

A Primer for Implementation and Improvement

# S&OP Jumpstart!



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nexview 

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# Contents

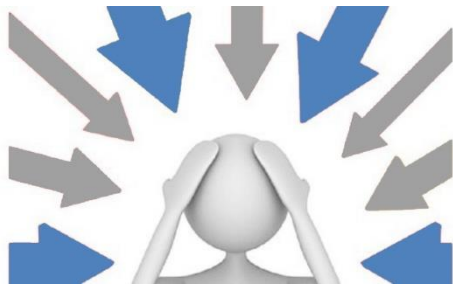
All companies need S&OP	1
Key design elements	4
Roles & responsibilities	6
Use a proven implementation approach	7
IT is required to enable S&OP	8
8 levers for performance	10
Results are necessary for success	12
Change needs active management	14
Do you need a consultant?	15
Review offer	16
About the author	17
See more on Nexview Online	18
About Nexview Consulting	19

# All companies need S&OP

The challenges in today's global environment make business tougher all the time.

- Uncertainty and Variability
- Complexity
- The pressure to implement new technologies
- Not enough staff or resources
- Political unrest, natural disasters, and pandemic
- The pressure to just deliver more

If your team isn't functioning like a well-oiled machine to be proactive and make coordinated decisions in the best interest of the whole that produce results, the leader(s) won't be there too long. I've seen the pressures on my clients only get larger as time goes on. They need all the tools they can get.



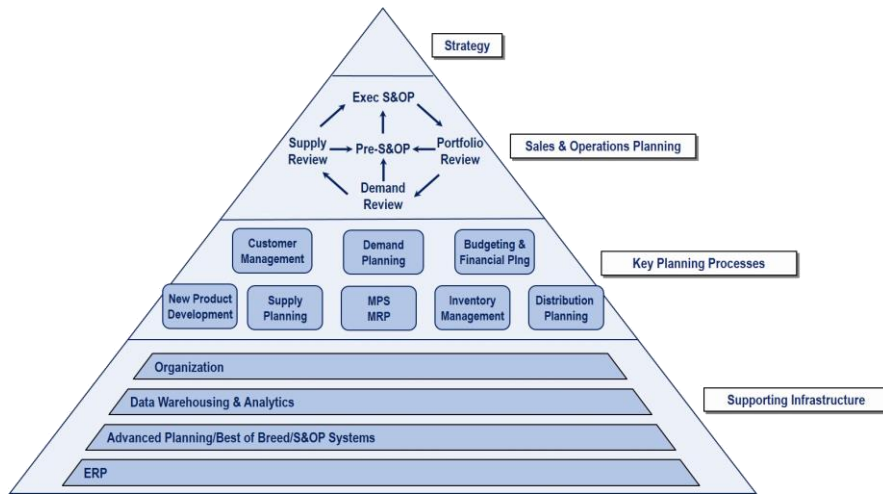
S&OP defined.

S&OP is management's vehicle for planning, communication, performance management, and intermediate-term decision making across functions to meet company objectives.

S&OP is a linking process.

S&OP sits below corporate strategy and above the functional planning processes. I often find that companies have a strategy and can execute the day-to-day with varying degrees of efficiency, but it's this middle layer of intermediate-term planning that is often missing or ineffective. I like to say that S&OP "operationalizes" the strategy.

# All companies need S&OP



S&OP is an aggregate level discussion (e.g. product family/brand, business unit, enterprise), it's not in the weeds of SKUs and individual orders. There's some infrastructure to it as well. We'll discuss more about these things.

**The middle layer that connects strategy with execution is often missing or ineffective.**

## Characteristics and benefits of S&OP include:

- A structured, repeatable, collaborative framework that defines accountability for underlying processes and results
- Led by senior management
- Exception-based discussions
- Consistent plans used throughout the organization
- Management of financial gaps while there is still time to do something about it
- Alignment of discussion and decisions across functions in accordance with the strategic direction of the company
- Business performance management across the enterprise
- Platform for continuous improvement in the company
- Leadership development and improved teamwork in the company

The most common functions with the largest roles in S&OP include:

- Sales
- Marketing
- Demand Planning



# All companies need S&OP

- Operations and Supply Chain (including functions such as planning, manufacturing, inventory management, procurement, distribution)
- New Product Development/Portfolio Management
- Finance

The exact design and involved functions depend upon your value chain. While S&OP may have started in manufacturing, it has now expanded beyond that in recent years to very different value chains. Nexview has a few experiences here.

