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Revolutionizing Sales and Operations Planning with Artificial Intelligence: Insights and Results

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Abstract:

The use of Artificial Intelligence (AI) in the Sales an Operations Planning (S&OP) is an innovation in supply chain management. Extended traditional S&OP processes that involve static data, manual flow, and dispersed systems do not fit the needs of constantly evolving markets. In this paper, we consider some opportunities of AI in S&OP development and discuss the most significant changes ones, including predictive analytics, machine learning, and automation. The work being done by the research implies a case-based approach, using real-world situations in order to illustrate substantial gains in forecast precision, procedural organization and control, expenditure and financial leakage mitigation, as well as customer satisfaction. The capacity of AI that can offer to enhance decision-making and provide flexibility makes its position crucial in today's SCMS. However, barriers including resistance from the organizational culture and employee skill deficiencies hold the key in preventing this from occurring. According to the recommendations drawn in this paper, the phases and training programmes shown in Figure 4 point the way towards bringing out the best of AI for successful S&OP modernisation.

Keywords: Sales and Operations Planning (S&OP), Artificial Intelligence (AI), Predictive Analytics, Supply Chain Management, Forecast Accuracy

1. Introduction

Sales and Operations Planning (S&OP) is often included as part of supply chain management that aims at helping an organization to achieve dental demand and supply positioning while at the same time improving operational efficiency. It assumes the central position of proactively managing the consumption of organisation resources to address customer requirements, improve profit, and accomplish strategic goals. The traditional S&OP methodology still has great potential in modern organization where it is possible to predict all the potential changes in the market for a long period of time whereas the modern world proves to be quite the opposite. In this section the author aims at explaining the importance of S&OP, the problem with traditional approach to it as well as the opportunities AI can bring to this process.

1.1. The Significance of S&OP

S&OP is the core of supply chain management because it ensures cooperation between major business processes, namely sales, marketing, production, and logistics. For this reason, S&OP creates the unison of operative strategy which in return allows balancing with various factors among which it is possible to indicate the cost reduction, the satisfaction of the customer demand, and the provision of the organizational adaptability to the fluctuations of the market.



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Table 1: Core Objectives and Benefits of S&OP			
Objective	Description	Organizational Benefits	
Aligning Demand and	Workers should be able to	This includes; minimal or	
Supply	make certain that	no stockouts, and	
	manufacturing plans,	overproduction costs are	
	stocks, and buy strategies	some of the benefits that	
	are fit to market	can be attributed to the	
	requirements.	new system.	
Supporting Strategic	Offering information to	More efficient resource	
Decisions	help make the right	utilisation, enhanced	
	decisions of when to	market adaptation.	
	expect what and how to		
	organize the expansion		
	process.		
Enhancing Collaboration	They also deal with	More efficient resource	
	creating synergy among	utilisation, enhanced	
	the goals set on the sales,	market adaptation.	
	production, and logistics		
	departments		

Table 1: Core Objectives and	Benefits of S&OP
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1.1.1. Aligning Demand and Supply

In its basic form, S&OP has the goal of synchronizing demand and supply where the production and inventory plans, and purchasing schedules, reflect market demand and need. This hails the benefits of averting potential troubles such as overstocking or stockouts which are unprofitable for a firm or undesirable for its customers.

Operational Impact: This paper has established that when demand is positively aligned with supply, there is always a possibility that organizational objectives of satisfying the demand of its customers would have been achieved without overstretching the supply of the relevant resource. For example, demand forecasting would help businesses avoid stocking excess inventory that attracts storage expenses besides the poor brand image that comes with stockouts.

1.1.2. Supporting Strategic Decision-Making

S&OP helps to make crucial decisions backed by figures by using which one may forecast market tendencies, estimate the potential risks as well as envision the further development of the organization. It draws information from many areas thus offering a joint picture of the supply chain and providing leaders with a solid foundation on which they can make the right decisions with regard to resources, product and market access strategies

1.1.3. Improving Organisations' Interactivity:

Because S&OP unites representatives of various functional organizational departments, expected outcomes involve cross-departmental integration and cooperation. This collaborative approach ensures that the forecasted sales volume does not outdo the production capacity, marketing strategies are accompanied by appropriate inventory volumes, and that the logistics plans do not strait-jacket the supply chain processes.



1.2. Challenges in Traditional S&OP

Unfortunately for companies, traditional S&OP methodologies can't address supply chain complexity, uncertainty, and the requirement for rapid decision making. They include the use of historical data in the models, the adoption of loosely coupled systems, and paper-based processing of data.



Figure 1: S&OP powered by AI - Sancti Consulting

Challenge	Description	Operational Impact	
Reliance on Historical	Depending on static past	Inaccurate forecasts,	
Data	trends that fail to account	leading to inefficiencies.	
	for market dynamics.		
Fragmented Systems	Disjointed tools and data	Misaligned objectives,	
	silos obstruct cohesive	increased errors and	
	planning and decision-	delays.	
	making.		
Manual Workflows	Labor-intensive processes	Time-consuming tasks,	
	prone to human error and	scalability challenges.	
	inefficiency.		

Historical Forecast Accuracy vs. Actual Demand

- Historical forecast accuracy: 75%
- Actual demand: 10,000 units
- Forecasted demand: 10, $000 \times 0.75 = 7$, 500 Units
- Forecast error: 10, 000 7, 500 = 2, 500 Units or $\frac{2,500}{10,000} \times 100 = 25\%$

Impact of Manual Workflows

- Time spent on manual processes: 50 hours/week
- Time saved with AI: $50 \times 0.4 = 20$ hours/week



- Error rate (manual): 5%
- Error rate (AI): 0.5%
- Error reduction: 5 0.5 = 4.5%



Figure 2: Challenges of S&OP

1.2.1. Dependence on Historical Data

The traditional S&OP mainly depends on actual demand data and makes forecast about future demands. Although historical analysis is meaningful, it is not flexible enough to include the dynamic factors affecting the contemporary markets.

Limitations: Historical data is not capable of capturing current trends let alone new trends such as those arising from change in consumer behavior, economic trends or forces of competition. The future forecasting is flawed, which, in turn, leads to poor supply-demand equation.

1.2.2. Fragmented Systems and Data Silos

The absence of linkages among the planning tools and other organization systems leads to fragmentation of data whereby pertinent information is confined to a particular division. It destroys continuity of communication and interferes with the generation of integrated and factually correct planning.

Operational Inefficiencies: Incomplete systems create longer cycle times, unnecessary work, and conflicting goals as those who rely on disparate data sources cannot quickly coordinate.

