

MYTHBUSTERS:

7 MYTHS OF SALES & OPERATIONS PLANNING

DISCOVER THE TRUTH ABOUT DIGITIZING YOUR SALES & OPERATIONS PLANNING

Sales & Operations Planning (S&OP) is critical to realizing significant business growth, yet subpar manual and dated planning practices continue to plague organizations. Stale misconceptions, poor participation, and inadequate process support only make matters worse.

Most of these issues exist because people don't truly understand the purpose of sales and operations planning: to effectively plan and grow long-term profitability. When the objective of S&OP is

misunderstood or undervalued, creating a successful process and setting realistic, meaningful goals become nearly impossible.

To help you discover the value of connected integrated business planning - from process implementation to organization success - we've put together seven common misconceptions of S&OP planning and the benefits that can be realized by connecting your planning process across the business. Ready? Let's go.

MYTH #1: S&OP IS UNNECESSARY AND IRRELEVANT.

Let's face facts: S&OP isn't "cool." It's not a flashy process and it doesn't fix problems or make money in five minutes. As a result, some view it as inconsequential. However, when done right, S&OP remains an effective, practical tool for growth that can transform organizations of all sizes, from small businesses to Fortune 500 companies.

It doesn't take much to see that organizations using S&OP as a key component of operations management are succeeding—and outpacing their peers. Research shows that 65% of companies with effective S&OP have a controlled supply chain versus only 24% of companies without effective S&OP.¹

REALITY: S&OP is key to organizational alignment and growth.

Even within companies that have adopted some form of sales and operations planning, individual departments can still dismiss the process as irrelevant to them. Yet, S&OP affects everything from marketing to production and manufacturing. Without cross-functional participation, it can never perform up to its full potential.

Businesses need to flatten silos for productive planning. Executives that understand the impact of S&OP who lead by example through ownership of the process from the top down will produce meaningful growth. Executive support will encourage participation from sales, marketing, product management, operations, and finance and enable successful S&OP. Dynamic results become possible when everyone is aligned.

Research shows that 65% of companies with an effective S&OP process have a controlled supply chain compared to the low success rate of 24% for companies without a comprehensive plan.¹

MYTH #2: S&OP IS JUST A REVIEW OF HISTORICAL DATA.

If you're using S&OP meetings to merely review historical data, your S&OP process isn't doing its job. While historical data plays an important role, it shouldn't be the sole focus. Instead, businesses with mature S&OP processes are focused firmly on the future. Historical data coupled with educated expectations about how teams and products will perform, should be used to create projections for the next 12-month period.

REALITY: S&OP helps businesses prepare for the unexpected.

Stable, valuable S&OP processes create and review “what-if” scenarios to test those initial projections. From “what-if” scenarios, organizations can identify risks and opportunities, evaluate product lifecycle decisions, and align business goals. Evaluating future scenarios also allows teams to form contingency plans and business alternatives—so that when a problem inevitably pops up, they're ready to step in with a Plan B, rather than panicking and trying to find a quick fix after the fact. Scenarios can be updated as situations and business conditions change, ensuring teams always have the most up-to-date plans available.

When an S&OP process is accomplishing those functions, top executives and functional leaders can make better business decisions that drive growth and maximize profitability.

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MYTH #3: SPREADSHEETS ARE AS EFFECTIVE AS PURPOSE-BUILT S&OP SYSTEMS.

When talking about S&OP, someone will inevitably tell you that spreadsheets are king. Effective and cheap—what could be better? Well, plenty. Because spreadsheets aren't effective or cheap. Yes, they can be helpful when launching an S&OP process. But too often, companies get comfortable using them and don't take the next step. Yet to achieve fully-mature S&OP, companies need an S&OP system.

REALITY: Spreadsheets are inadequate for effective S&OP.

According to researchers Powell, Baker, and Lawson, an estimated 94% of spreadsheets deployed in the field contain errors. And they're not alone—Coopers and Lybrand found that 90% of all spreadsheets with 150 or more rows have errors in them. With that error rate, spreadsheets are more harmful than helpful to an S&OP process.

Errors like these cut into the bottom line in multiple ways. Basing future plans off of incorrect data can lead to critical issues down the line and catastrophic financial impact. And even if the data is clean, companies still lose productivity and profits over the time and energy it takes employees to compile spreadsheets and double- and triple-check them for errors. Besides being error-prone, spreadsheets make running “what-if” scenarios (one of the keys to S&OP success) nearly

impossible. If companies can't simulate future scenarios, they may as well be creating long-term plans in the dark.

Bottom line? Spreadsheets are costly and ineffective for this level of planning. When companies invest in S&OP technology instead, they realize countless benefits, such as enhanced collaboration, consensus-based plans, reduced financial risk, and increased agility.

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MYTH #4: S&OP SOLUTIONS ARE COMPLICATED TO UNDERSTAND AND HARD TO USE.

“Complicated isn’t better. It’s just more work.” This is a popular sentiment among spreadsheet users believing how overly-complex S&OP technologies are. But actually, it’s better applied the other way around. Successful companies know that manual efforts add complexity—and well-designed, intuitive S&OP solutions deliver simplicity.

REALITY: Technology helps simplify and streamline processes.

Excel is only “easy” if you make use of its simplest capabilities. Try to use it to fulfill the needs of a mature S&OP process and it gets complicated, fast. The functionality needed to support a multi-functional S&OP process requires sophisticated logic best left to purpose-built software that’s intuitive enough to foster high rates of adoption among employees.