When you ask which companies or industries need S&OP, you can also ask which companies need to forecast their business, align resources to meet demand for goods and/or services, and then translate that plan into a set of financials.

***Sounds like every company to me.***



# Key design elements

## The “typical” S&OP flow

In the most basic and tangible sense, S&OP is a set of meetings. While each S&OP design and the terminology used needs to be matched to the needs of the business, there is a best practice baseline design that has evolved in manufacturing companies.



S&OP is a continuous process which I why I draw the cycle as shown. While there’s a linear sequence within any one monthly cycle, the

teams are continually working their areas, including preparing for the next cycle when their part in the current one finishes.

## Other important parameters to determine are:

- The planning horizon (no. of rolling months in the future the process will cover)
- The frequency of the meetings (usually monthly)
- The S&OP Calendar – Defining the week of the month each S&OP component (meeting) takes place
- The frozen period or time fence for planning

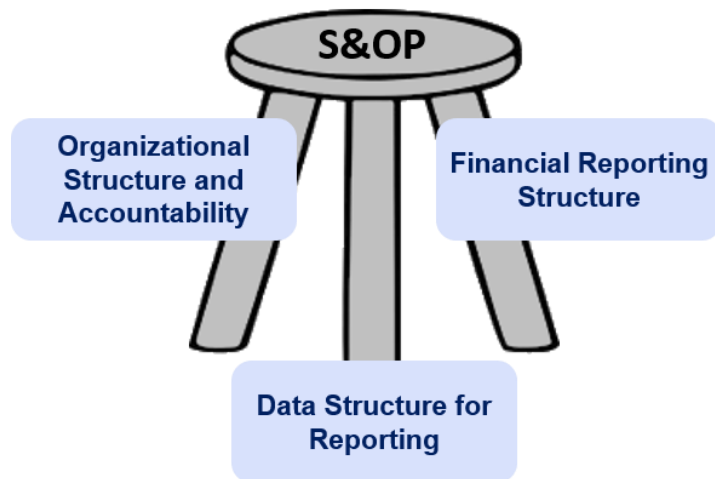
## The basic components aren’t the full design.

S&OP designs need to be integrated with the organization design and the way the company financially reports. For larger organizations (e.g. multiple business units, regions, plant sites) this can often require some discussion and may lead to discussion about if the company structured the right way.



# Key design elements

The S&OP design should align across these 3 legs.



Other design questions to be answered include:

- How many different meetings of each type should we have?
- How does the rolling period needed for S&OP integrate with the budgeting horizon?
- Do we need regional/BU level S&OP's first then roll those up to a corporate one?

I discuss these things, more on best practices, and process maturity characteristics in some of my other publications.