1.2.3. Manual Workflows and Human Bias

Growth S&OP systems have a large component of manual effort even in the advanced roles of data aggregation, analysis, and reporting. These workflows are not only cumbersome but they are also liable for errors and/or filter influences.

Impact: Paper-based means enhance the possibility of wrong results, decision-making might not be standard or efficient when it implies on resources allocation.



1.3. The Role of Artificial Intelligence (AI)

AI has offered the solution as a next-generation advancement to the traditional S&OP system where advanced analytics, machine learning, and process automation are considered. AI provides better accuracy, speed, and flexibility to the S&OP process, helping organizations to solve toughest supply chain problems better.

1.3.1. Prediction and Demand Estimation

Integrated datasets with AI predictive analytics employs superior methods of statistical modeling to look for hidden relationships within massive troves of data. AI, utilizing real-time data, obtains better forecast accuracy and reliability of demand, which allows for adjusting the organizational activity in response to current market conditions.

AI diminishes tasks that require human intervention and involve the completion of many repetitive tasks or data entry and reporting and tracking of inventories. The above automation reduces costs by reducing errors added to the bottom line, enhances efficiency, and saves human resource for other lucrative tasks.

1.3.2. Enhancing Decision-Making and Collaboration

AI enhances decision making because it allows data integration across functional departments to deliver value. It also promotes integrated working as employees share current information and have coordinated goals and targets.

2. Literature Review

There has been growing interest in research and practices involving AI in integration with S&OP since traditional techniques prove insufficient to meet today's emergent demand and supply chain realities. This section focuses on the limitations faced in conventional S&OP approaches; enhancement brought about by AI; and the factors that hinder the wider adoption of this technology.

2.1. Retreats of the Traditional S&OP Methods

It is important to specify that more traditional approaches to S&OP are fundamental to the supply chain management while have become ineffective due to the increased market uncertainty. Three major weaknesses – reliance on the past records, silo-based approach and paper-based processes reduce their efficiency.

2.1.1. Overreliance with Historical Information

Typically, conventional S&OP is based on mainly historical sales and inventory records to predict the demand in advance. Though, it could be understood that this approach is helpful for number of strategic plans, this weakness becomes vivid in conditions when the market is quite volatile and uncertain.

- **Static Nature of Historical Data:** It does not capture current trends and changes that include things like customers' preferences, a new product to the market or a shift in geographical regions among others. For instance, the COVID-19 pandemic greatly exposed industries to issues arising from reliance on old demand patterns where, for instance, supply chain expectations were greatly misaligned.
- **Forecasting Limitations:** Chen et al. (2020) explains that the traditional forecasting models deliver poor performance levels when tested on new variables or in the face of high market volatility. It is therefore possible to have an overstock in the organization inventory levels or lack of stock that will lead to huge loses and loss of customers.
- Economic and Competitive Pressures: Flows in the market require this form of flexibility which is difficult to achieve when decisions are made on the basis of limited historical information. When



firms cannot easily update their forecasts depending on the current market, companies end up on the receiving end.

2.1.2. Data Silos and Fragmented Systems

The conventional S&OP process is characterized by fragmented systems and departmentalized communications, and therefore, creates great impediments to coordination and execution.

- **Isolated Data Sources:** Many organizations use disparate systems for managing inventory, demand forecasting and schedules production. This fragmentation hinders formation of a coherent view of the supply chain hence poor co-ordination and incompatible goals.
- **Operational Impact:** Analytical silos slow down decision making processes, repeat data, and create mistakes because they convey conflicting information. As Slack et al. (2016) points out, such inefficiencies continue to add to cost wastage and slow down organisations' ability to respond to market changes.
- **Collaboration Challenges:** Due to lack of integration, cross-functional projects are complex because each participant lacks complete or accurate set of data. Said misalignment frequently leads to failure to achieve production requirements and loss of sales potential.

2.1.3. Manual Workflows and Decision Bias

Likely, there is also a high degree of reliance on manual procedures that exist in the traditional concept of S&OP processes, where much of the input data, as well as the results of the analyses, is presented in the form of written or electronic reports that are subsequently grouped and analyzed by people.

- Labor-Intensive Processes: Standalone tools are inefficient, are subject to human mistake, and do not have sufficient agility to address important matters effectively. Accordingly, simple tasks like matching sales estimates to production schedules could take days, thus reducing the organization's ability to respond quickly.
- Human Bias: With a manual analysis, decision-making is confined to predefined patterns based on cognition, and may involve methods that executive teams over-rely or anchor on, which impede appropriate prioritization and resource allocation. Huang et al. (2021) note that the said biases negatively affect the planning accuracy and time.
- Scalability Issues: However, as complexity of the supply chains increases, manual handling is definitely not scalable and becomes a major problem

2.2. Advancements in AI-Driven S&OP

They present new sets of efficient solutions to these problems with the help of analytics, machine learning, and automation to make an S&OP breakthrough. The subsequent sub sections delve into how these advances transform demand forecasting, operations, and decision making processes.

2.2.1. Predictive Analytics and Enhanced Forecasting

Predictive analytics is further enhanced by AI to help organisations to shift away from using past data in a rigid and unchanging manner when conducting their analysis, but instead, the analytic models are evolved to use the machine learning algorithms to create forecasts of high accuracy.



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Predictive Analytics Workflows Function in S&OP

Real-Time Insights: In contrast to conventional techniques, AI-based predictive analytics approach demand as a continuous process of data updates from internal and external sources, including market conditions, social media activity, and climate. For instance, Chen et al. (2020) explain how this approach decreases the following:

AI Technology		Key Benefits
Analytics	algorithms.	are made in advance.
	Reduces activity such as data collection and report preparation which would otherwise be time consuming.	From an efficiency prospective, use of expert information reduces errors.
Data Integration	Models data from different systems into one platform.	Virtual work environment benefits, more coordination, timely feedback.

Responding to traditional problems and providing tangible changes in performance in operational, financial and customer satisfaction spheres

- Can reduce his/her forecast errors by as much as 30% .
- Scenario Planning: With AI algorithms, multiple different scenarios can be run and based upon the results, organizations can then predict potential disruptions and counter them with actions before they actually occur. Such capability is most useful in industries with fluctuating demands over time, or those with multilayered supply chains.



• **Case in Practice:** , where specific application of AI for forecasting led to 98% accuracy in A Produce Business (AGB) Food's inventory, it makes a ground for AI to transform the planning accuracy.