Then, there’s the time dilemma. Aberdeen reports that 65% of the time spent on an S&OP process that relies on spreadsheets is spent gathering data. Think about that: **Nearly 40 minutes of every hour spent just collecting data.** While the rest is typically spent manually facilitating the process, distributing the data, and compiling feedback from multiple channels.

This is where S&OP solutions go beyond mere data collection. S&OP-specific technology ensures everyone has the data they need and helps to streamline, simplify, and automate the entire planning process.

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MYTH #5: S&OP MUST BE ABLE TO HANDLE PROBLEMS IN REAL-TIME.

Problems arise unexpectedly all the time in business. And, yes, companies do need to be able to handle issues quickly. But S&OP isn't the solution to those problems. When companies miscast S&OP into a problem-solving role it was never meant to handle, it also loses effectiveness.

REALITY: S&OP is more about preventing problems than solving them.

Instead of taking a reactive approach, S&OP allows companies to take a proactive approach to identifying gaps between demand and capacity and activating plans to remedy them while still meeting service and financial goals. After forecasting what problems may arise, organizations can correct their course and prevent problems from happening or spinning out of control.

S&OP also brings people together and fosters collaboration in a single, consensus-based plan that supports the overall business strategy. From that plan, departments across the company are better equipped to make decisions on promotions, product mix, service levels, production schedules, inventory investments, and the like.

With active sales and operations planning, organizations will be prepared for the unexpected as an alternative to being caught off guard. As a result, firefighting becomes altogether unnecessary. In reality, S&OP doesn't need to be able to handle real-time problems. It needs to prevent them.

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MYTH #6: S&OP SHOULD PERFECTLY ALIGN WITH FINANCIAL BUDGETS.

Many organizations are under the false assumption that integrating and aligning financial budgets perfectly with S&OP produces the best results. Yet tying budgets to S&OP doesn't allow either to reach its full potential.

REALITY: S&OP corrects the budget's course and informs future budgets.

Picture this: Your business is a football team trying to win the Super Bowl. Coaches devise the gameplan (the budget) they think will take home the trophy. But during the game, issues arise and the plan needs to be adjusted. This is where S&OP comes off the bench, armed with proactive plans, ready to make adjustments as needed and ensure the path to victory.

Yes, budgets and S&OP do interact. But effective S&OP moves beyond budgets rather than staying tightly aligned with them. Budgets remain static—the starting sales and cost goal for the year—while the S&OP process helps keep the business moving forward in response to changes, constantly optimizing planning for the next 12+ months and, in turn, providing a foundation for future budgets to be built on.

When the sales and operations planning process is running the way it should, the differences between S&OP and the budget help the executive team improve their core focus: strategic and tactical planning.

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MYTH #7: TECHNOLOGY DOESN'T HAVE TO BE A PERFECT FIT.

Saying a 70–80% effective S&OP technology is okay would be like someone saying, “80% of these dominoes are very stable. It doesn't matter if one falls over.” It doesn't make sense. The truth is that S&OP is detail-driven and there's a domino effect when something goes wrong. Small problems turn into big problems.

REALITY: Your S&OP technology should fit precisely—and evolve with you.

To be clear: technology isn't the singular solution to achieving successful sales and operations planning. Good S&OP is as much about the people and process as it is about the underlying system, but the right technology is essential to improving accuracy, fostering collaboration, streamlining processes, and reducing risk. In order to achieve those goals, organizations shouldn't implement anything less than a perfect fit. If an S&OP technology is ill-fitting, it's nearly guaranteed to fail.

That's why evaluating how an S&OP solution's functions meet your organization's needs is essential. When a technology can't match your specific criteria, integrating it into your organization can be a difficult and painful process, alienating users and adding complexity where it's supposed to create efficiency. It's important to consider how a

technology fits current business operations, if it's capable of evolving with your business, and what level of IT support will be needed.

Once you know exactly what you need from a solution, thoroughly explore your S&OP options, and choose the one that's right for you, you'll be glad you didn't settle for less than the best.

**To be truly effective,
S&OP requires active participation,
efficient processes, and
supporting technology.**

MYTHS BUSTED!

Myths about S&OP have always and will always exist—but they shouldn't scare organizations away from the process. When executed correctly, S&OP provides a long-term plan for organizations and becomes a key driver of efficiencies, optimized outcomes, and sustained growth.

S&OP will continue to evolve, thanks to new technology and ever-increasing sources of data. By staying up-to-date on industry trends and not falling prey to pitfalls, companies can realize mature S&OP—and a bigger bottom line.

1. S&OP is key to organizational alignment and growth.
2. S&OP helps businesses prepare for the unexpected.
3. Spreadsheets are inadequate for effective S&OP.
4. Technology helps simplify and streamline processes.
5. S&OP is more about preventing problems than solving them.
6. S&OP corrects the budget's course and informs future budgets.
7. Your S&OP technology should fit precisely—and evolve with you.



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Sources

1. “What is the Value of Sales and Operation Planning?”, Supply Chain Insights, supplychaininsights.com
2. “A Critical Review of the Literature on Spreadsheet Errors”, Powell, Baker, and Lawson
3. “How to Make Spreadsheets Error-Proof”, David Freeman, Journal of Accountancy

About Plex DemandCaster Supply Chain Planning

Plex DemandCaster Supply Chain Planning makes deciphering data simple and planning controllable. Businesses can accurately forecast and solve inventory problems proactively. A united business with higher visibility helps manufacturers accelerate growth with confident data-driven decisions. The Plex DemandCaster

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