## Summary of S&OP components

Item	Portfolio Review(s)	Demand Review(s)	Supply Review(s)	Pre-S&OP(s)	Executive S&OP
Typical Timing	Week 1	Week 1	Week 2	Week 3	Week 4
Objectives	<ul style="list-style-type: none"> <li>■ New products</li> <li>■ Discontinuances</li> <li>■ Profitability</li> <li>■ Promotions</li> <li>■ Manage budget &amp; KPIs</li> </ul>	<ul style="list-style-type: none"> <li>■ Confirm Demand Plan</li> <li>■ Manage budget &amp; KPIs</li> <li>■ Identify issues</li> </ul>	<ul style="list-style-type: none"> <li>■ Confirm Supply Plan</li> <li>■ Identify constraints &amp; issues</li> <li>■ Manage budget &amp; KPIs</li> </ul>	<ul style="list-style-type: none"> <li>■ Confirm Operating Plan</li> <li>■ Resolve cross-functional issues</li> <li>■ Manage budget &amp; KPIs</li> </ul>	<ul style="list-style-type: none"> <li>■ Confirm Operating Plan (enterprise view)</li> <li>■ Resolve executive cross-functional issues</li> <li>■ Strategic decisions</li> <li>■ Manage budget &amp; KPIs</li> </ul>
Owner and Facilitator	<ul style="list-style-type: none"> <li>■ VP Marketing</li> <li>■ Product Mgmt</li> </ul>	<ul style="list-style-type: none"> <li>■ VP Sales</li> <li>■ Demand Mgr(s)</li> </ul>	<ul style="list-style-type: none"> <li>■ VP Operations</li> <li>■ Supply Planner</li> </ul>	<ul style="list-style-type: none"> <li>■ S&amp;OP Sponsor</li> <li>■ Director of SC</li> </ul>	<ul style="list-style-type: none"> <li>■ CEO/GM</li> <li>■ S&amp;OP Sponsor</li> </ul>
Outputs	<ul style="list-style-type: none"> <li>■ New product demand</li> <li>■ Info for supply chain</li> </ul>	<ul style="list-style-type: none"> <li>■ Confirmed unconstrained Demand Plan</li> <li>■ Issues for Pre-S&amp;OP</li> </ul>	<ul style="list-style-type: none"> <li>■ Confirmed Supply Plan</li> <li>■ Issues for Pre-S&amp;OP</li> </ul>	<ul style="list-style-type: none"> <li>■ Confirmed Operating Plan</li> <li>■ Decisions</li> <li>■ Issues for Executive S&amp;OP</li> </ul>	<ul style="list-style-type: none"> <li>■ Confirmed Operating Plan (enterprise view)</li> <li>■ Decisions</li> </ul>
Participants	<ul style="list-style-type: none"> <li>■ Marketing</li> <li>■ Demand Mgmt</li> <li>■ Finance</li> </ul>	<ul style="list-style-type: none"> <li>■ Sales</li> <li>■ Demand Mgmt</li> <li>■ Finance</li> </ul>	<ul style="list-style-type: none"> <li>■ Supply Mgmt</li> <li>■ Operations</li> <li>■ Procurement</li> <li>■ Finance</li> </ul>	<ul style="list-style-type: none"> <li>■ Directors and Managers</li> </ul>	<ul style="list-style-type: none"> <li>■ Management Team</li> </ul>



# Roles and responsibilities

Like any process, roles and responsibilities need very specific definition. This means written out and shared during specific training (we often use the common RACI approach).

## The sponsor is the key role.

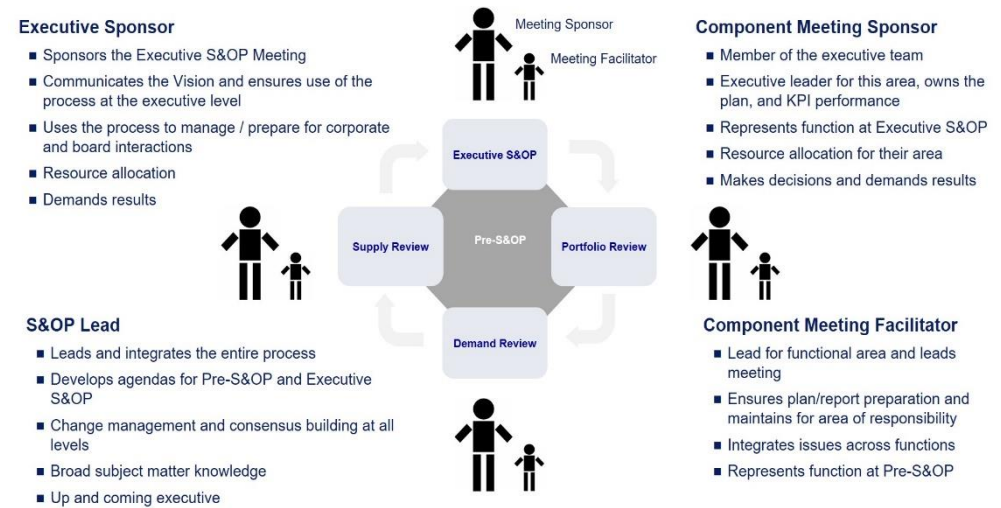
In S&OP, the most important role is the overall sponsor. If the sponsor isn't at least a Vice President, you won't have a true S&OP process. If the sponsorship isn't at the right level, the important decisions for the company will be made outside of the process and S&OP will be used for tactical execution coordination. While this is still necessary, it just isn't S&OP. A sponsor needs to:

- Allocate resources and ensure executive participation
- Ensure the key decisions are made through the process
- Communicate the vision, be visible, and accountable
- Provide guidance
- Demand results

The sponsor can come from any part of the organization as long as s/he has the background and cross-functional influence. Most sponsors are either P&L owners or Vice Presidents of Supply Chain.