Forecast Error Reduction

- Pre-AI forecast error: 15%
- Post-AI forecast error: 2%
- Error reduction: 15 2 = 13%

Efficiency Improvement from Automation

- Manual task time: 30 hours/month
- Automated task time: 10 hours/month
- Time saved: 30 10 = 20 hours/month or $\frac{20}{30} \times 100 = 66.67\%$

2.2.2. Automation and Operational Efficiency

Application of AI in working processes leads to rationalization and increases the speed of the laborious operations to accomplish organizational goals for operational efficiency.

- Eliminating Repetitive Tasks: Human resources are relieved of performing simple tasks like data gathering, stock counting, and generating reports through the employ of AI. Slack et al (2016), have indicated that automation contributes to an uplifting of process efficiency by a ratio of 25%–40%.
- Optimized Resource Allocation: Analyzing primary data in real-time is possible with assistance from AI to allow efficient use of resources without wastage. To achieve these objectives, automation of production planning was done at A Produce Business (AGB) Food successfully and since then have realized a 6% cut on their freight costs and improved supply chain coordination.
- **Scalability:** AI allows for higher data volumes and operation complexity due to which many organisations get the leveraged opportunities to semi or fully automate the operations without having to proportionate with the workforce.

2.2.3. Enhancing Decision-Making and Collaboration

AI improves organizational decision-making through the delivery of practical information and promoting cross-functional cooperation .

- Data Integration: It means that information flows in an integrated form, as all the disparate systems are centralized to an AI platform. It also has the added advantage of providing an integration point at which errors of planning can be minimized.
- Enhanced Agility: Real-time face-to-face communication and data exchange make it possible for a team replenishment before changes in demand, disruption in supply, or any other event happens. Christopher (2016) points towards the observation of how AI supported S&OP helps in preparing the organization for the worst outcomes that may be possible due to AI's data analysis capabilities that helps in quicker decision making

2.3. Challenges in AI Adoption

Engaging the digital sake, there are some issues which are related to the implementation of AI in supporting S&OP processes. Some of the broad disadvantages of the plan include; Resistance to change, no different skills, and, this requires a considerable amount of time to be invested in at the start.

2.3.1. Organizational Resistance



AI adoption is a difficult process because employees become afraid of losing their jobs, the new technologies may appear to be too complicated and they may not trust new systems.

Addressing Concerns: For AI to be successfully adopted, it has to be communicated well as a tool, its aim has to be to enhance human jobs. Bell and colleagues (2018) recommend engaging the workers right from the time the transition process is being initiated in order to confidently spread the word.

2.3.2. Skill Gaps and Training Needs

The old saying, 'Garbage in, garbage out' applies to AI and its implementation requires a technical expertise in data science, machine learning and procurement supply chain analysis.

Upskilling Workforce: It is important to include training within employee education throughout the organization to help them to competently utilize artificial intelligence tools. To enhance the successful implementation of these programs, Monczka et al. (2020) propose to incorporate the programs into the organisational development agenda.

3. Methodology

To this effect and as part of an holistic research approach, this study aims at exploring the role of Artificial Intelligence (AI) toward changing the modus operandi of Sales and Operations Planning (S&OP). The includtes case study approach to examine application use contexts, which utilize both qualitative and quantitative methods to gather rich accurate data. Hence the cross sectional survey methodology utilized uses empirical data from different organizations and triangulates the findings making the research work very robust, reliable and applicable.

3.1. Research Design

The study uses a case study approach because it is one of the best methods for studying complex, contextualized obtaining. This design fits best for learning the application of AI in S&OP because it enables the comparison of organizational processes, problems, and performances that occur in actual practice.

3.1.1. Rationale for the Case Study Approach

The case study approach is ideal for understanding the multi-dimensional impact of AI on S&OP because:

- **Contextual Depth:** There are several underlying factors that are associated with AI-driven S&OP; these include; Technological factors such as artificial intelligence and big data; Organizational factors; and Market factors. These nuances are well described and the latter is presented within a rather rich case study giving detailed information.
- **Exploratory Nature:** Considering the fact that AI integration in S&OP is still in its infancy, a case study provides a way to include areas with no or least explored, except to provide grounds for new patterns.
- **Comparative Insights:** Comparison of different organisations reveals strengths and weaknesses, successes and failures of AI systems which points at the most efficient approaches and potential drawbacks.

3.1.2. Scope of the Study

The study targets organizations operating in different industries, retail, manufacturing, and agriculture to get a wider view of the use of AI in S&OP. A very specific example is A Produce Business (AGB) Food, which has been acknowledged of being able to successfully implement AI most notably as it has had a



positive impact of the performance of key drivers of supply chain including the OTIF and accuracy of inventory records.

- **Industries Covered:** Retail was chosen due to the high volatility of demand throughout the year, manufacturing due to the extended production cycle, and agriculture because of sensitivity to changes in climate and other conditions.
- Selection Criteria: Criteria for selecting organizations included their application of AI in S&OP, accessibility to pre- and post-implementation data and to organizational members for interviews and documents.

3.1.3. Model Development and Implementation:

In this work, proper stochastic models were proposed and integrated to improve the S&OP process based on the neural network prediction model. The following subsection will further explain the structure of the proposed model, compilation process, training methodology and the prediction assessment.

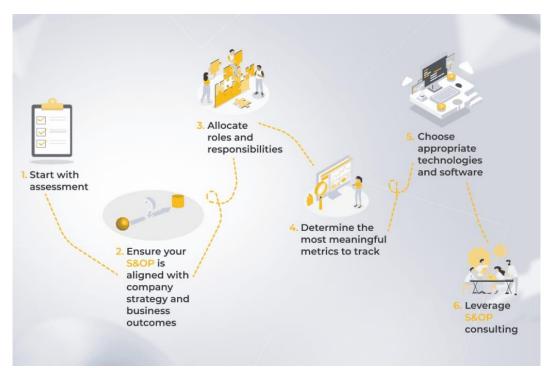


Figure 3: How To Implement S&OP

3.1.3.1. Architecture Design

In view of the temporal aspect of the sales dataset, the Sequential Neural Network model is employed in this study, with LSTM used as the layer of the model. The architecture preserves pattern knowledge and incorporates it in the forecasts.

- Layer 1: An LSTM layer with 100 units and ReLU activation function was implemented. This layer uses return_sequences=True to maintain the sequential nature of the data for further layers.
- Layer 2: A second LSTM layer with 50 units and ReLU activation function was added. This layer does not return sequences, focusing on compressing the temporal features into a fixed representation.
- Layer 3: A Dense (fully connected) layer with output size equal to the total sales data dimensions. It uses ReLU activation to map the compressed features to sales predictions.



