirements plans, capacity plans, build plans, and purchase plans are built.
- Functional groups such as marketing, human resources, and IT concurrently review the plan and adjust their own plans accordingly.
- Results at each level of the organization are monitored, and forecasts are revised periodically according to company policies.



Most companies manage sales and operations planning in departmental silos with hundreds—even thousands—of spreadsheets. Result is typically inconsistent plans, multiple errors, and uncoordinated plans.

In many manufacturing companies, each department is an island to itself. Sales 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 targets, objectives, processes, and systems are not linked to overall organizational goals, and may even be in direct conflict with one another.

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, enterprise-wide use of spreadsheets can effectively sabotage the 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.



Industry leaders are moving from spreadsheets to enterprise-wide systems that allow both top-down and bottom-up planning to greatly shorten cycle times, reduce errors, and ensure consistency between sales and operations plans.

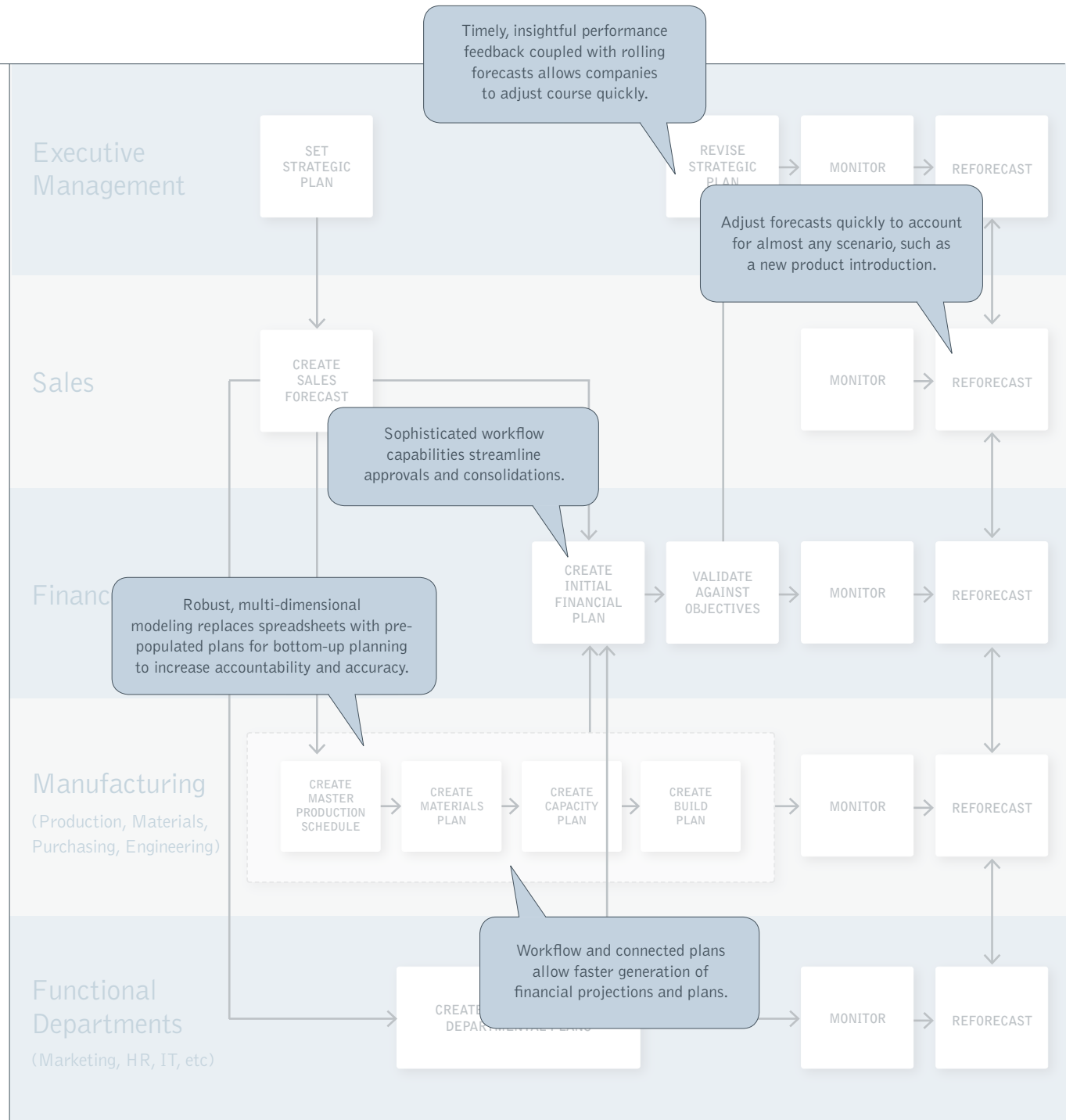
Cognos Performance Blueprints are pre-configured solution building blocks that allow companies to jump-start their planning implementations. The Sales and Operations Planning Performance Blueprint is designed to

- 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

—all in the context of a coordinated business process that allows performance to be managed at all levels within the company, using a single view of reality.

Because Blueprints are automated with a powerful workflow engine, submitted and approved plans are automatically rolled up, letting management and finance teams review, analyze, and align sales and operations plans with corporate goals and objectives.

Since the planning cycle can easily be reduced from months to mere weeks, iterations and meaningful resource decisions can be accomplished in plans while adhering to corporate goals. The result is enhanced accountability and the ability to re-forecast and respond quickly to market changes.