The component meetings also have sponsors. These are the functional VPs and owners of the underlying processes and plans who also participate in the Executive S&OP meeting.

## S&OP roles and responsibilities



## Finance is now an integral part.

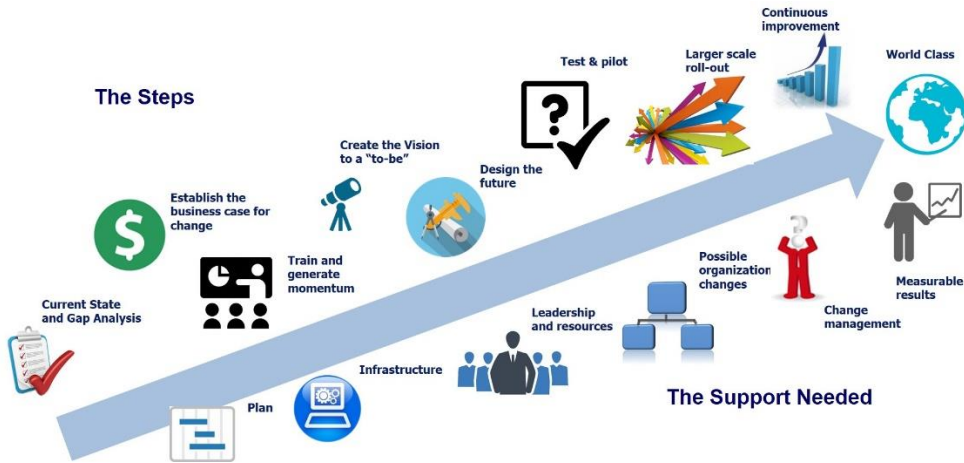
Finance is an integral part of each meeting and needs to keep the focus on the budget, monetize volume plans, integrate S&OP with the budgeting process, and help with business cases for scenarios to support decision making.



# Use a proven implementation approach

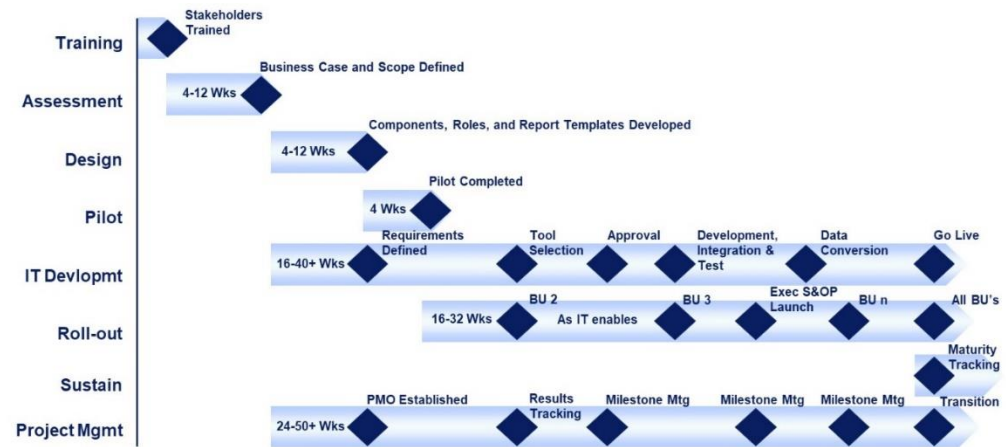
If you haven't been through this before, you may be wondering what the big deal is. Isn't this just a few meetings? Yes, it's meetings, but also reports/plans and KPIs that are all linked and layered. It fits with the org design and integrates with an executive management system above, and the tactical processes and execution below. Pretty easy to understand what the meetings are, but it gets more complicated beyond that. Many implementations are sub-optimal or just fail.

**Nexview's methodology has been proven over many implementations.**



Of-course the approach isn't cookie-cutter, we adapt it each time, but these overall steps are usually required.