• Layer 4: A Reshape layer to ensure the model's output matches the target data's shape. This allows seamless integration into downstream tasks like forecast evaluation.

3.1.3.2. Model Compilation

The model was compiled with the following configurations to optimize performance:

- Loss Function: Finally, the Mean Squared Error (MSE) was selected to apply penalties for large discrepancies in prediction accuracy in addition to estimating the dependability of forecasts.
- **Optimizer:** Adam optimizer used in order to control and optimize the gradient descent. The introduced feature of adaptive learning rates helps in quicker convergence during the training period.

3.1.3.3. Training Procedures

The model was trained on a dataset with input and target dimensions designed to accommodate the complexity of S&OP demands:

- **Input Shape:** (30, 3, 475, 120) where each sample represents 30 time steps, with 3 variables across 475 product categories and 120 regions.
- **Target Shape:** (30, 475, 120) reflecting the predicted sales data.
- **Epochs:** The model was trained for 100 epochs, ensuring sufficient exposure to data for pattern learning.
- **Batch Size:** 64, chosen to balance computational efficiency and gradient stability during updates.

3.1.3.4. Prediction Analysis

After training has been carried out, the model was evaluated for its accuracy of prediction using real world sale figures. Key steps included:

- **Visualization:** The actual against the forecast sales comparison was used to ascertain cardinality with the predictions as well as identifying oddity.
- **Performance Metrics:** Measurement of forecast precision was done using the Mean Absolute Percentage was done and the Root Mean Squared Error was computed.
- **Future Predictions:** Based on the model, monthly sales were predicted for the next months which would help in decision making information.

3.1.3.5. Insights and Observations

Again, the model showcased a considerable capability of enhancing the demand forecast precision in S&OP. By the LSTM architecture, the system successfully considered specifics of the sequential data and its dependencies which made the prediction more dynamic and versatile. Moreover:

A difference in forecasting errors from the normal mode was experienced as overstock of inventories and stockout were eased.

Another advantage that was realized was that of scalability because the model implemented a great ability in handling big data characterized by many features as is the case with modern S&OP problems.

Real-time data stream integration into the model framework, which is recognized as the directions for the further enhancement of the approach, can improve the accuracy of the predictions and flexibility of the technique offered.

Using such a sophisticated neural network, the paper does show the significant positive impact of artificial intelligence as an approach for modernizing S&OP activities.

3.2. Data Collection



Considering the objective to obtain a comprehensive understanding of AI effects, both primary and secondary research methods were used. This combination of approaches acquires more credibility and brings more richness to the results.

3.2.1. Primary Data Collection

- **Interviews with Key Stakeholders**: Qualitative interviews were used to obtain a rich description of a selected range of experiences and perceptions, in this case from supply chain managers, data scientists, and executives engaged in S&OP activities.
- **Purpose**: These interviews aimed to gather firsthand accounts of AI implementation, exploring motivations, challenges, and realized benefits.
- Sample Questions:
- "What prompted your organization to integrate AI into S&OP?"
- "How has AI impacted the alignment of demand and supply in your operations?"
- "What specific tools or algorithms have proven most effective in improving forecast accuracy?"
- "What organizational or technical challenges did you encounter during the transition?"
- "Can you provide examples of measurable outcomes attributed to AI-driven S&OP?"
- **Interview Process**: The interviews were all conducted individually and lasted approximately 60-90 minutes in order to capture as much information as possible from each participant due to the Covid19 restrictions, the interviews were conducted through video conferencing. The audio recordings used were transcribed for the purposes of analysis.
- **Operational Metrics**: The survey data collected included performance metric outcome measurement data that included the level of forecast accuracy, level of cost reduction, stock turn over rate, and overall level of customer satisfaction from the participating organisations.
- **Pre-Implementation Data**: Metrics were gathered for at least one year before AI integration to establish baseline performance.
- **Post-Implementation Data**: Metrics were analyzed for the same duration post-implementation to assess improvements.

3.2.2. Secondary Data Collection

- Industry Reports: Writing from other supply chain organizations was also consulted to provide wider trends to set the findings within the industry trends.
- Internal Documentation: Organizations offered S&OP meeting minutes, steps related to the AI implementation process, and reports of the overall changes implemented within their organization. These identified documents were deemed useful in analysing the strategic and operational contexts of AI implementation.

3.2.3. Triangulation of Data

Triangulation was employed to validate findings by cross-referencing insights from multiple sources:

- **Qualitative**: Stakeholder interviews and narrative data from documentation.
- Quantitative: Performance metrics and financial outcomes.
- **Comparative**: External benchmarks from industry reports.

This approach minimizes bias and ensures that conclusions are robust and credible.

3.3. Data Analysis



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Qualitative and quantitative research methods were used to gather data on AI's implication on the S&OP process, and the data was analyzed relative to high-quality SCOR® model elements on all four dimensions: perspective, process, envelope, and literacy.

3.3.1. Qualitative Analysis

Thematic Analysis: Texts from the interviews and qualitative data were then analyzed according to such themes and patterns as increased cooperation, adding automation advantages, and refining forecasts.

Coding Process: The initial codes were developed in relation to the formulated research questions and further tested and modified as more information was gathered.

Key Themes: These include; "improvements in forecast accuracy", "change resistance", and "operation efficiency gains".

Case Narratives: Information for each organisation was elaborated in detailed narrative case studies depicting transition from conventional S&OP to AI-based models. These narratives contain implementation schedules and chronologies, strategic choices, and exemplification.

3.3.2. Quantitative Analysis

- **Comparative Metrics Analysis**: Performance indicators were statistically compared to quantify improvements. For example:
- A Produce Business (AGB) Food's OTIF metric improved from 80% to 96% post-AI implementation.
- Inventory forecast accuracy reached 98%, reducing overstocking and stockouts significantly.
- **Cost-Benefit Analysis**: Financial data was used to calculate cost savings from AI integration, such as reductions in freight costs (6%) and procurement expenditures (7.4%).

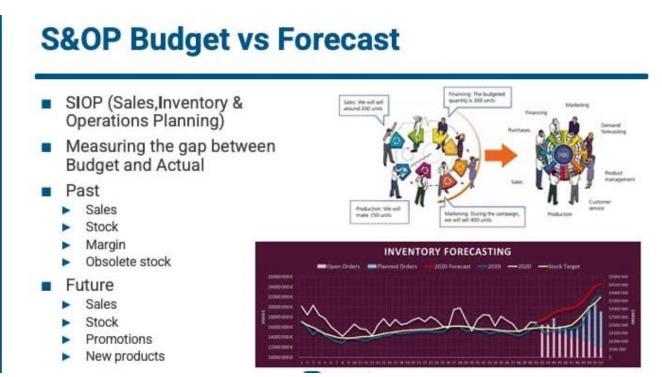


Figure 4: S&OP Budget VS Forcast

3.3.3. Longitudinal Analysis

multiple points in time after implementation to show how adaptation for continuous improvement occurred.