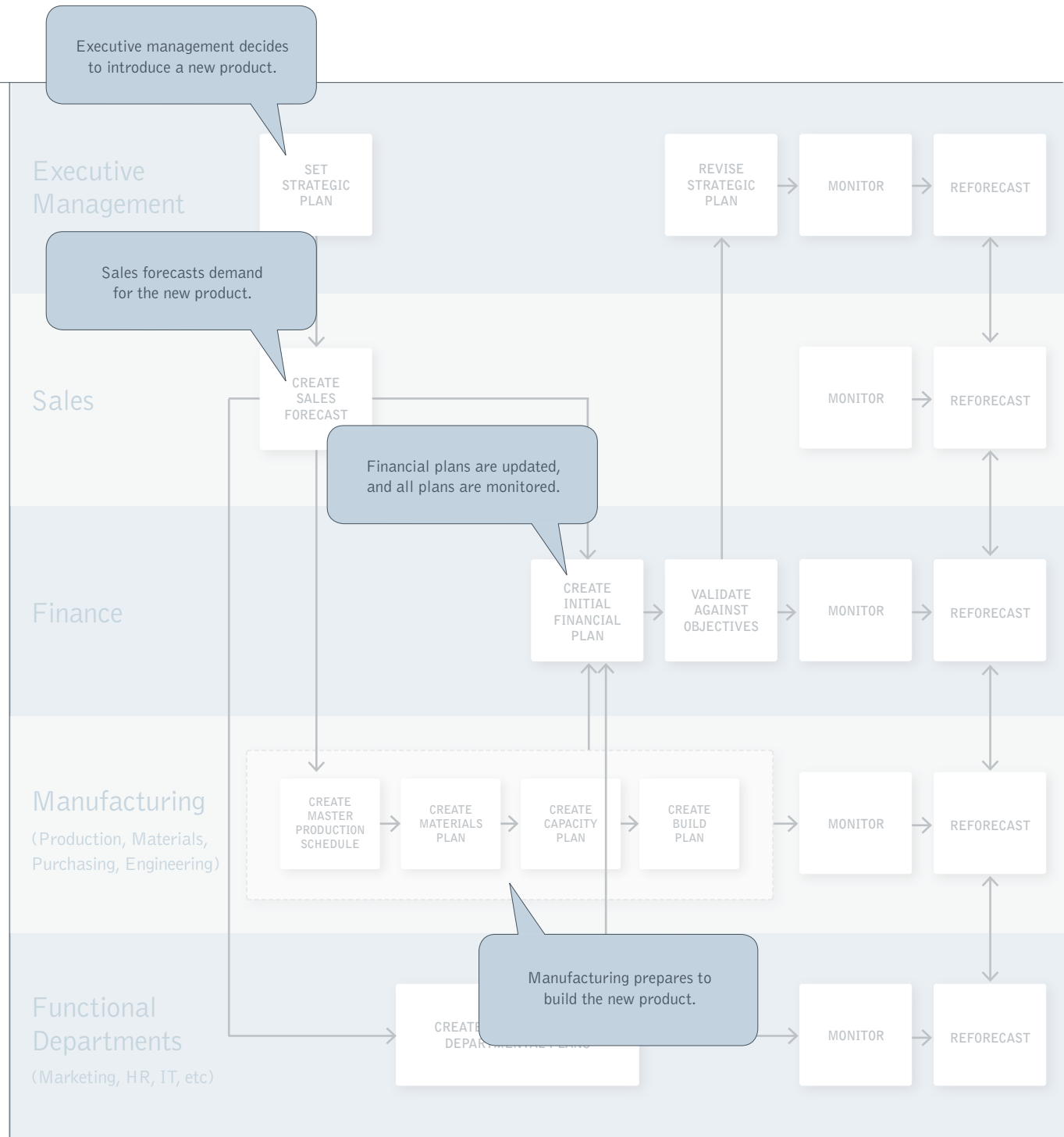


A best-practice workflow quickly adjusts sales, manufacturing, and profit forecasts, then cascades them across the organization as business conditions change.

Consider a company that decides to introduce a new product. As part of this strategic initiative, a number of scenarios for sales and production are modeled, and the scenario producing the most favorable outcome is selected.

New sales forecasts are created, and new materials, production, and purchase requirements are communicated to the manufacturing group. New plans are consolidated back to strategic forecasts and adjustments are made based on revised forecasts.

Within a few weeks, the entire company is mobilized to carry out the revised strategic objectives and track its performance against those objectives.



S&OP Blueprint Benefits

COGNOS SALES AND OPERATIONS PLANNING PERFORMANCE BLUEPRINT DELIVERS KEY BENEFITS TO MANUFACTURERS:

- Optimized sales and operations planning process.
- Flexible model development.
- Scalable architecture with proven deployments to thousands of users.
- Allows capacity, cost, and throughput modeling of multiple products across multiple plants, to determine the right combinations.
- Evaluates supplier capabilities when creating supply plan.
- Helps plan product mix among various plant and contract suppliers.
- Considers sales volume, discounts, and promotions to drive revenue and demand-volume plans.
- Identifies capacity, labor, supplier, and financial obstacles to meeting demand plan.
- Communicates demand changes quickly and effectively to production planners for re-evaluation of supply plan.
- High-participation work flow and Web-based deployment for data collection and consolidation.
- World-class managed- and ad-hoc reporting and analysis.
- Real-time workflow.
- Real-time consolidation.
- Real-time, browser-based calculations for immediate view of performance.
- Single operational system can be used across multiple products and channels.

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The Cognos Innovation Center for Performance Management is dedicated to the understanding, adoption, and implementation of next-generation planning and performance management practices. It is a consortium of industry leaders, practitioners, thought leaders, forward-looking executives, and technology experts experienced in, and committed to, the advancement and successful application of technology-enabled performance management best practices. The Innovation Center seeks to assist organizations in optimizing the alignment of their plans, processes, and resources with corporate goals and strategies.