



Materials Science S&OP Enablement using SAP APO

Highlights



In theory...the benefits of S&OP are appealing, in reality they can be stunning.

Here's what Spinnaker delivered for one multibillion dollar chemical client:

- Forecast accuracy up 50%
- Product inventory down 50%
- SLOB inventory down 10-15%

So, is S&OP right for you?

When supply chain leaders with the U.S. arm of this global chemical/material sciences manufacturer recognized a disconnect in operational planning, they sought the expertise of an experienced partner who could help them not only pinpoint key problems but also develop an effective path forward that would yield tangible results and actual value for their investment.

They already knew the hard facts: their supply planning process was too execution-oriented, their demand planning process was in disarray, and their organization was underserved by expensive software that was underutilized. An effective S&OP process could be the missing element to improve organizational “chemistry,” but the last thing they needed was empty promises.

With hands-on experience building robust S&OP processes for similar organizations, Spinnaker’s specialists proved to be the perfect fit.

Perception vs. Reality: Assessing the As-Is

In this case a dozen business units were organized around distinct product groupings, each with its own operational approach and level of S&OP process maturity. Demand planning processes ranged from impeccable to nonexistent, and the forward-planning horizon focused on “next month” instead of “next year.” Based on this shaky foundation, business planning results were predictable: negative forecast accuracy, exceptionally high levels of finished goods, extensive quantities of dead/slow-moving inventory, and on-time rates lagging around 70-80 percent. In addition, rising concerns about global competition and

maintaining market share in a projected down- turn heightened urgency to improve service and operational efficiency.

As a dedicated client advocate, Spinnaker takes a pragmatic approach to helping business leaders achieve such goals by focusing on people and process first before even considering technology. In this case, we confirmed the potential of S&OP — along with enhanced demand planning — to drive improvement, based on a deep understanding of both core business constraints and the ability of this organization to manage change.

First, We Focused on People...

When this client’s project sponsor said “Ninety percent of S&OP implementation is change management,” he echoed our sentiment that best-in-class S&OP implementations require training and change management to drive ongoing improvement. We first recommended extensive training in demand planning and S&OP best practices, followed by deep-dive training into rough cut capacity planning and demand statistics, to enhance user capabilities and improve utilization of the installed SAP APO application.

Not content to deliver mere point-and-click training, we customized course content to address hot buttons flagged during our assessment, like ways to manage resistance to change, tips for facilitating productive meetings, and root-cause analysis. We also developed an extensive work force transition process, including detailed communication plans, skills competency matrices, process flow diagrams, and role/responsibility definitions — to lay a solid foundation for effecting change throughout the organization.

...Next, We Addressed The Process...

Unlike many consulting firms, Spinnaker doesn’t take a cookie-cutter approach to process improvement. Our S&OP experts leverage decades of experience in this discipline to design custom-fit process models. In this case, we targeted key improvement opportunities while maintaining essential process elements. We focused on developing a best-in-class process — incorporating demand consensus, supply/demand balancing, and executive review meetings — to ensure progress and minimize constraints.

In addition, we completely redesigned the demand planning process around the tenets of our holistic Demand Excellence™ model, incorporating exception processing and forecast data management to help demand planners pinpoint problem areas for attention rather than weed through the forecast.

...Then — Finally — We Targeted Technology

After determining that our client’s installed application base was hamstrung by poor implementation and rigid configuration requirements mandated by corporate headquarters in Europe, our SAP APO specialists worked closely with stakeholders to improve both utilization and usability.

To improve visibility into demand and supply data, we helped design reporting that leveraged Business Warehouse (BW) queries, which enabled better insight into forecasts and error, capacity constraints, inventory, and service issues. By helping people better focus on such issues we enabled them drive rapid improvements across all key supply chain metrics.

The Final Scorecard

Implementing an effective S&OP process is no simple task, but the returns are well worth the effort. Backed by client executive and support teams committed to success, Spinnaker's S&OP professionals helped implement a process that delivered substantive results for 12 business units:


- Item-level forecast accuracy up 50% within six months
- Finished goods inventory down 50%
- 10-15% reduction in slow-moving/obsolete inventory

The Next Challenge: Roll out S&OP to achieve similar improvements at additional business units throughout the organization.

About Spinnaker:

Spinnaker is a supply chain services company that helps clients grow, manage risk, reduce costs, and improve customer service by developing world-class supply chain capabilities. Our services help clients develop the right supply chain strategy for their business challenges and implement the process and technology solutions to improve Demand/Supply Planning, Procurement and Sourcing, Logistics and Warehousing, and Reverse Logistics business performance. Spinnaker offers a unique service delivery model that combines the strength of deeply experienced management and technology consultants with a seasoned team of business process outsourcing (BPO) and 3rd-party logistics (3PL) professionals. Founded in 2002, Spinnaker has offices in Boston, Columbus, Denver, Houston, Memphis, Pittsburgh, London, and Singapore.

Contacts Us:

 Phone: 877-476-0576

 Email: info@spinnakermgmt.com