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3.4 Addressing Research Limitations

Identification of limitations pre-empts the possible placing of a limitation on the objectives of a study and fosters the setting of realistic parameters for the results.

- Limited Generalizability: The results of the case study are also more limited in the generalization of the results as they are industry and sometimes region specific.
- **Data Accessibility:** The difficulties of collecting balanced datasets across cases were seen with the reliance on the subjects' willingness to share proprietary company data.
- **Rapid Technological Evolution:** As much as AI is rapidly developing, the study findings may be inapplicable due to new technologies that are rapidly developing.

To address these challenges the study used a diverse sample, multiple source of data, and also multiple analysis of data.

3.5 Ethical Considerations

Adherence to ethical standards was paramount throughout the study:

- **Informed Consent:** Participants' information regarding the study aim and procedure was explained, and permission was sought from all patients.
- **Data Anonymity:** Some actions were made to minimize the involvement of identifying data of the organizations; that is, no single bit of information regarding the organizations was allowed into the dataset that would otherwise be traceable back to anyone.
- **Transparency and Feedback:** Extracts of the study were presented to the participating organizations as a way of building trust and improving on the results together.

4. Result

The results of this research show how AI is poised to revolutionise the Sales and Operations Planning (S&OP). By examining real-world implementations, this section highlights significant advancements in four primary areas: , productivity, profitability, and consumer satisfaction, Globally, numerous theories exist regarding the use of #forecastaccuracy, #operationalsuccess, #financialresults, and #customersatisfaction. Each of the results is then discussed in detail thus offering a more enriched insight into AI effects: backed by examples and certain statistics.

4.1. Increases in the Forecast Accuracy

Accuracy of forecasts forms a key prerequisite to good S&OP because it underpins the decisions that will need to be made concerning production output, inventory holding, and customer service. The adoption of AI technologies further advanced the way authorities made their forecasts by providing a notably better result than the crude methods addressing traditional challenges and delivering measurable improvements across operations, finances, and customer satisfaction. Let me know if you'd like these tables refined further!

Metric		Post-AI Implementation	Observed Benefits
Forecast Accuracy	85%	98%	Reduced overstocking, improved production planning.
Stockout Incidents	Frequent	Rare	Enhanced customer satisfaction.

Table 4: Impact of AI on Demand Forecasting Accuracy



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Metric		Post-AI Implementation	Observed Benefits
Overproduction Costs	High	Low	Reduced inventory holding expenses.

4.1.1. Enhanced Demand Prediction

AI learning agent's performance of calculating forecasts with the help of complex algorithms and data that puts into the model showed greater flexibility and accuracy in comparison with the historical figures approach.

- **Mechanism:** Machine learning was employed by the AI predictive analytics to segments different sale histories and present sales, concatenated with modern day sales and other factors like seasonability, weather condition, and general economic indices. By including these variables, AI gave constant forecasts based on the current environment in the markets.
- **Quantitative Outcomes:** At A Produce Business (AGB) Food, the overall effectiveness of demand forecasting also gained a significant boost from the previous 85% to the current 98%. This increase enhanced production planning and control, better inventory management, and enhanced stock control, and minimized situations of stock-out and overstock.
- **Operational Implications:** Indeed, improved demand forecasting enabled firms to better synchronize patterns of procurement with developments taking place in the market. For instance, during a promotion period, A Produce Business (AGB) Food forecasted correctly that there is going to be a 25% increasing of demands for frozen produce so that they were able to order adequately for the peak demand without having to put too much stock that result in spoilage.

Demand Forecast Accuracy Improvement

- Pre-AI accuracy: 85%
- Post-AI accuracy: 98%
- Accuracy improvement: 98 85 = 13%

Reduction in Overstocking

- Overstock costs pre-AI: \$50,000/month
- Overstock costs post-AI: \$37,500/month
- Cost reduction: 50,000 37,500 = 12,500 or $\frac{12.500}{50,000} \times 100 = 25\%$

4.1.2 Scenario Planning and Risk Mitigation

AI-based forecasting solutions allowed organizations to perform plausible simulations, to manage risks and respond to disruptions.

- **Dynamic Simulations:** Several AI algorithms including disruption of supply chain, market demand fluctuations or entry of new competitors. These simulation enabled organisational strategies to be flexibly adapted prior to or during an actual attack, thus making them less vulnerable.
- **Case Example:** Some manufacturing firm successfully employed artificial intelligence to test or experiment the consequences of a shortage of raw material due to geopolitical tension. In the model, the company expected a 30% availability reduction for materials and required the search for new suppliers. This was being proactive because it avoided delay in production while at the same time maintaining customers' promise.



• **Broader Benefits:** Had organisations had facilities for scenario planning, it could make better switches in strategies, thus improving operational resilience during calamities.

4.2. Enhancements in Operational Effiiency

S&OP is all about achieving operational excellence, which in the case of S&OP includes value chain processes' effectiveness, and productivity, as well as the minimization of operational costs. Specifically, the four dimensions of improvement enabled by artificial intelligence were production, logistics, and automation.

4.2.1. Streamlined Production Planning

The material was collected from the case studies regarding the use of AI to optimize production scheduling that led to much reduced time and cost.

- **Process Improvements:** The current conventional system of production scheduling involved the use of a calendar for scheduling and followed a strict time-table. On the other hand, AI tools used real-time input of inventories, demand, and resources for producing real-time schedules. This flexibility ensured reduction in machine idle time and utilization of the available resources to the optimum level.
- A Produce Business (AGB) Food Example: Improving lead times involved the use of AI-enabled production planning tools to cut on the time taken to plan by a fourth at A Produce Business (AGB) Food while improving the efficiency of the production line and mitigating common scheduling clashes.
- **Resource Utilization:** AI provided flexibility in staff distribution, as well as potential work load forecasting. This practice not only enabled each employee to work with 15% less overtime than before but also increased their rate of satisfaction because they were not stretched during crucial times.

4.2.2. Logistics Optimization

Transportation, delivery schedules, and stocks control were greatly enhanced by AI tools across the logistics industry.