**A project duration is highly dependent upon your size, complexity, IT capability, and degree of change management required in your organization.**



## Keep these tips in mind for implementation:

- Conduct general training to start, followed by training specific to your design and process during rollout
- Pilot with a receptive area of the business
- Integrate your rollout with your IT capability
- Start the executive meeting in month ~3 of the rollout
- Measure financial results
- Get it 60 – 80% right during launch, then improve
- Meetings will take approximately 3 cycles to become productive
- Communication, project, and change management



# IT is required to enable S&OP

While S&OP is a “people” process, it is also data intensive. Each meeting has its own emphasis/cut of the overall plan and there’s an underlying data structure/hierarchy. There’s also KPI reporting in each meeting. IT must be involved and considered during the design phase or it could sink the ship during implementation.

## Basic IT requirements

- Data that people trust
- Report at any level in the product and business hierarchy
- Report history and plans over a rolling planning horizon
- Highlight exceptions and create charts from base reports
- Monetize currency plans
- Make changes at higher levels in the product hierarchy and cascade those to the SKU level
- KPI reporting

## We categorize IT as follows:

### Spreadsheets

- Used by over 80% of our client base and survey respondents in some way. I say this is okay for a pilot, but using spreadsheets alone will limit your ability to scale and sustain

### ERP and Data Warehouse with Reporting Tools

- Provides base historical data, but most of S&OP is about the future which will be in predicted some other way

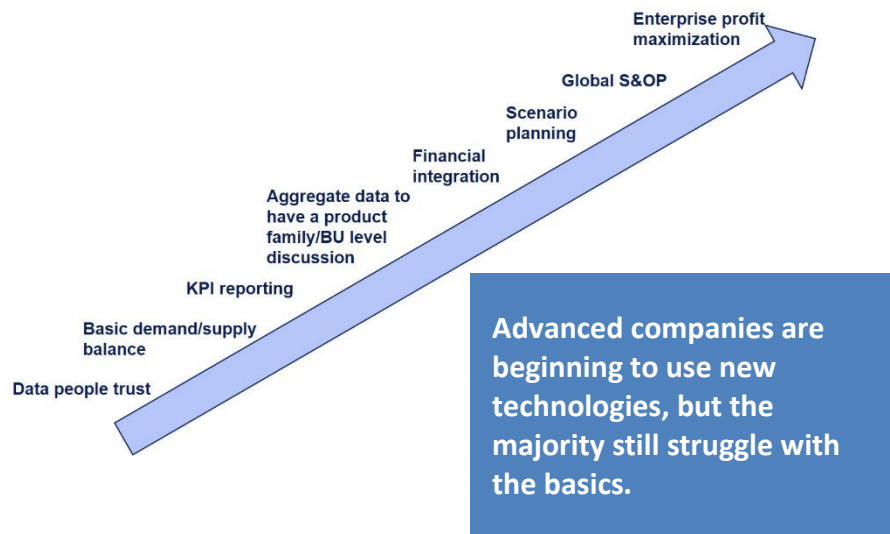
### Supply Chain Planning Tools

- Provides predictive capability and scenario modeling. Systems are becoming cheaper and easier to implement. If you’re serious about improvement, the path leads here at some point.

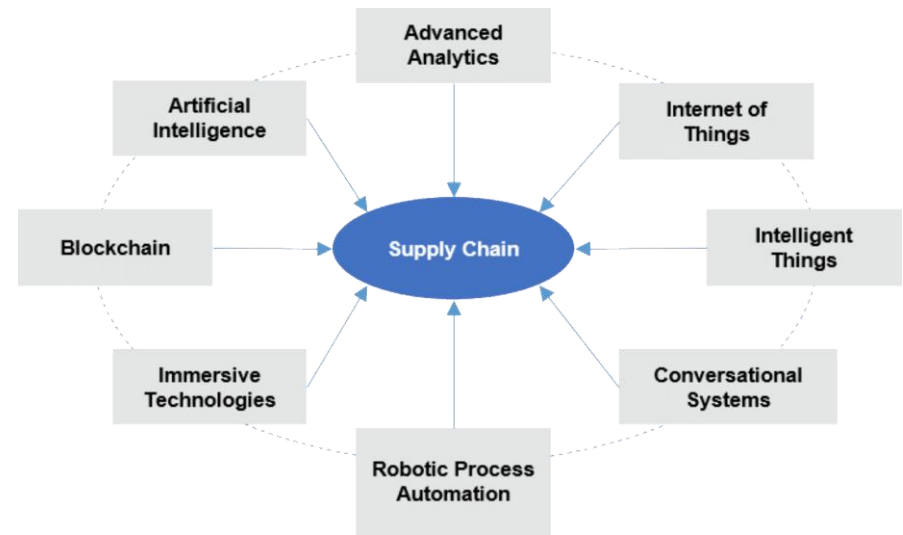


# IT is required to enable S&OP

IT has a maturity path and systems are growing in use of advanced technologies to support scenario analysis and decision making.