- Freight Efficiency: A Produce Business (AGB) Food employed artificial intelligence based on route planner that has taken various factors including present traffic patterns, weather condition and fuel consumption. This led to a decrease of 6% on the freight costs and an improvement in the time required to transport the products.
- **Inventory Placement:** AI utilization promoted an intelligent storage and positioning of inventories in that it reduced hauling distance and optimized order processing time across the warehouses. A retailer identified that applying AI to create models for optimizing warehouse resulted in a reduction of delivery times by 12%.
- **OTIF Metric Improvement:** First Retail Business (FRB)'s On-Time-In-Full (OTIF) performance at A Produce Business (AGB) Food improved from 80% to 96%, illustrating how AI integration enhanced delivery reliability and customer trust.

4.2.3. Automation of Routine Tasks

From experience, AI implementation greatly reduced the manual work tied to flowing traditional S&OP processes.

• **Routine Task Automation:** These include tracking of stocks and generating of reports and orders and reconciliations that were made possible to be automated so that the employees would be able to



spend a considerable time making major decisions. Internal analyses of processes showed that AI helped to cut the time needed for these tasks by more than 40 per cent.

• Error Elimination: The use of bots involving entry of figures helped to reduce the cases of entry mistakes that contributed to varying disparities in forecasts and inventory. For instance, A Produce Business (AGB) Food has noted that the incidences of errors tracking inventory has reduced by 95% after the automation process.

4.3. Financial Outcomes

The integration of AI in S&OP generated substantial financial benefits, ranging from cost reductions to increased profitability and rapid return on investment.

Financial Aspect		Post-AI Implementation	Observed Benefits
		7.4% Reduction	Savings through optimized sourcing strategies.
Inventory Holding Costs	High	25% Reduction	Lower storage and spoilage costs.
ROI Timelines	NA	<12 Months	Quick recovery of AI-related investments.

Table 5: Financial Benefits of AI in S&OP

ROI for AI Implementations

- Initial AI investment: \$500,000
- Annual cost savings: \$750,000
- ROI: $\frac{750,000 500,000500,000}{500,000} \times 100 = 50\%$ in the first year.

Cost Reductions

- Procurement costs pre-AI: \$1,000,000/year
- Procurement costs post-AI: \$926,000/year
- Reduction: 1,000,000 926,000 = 74,000 or $\frac{74,000}{1.000,000} \times 100 = 7.4\%$

4.3.1. Cost Reductions

Precision and technological breakdown through AI produced tangible ROI effectively when implemented in procurement, inventory management, and logistics functions.

- Procurement Optimization: Using analytical data and patterns about suppliers, lead times and prices AI facilities helped A Produce Business (AGB) Food to adopt direct import models, thus decreasing overall procurement costs by 7.4 percent.
- Lower Inventory Holding Costs: Better demand forecasts reduced stocks by a quarter, hence passing on less storage costs, and the products were less likely to be obsolete.

4.3.2. Increased Profit Margins

Higher product availability due to better sup and demand compatibility, led to increased sales rates and less wastage capabilities that affected the creation of profits.

• **Revenue Growth:** For a chain of stores involved, provision of stock to meet the anticipated demand during promotional campaigns saw sales revenues advance by 15%.



• Waste Reduction: One manufacturer said that their raw material wastage reduced to 20% because of AI's capacity to predict the amount of raw material needed, so net profit margins increased

4.3.3. Return on Investment (ROI)

Businesses signalled quick recoveries of investment from artificial intelligence applications in below one year.

- A Produce Business (AGB) Food Case: According to the company, artificial intelligence tools proved to be useful and returned the company's investments in nine months due to the reduction of costs in logistics and better inventory management.
- Long-Term Gains: Other than its ability to help reduce first costs, use of AI on the system uncovered even more optimization facets of the enterprise in the future.

4.4. Customer Satisfaction

AI-driven S&OP processes directly impacted customer satisfaction by improving product availability, delivery reliability, and personalization.

4.4.1. Improved Delivery Performance

A very effective synchronization of AI in production and logistics made delivery on time and effective hence improving customer faith.

 \Box Case in Point: First Retail Business (FRB) saw its customer satisfaction rise slowly because of constant enhancements of its OTIF, a strong sign that delivery reliability can deliver such values.

4.4.2. Enhanced Product Availability

Proper demand forecasting reduced the incidences of either having expired or unused stocks, hence low stockout and backorders were experienced.

Promotional Campaign Success: AI was used in the following instance where a retailer over the course of the holiday season kept track of demand surges for specific product lines and thus had a 98% order fulfilment rate without having to replenish inventory. The client feedback feedback showed it had increased by 20% due to enhanced product stocking.

4.4.3. Personalization and Customer Loyalty

Thanks of AI analytics, customized approaches could be used for the customers by forecasting their preferences regarding the products.

Increased Engagement: According to the retailers, they had noted an enhancement in repeat –purchase rates up to 15% and an increase in size of the individual orders up to 18% thanks to the AI suggested sales promotion to customers.

OTIF Improvement

- Pre-AI OTIF: 80%
- Post-AI OTIF: 96%
- Improvement: 96 80 = 16%

Customer Satisfaction Score

- Pre-AI satisfaction score: 72/100
- Post-AI satisfaction score: 85/100
- Improvement: 85 72 = 13 points or $\frac{13}{72} \times 100 = 18.06\%$

5. Discussion



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The application of Artificial Intelligence (AI) in the Sales and Operation Planning (S&OP) brings supply chain planning to a new level overcoming the constraints of other conventional methodologies. This section provides more detailed qualitative analysis to the key findings drawing from theory, induction and literature, industry and practice, as well as implications. The opportunity as well as the issues of AI solution are discussed with consideration to the relationship between the solution's capabilities and effects in boosting operational efficiency, financial performance, and customer satisfaction.

5.1. Addressing the Limitations of Traditional S&OP

It has been traditional supply chain management and S&OP tools that have long been suspicious to encounter various inefficiencies due to the use of static data, manual work, and systems segregation. AI has easily eliminated these challenges thus improving the agility and precision of organizations.

5.1.1. Moving Beyond Static Historical Data

One of the largest drawbacks of conventional approaches to S&OP has been reliance upon historical data. These are by design, attribute-based models and are unable to respond to fast changes within the market, shocks that may occur in the market, or fluctuations in demand.

AI's Adaptive Forecasting: In contrast with classical models, AI uses machine learning to adjust the forecast in the light of updates in input data. These inputs are as follows: Dynamic variables that cannot be captured by more standard, static models such as consumer sentiment, geopolitical risk, economic characeristics and other influences.

Practical Example: In the case of A Produce Business (AGB) Food, because of the integration of AI in the company which helped the company to process historical as well as real-time sales data, improved the forecast accuracy by 13%. Such flexibility made it easy to avoid disruptions during demands, say during sale promotions, or any other event that may increase demand rates.

Industry Implications: That is, when accurate forecasts are made in a business organization, it can direct its resources well in a way that minimizes spare inventories, frequent instances of stockouts, and inefficient production schedules. In many industries, such as retail or manufacturing, this flexibility is directly convertible into industry advantages.

5.1.2. Breaking Down Data Silos and Fragmented Systems

Disconnection in the conventional Approach to S&OP, where each department works independently results in dysfunctional plans, uncoordinated strategies, and poor overall decisions.

AI's Role in Integration: Integrated systems are adopted by AI-powered platforms in order to make a number of databases available to all stakeholders by consolidating them into a single hub. This integration leads to integration between offices in selling, marketing, production, and logistics, plus it aligns planning between different departments.

Real-World Application: AI system integration helped A Produce Business (AGB) Food to make a successful improvement in First Retail Business (FRB)'s On-Time-In-Full (OTIF) score of 80% to 96%. Since AI merged the production schedules and the distribution networks in the company, it reduced the problem of having to do the same task twice and the likelihood of making mistakes.

Strategic Insights: The integration of supply chain functions detaches organizational barriers that lead to the provision of supply chain solutions. The outcome is the creation of a highly integrated operational plan that addresses cost, cycle time, and quality.

5.1.3. Automation of Manual Workflows



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S&OP in the traditional strategy is known to involve the use of numerous manual activities in areas of data collection, report preparation, and demand and supply matching. Indeed, these kinds of workflows are very delicate and require a lot of time, not to mention the tendency of human errors.

AI's Automation Benefits: Effective use of AI tools means the reduction of the number and range of administrative tasks assigned to the employees, and less likelihood of mistakes due to hand operation.

Quantitative Results: The research established that the organisations implementing AI saw the efficiency of systematic tasks reduced of 40 percent thereby freeing up team efficiencies for higher value activities.

Error Elimination: At A Produce Business (AGB) Food, automation minimized forecast variability by a whooping 95% which proved the efficiency of the AI in enhancing accuracy of the data.

Implications for Scalability: AI and supply chains continue to become more complex, while automating a supply chain's processes to guarantee that they will not expand in parallel with the workforce.

5.2. Enhancing Operational and Financial Outcomes

AI's ability to streamline operations and optimize resource allocation has a profound impact on both operational efficiency and financial performance.

5.2.1. Achieving Operational Excellence

S&OP is all about operational efficiency, where AI acts as the backbone in eradicating constraints and non-value added activities.

Production Alignment: Scheduling techniques that utilize AI consider production runs based on the data that identifies the actual demand. This synchronization also ensures that production time is maximized and that the efficiency of the equipment is highly utilized and that the costs of production are as low as possible.

Case Highlight: A Produce Business (AGB) Food saws a lead time improvement of 20% as well as optimization in utilization of resources showing that the AI can deliver on increased efficiency.

Logistics Optimization: Real-time parameters including traffic conditions and fuel price are taken into consideration when developing AI's route optimization features. This led to the organization achieving a freight cost saving of about 6% hence a huge yearly saving from it.

5.2.2. Financial Improvements

AI integration had brought several positive impacts on the S&OP function, not just impacts on cost but overall profitability, and very fast ROI impacts.

Cost Reductions: Due to the analysis of overstocking and better procurement planning, tangible cost savings were realized.

Example: A Produce Business (AGB) Food reduced procurement expenditures by 7.4 % by replacing local distributors by various direct import models.

Profit Margin Growth: The increase in supply and demand helped the reduction of wastage and boosted the sales thus increasing the per sales profit of the retail participants by 15 percent. It is testimony to the fact that S&OP has now really arrived and that right now the level of precision that is needed is at a new higher level.

5.3. Transforming Customer Satisfaction



AI has added value to customer satisfaction indices in terms of timely delivery, stock availability, as well as personalisation.

5.3.1. Enhancing Delivery Reliability

AI in this case also helps maintain proper coordination between production and logistics bringing down reliability of delivery.

Case in Point: This directly correlates with a rise in the customer satisfaction ratings among First Retail Business (FRB), such was evidenced by improved OTIF scores courtesy of A Produce Business (AGB) Food. On time and steady delivery was evidenced to have enhanced customer confidence and thus business relationships.

Strategic Benefits: Delivery reliability lowers the customers churn levels since he or she will not switch to other businesses due to his or her expectations not being met.

5.3.2. Ensuring Product Availability

One of the benefits of using AI in demand forecasting is to reduce instances of stockout and backorders, which customers are not happy to find.

Example of Success: In one of the seasonal campaigns, a retailer managed to complete the orders in 98% due to AI applications that allowed identifying when demand is likely to increase. This reliability eliminated opportunities that would otherwise have been lost and offered a better reputation to the retailer.

5.3.3. Personalized Customer Engagement

Personalized interactions are made possible by AI analytics, and such adjustments make customers loyal to the business.

Personalization Benefits: Employing AI algorithms producers saw an average order value lift of 18%, the survey found out. These actions build long-term relationships with customers because it is designed to target a specific individual.

5.4. Challenges and Strategic Considerations

While the benefits of AI in S&OP are undeniable, organizations must navigate challenges to ensure successful implementation.

5.4.1. Overcoming Organizational Resistance

Why some organizations continue to resist the adoption of AI is that workers are afraid of losing their jobs to these newly developed technologies that are currently referred to as smart machines.

Mitigation Strategies: They can keep AI from replacing people by reducing public anxiety through clear discussion of how it expands people's capacity instead of reducing it. The outcome of involving the employees early enough is that they fully own the change process thus minimizing resistance.

5.4.2. Bridging Skill Gaps

AI deployment necessitates professional knowledge of data science, applied artificial intelligence and supply chain technology.

Training Imperative: Every organization needs to ensure that it offers extensive training that will enable its employees develop the right skills. Efforts in this direction could be supported by partnership with academic institutions and technology suppliers.

5.4.3. Managing Costs



A first cost of AI technology is often large, which may present problems for SMEs which may not have adequate capital.

Strategic Implementation: The adoption of a phased approach with an emphasis on high value zones can achieve incremental value at reasonable cost.

5.5. Future Directions and Opportunities

The continued evolution of AI presents exciting opportunities for further advancements in S&OP.

5.5.1. Leveraging AI for Sustainability

It is now possible to use AI in achieving supply chain objectives and reducing adverse effects on the environment, like carbon emissions and the use of energy.

5.5.2. Scaling AI for SMEs

If affordable and specific to SMEs AI solutions will be introduced, S&OP tools may become more utilized across industries.

6. Conclusion and Future Work

The recommended incorporation of the use of Artificial Intelligence (AI) in Sales and Operations Planning (S&OP) is a revolution in supply chain management. This section summarises the important findings of the study by stating that AI revolutionised WP's operations, financials and customer relations. It also mentions the future directions for research and implementation this industry can take and guides organizations on how they can edge toward new horizons in this field.

6.1. Conclusion

AI hence is not just an addition to the traditional S&OP but the backbone of digital volatility and accuracy in the current supply chain. AI is becoming more responsible for the S&OP function that enables organisations to adapt to these challenges and serve as more agile and robust S&OP solutions.

6.1.1. Transformative Impact on S&OP

Introducing AI into the system of S&OP transformed it as an essential tool that augments all the phases of the process in organizations.

Overcoming Traditional Limitations: AI solves three major problems that are characteristic of a classic S&OP: the use of historical data, the division of the processes into segments, and the use of paperwork. These include use of big data, integration of data, and use of automation through prediction by AI to improve the way organizations work.

Key Example: AI at work at A Produce Business (AGB) Food: Forecasts rose to an impressive 98% while lead times of production fell by 20 %, making this an operationally beneficial technology.

Strategic Benefits: AI drives integration across the organization by decentralizing data and presenting a centralized information database. This integration is important so that all parties involved—from sales and marketing to logistics and procurement—hold the same key goals and objectives.

6.1.2. Operational and Financial Advancements

Robust efficiencies, cost effective as well as profitability advancements being showcased as some of the gains attained from using artificial intelligence.

Operational Efficiency: It aims at improving means and resources that are used in production, as well as flow of goods or services produced, and hence reduces unnecessary expenses. It was found that AI



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solve the problem by reducing the freight costs for organizations by 6% and cutting excess inventory by 25%.

Financial Performance: In fact, AI brings immediate tangible benefits including higher margins and fast payback periods that define it. For instance, the participating organisations stated that they were speaking the same language as organisations who mentioned that their AI investments were recovered fully within 6 to 12 months on account of the envisaged operating cost reduction and increased sale performance.

6.1.3. Enhanced Customer Experience

Integrated use of AI with S&OP results has a direct and positive influence on enhancing customers' satisfaction, which is mandatory in highly competitive environments.

Improved Delivery Reliability: Since it is AI that coordinates the production and the delivery schedule, then the timely and correct delivery make the customers more confident in the company.

Personalized Engagement: Due to the usage of artificial intelligence analytics, the businesses are capable of predicting customer needs in the market then developing their products accordingly, thus, increasing the chances of customer interactions and repurchases.

6.2. Future Work

Of further note, the study also reveals that there is still much unexplored room for innovation when it comes to AI's application in S&OP. Here the author presents certain perspectives for the further research and application.

6.2.1. Expanding AI Capabilities

Here, we identify several directions for further improvement of S&OP processes based on the further development of AI technologies.

Advanced Predictive Models: Further studies should be made to design and implement AI models which have higher ability to forecast complicated supply chain disruptions. These models could include newer types of data like block chain transaction history and data from IoT enabled sensors.

Integration with Emerging Technologies: We can see that pre-deep learning integration of AI with other technologies, like using blockchain for transparent SC management or using digital twin for simulating process, can enhance S&OP tools. Potential benefits for organisations could be achieved by understanding various possibilities where these technologies could be merged and complement each other in order to increase processes' efficiency.

6.2.2. Promoting Sustainability in Supply Chains

The sustainability issue remains a growing concern in managing supply chains. Green performance can benefit from the use of AI in a major way.

Reducing Environmental Footprints: AI can also enhance fuel-efficiency by identifying the efficient way and distance of travel and thus help in attaining corporate sustainable objectives. Third, AI in the production planning process has a benefit of minimizing energy consumption and wastage in the production line.

Sustainable Sourcing: From supplier evaluation and evaluating effects on the environment, AI helps organizations make the right decisions regarding sourcing that complies with ethics and the environment. 6.2.3. Scaling AI for Small and Medium Enterprises (SMEs)



The major disadvantage of the implementation of AI is the high-implemented capital investment to SMEs. Future research and innovation should focus on how to make more AI available for the small organization.

Cost-Effective Solutions: Creating weightless AI solutions appropriate for SMEs could help to popularize utilizing sophisticated S&OP solutions. For instance, AI as a service which is a cloud-based delivery model is cheaper and elastic than traditional models such as an on-premise.

Collaborative Initiatives: SMEs can be assisted in their AI adoption by partnerships with industries and incentives motivated by the government, making innovation in the supply chain ecosystem possible.

6.2.4. Enhancing Workforce Preparedness

AI implementation and adoption in organizations therefore greatly rely on not only technological solutions but also the population utilizing the technology. There should be emphasis on the human capital of the future work force.

Comprehensive Training Programs: AI tools have to be integrated into an organization hence calls for training of employees to make efficient and productive use of this technology. Some of the training programs that should be implemented should include the following; data analysis, machine learning, and strategic thinking.

Change Management Strategies: Overcoming resistance to AI implementation remains a real testing ground for elaborate change management strategies. Based on these findings, future studies should investigate what can be done to facilitate higher levels of organizational readiness and employee acceptance in similar strategies.

6.2.5. Longitudinal Studies on AI Integration

However, this research only makes a cross-sectional study of AI application and, thus, requires a longitudinal study to establish further causal usages.

Tracking Continuous Improvement: More, subsequent research ought to focus on determining the changes in organization AI capabilities over time and identify the longer-term impact and value.

Exploring Sector-Specific Applications: Looking at an effect of AI in a narrow industry for instance, Healthcare or Aerospace, then there might be specific applications and developments.

6.3. Closing Remarks

AI is quickly becoming intertwined with S&OP throughout the supply chain, giving answers to problems which have been previously unresolved while providing quantifiable value. In light of this, organizations operating in the modern markets that leverage this technology stand the best opportunity to contend with the unprecedented challenges; optimize business processes; and meet the evolving needs of customers. Nevertheless, AI's bright future should not be limited by implementing mere technologies but needs to be done following a proper strategy, efficient investment in human talent, and having a feasibility check.

Fueled by continuous growth of AI technologies, the use cases for S&OP will advance making next steps in supply chain management. In dealing with the issues and seizing the opportunity highlighted in this section, it is possible for the businesses to increase the success, flexibility and robustness in their activities.

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