Some systems are using advanced technologies.



The relevant technologies primarily gather data and analyze tactical data to help establish trends, correlations, and other inputs to help support longer-term S&OP-level decisions.

**If you are not working on applications for these technologies, you are falling behind.**

# 8 levers for performance

We have found that focusing on these 8 levers during design or revitalizing efforts will help the team be successful.



I've discussed some of these topics already, so I'll focus a few of the others here and address Results and Change Management in later dedicated sections.

## Vision

A vision for S&OP describes the characteristics of the end state. For this application, I suggest it's more tactical and specific than what a

vision for a company might be. We always establish a vision right away with the project team and we come up with 8-12 tight bullet points around scope, what we will achieve by when, how we'll use S&OP, some intangibles, and also some quantifiable results. In cases where there is inadequate sponsorship, or little/no assessment, teams usually struggle with putting a number on a KPI as part of the vision. If this is the case, it's a gap.

## Organizational alignment

This one intersects with some of the others, but I'll emphasize that:

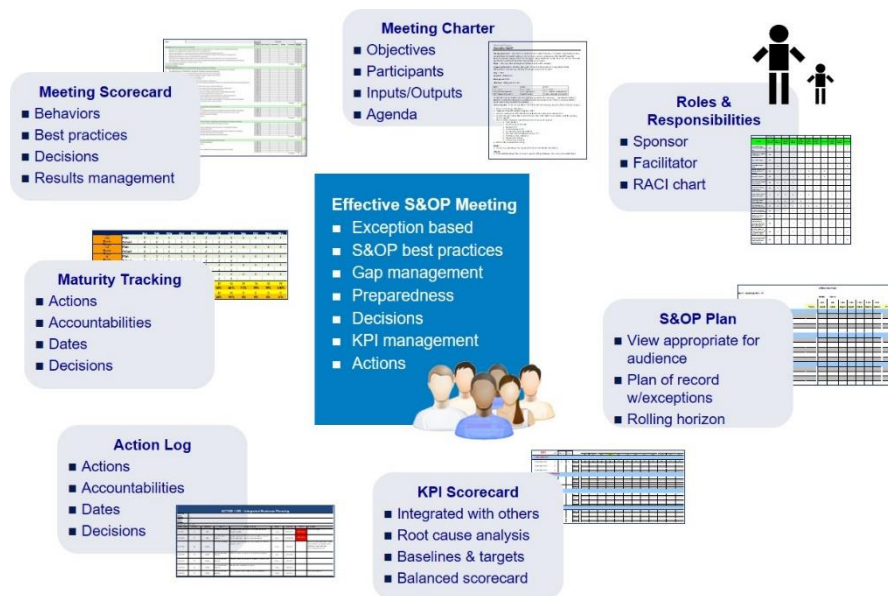
- Your S&OP design needs to be integrated with the organization structure.
- The vision is used to communicate, educate, set expectations and common goals, manage scope, and evaluate success.
- Results measurement and change management techniques are integral to aligning the organization, more on this later.



# 8 levers for performance

## Reports and tools

S&OP meetings have items that go with them to guide the conversation, support decision making, and keep things on track.



S&OP plans show volume and currency quantities in monthly buckets over the planning horizon.

The basic idea is that the overall operating plan of a company builds up in the early meetings of the cycle focusing on the what that function is accountable for (e.g. a Demand Plan in Demand Review). The plans come together in the later meetings (Pre-S&OP and Executive S&OP) to show a consolidated view of quantities that vary with each other. It's a design topic, but typical quantities shown are:

- Sales, Production, Inventory for Make-to-Stock situations
- Orders, Production, Backlog for Make-to-Order situations
- If you have both MTO and MTS, the solution becomes a design discussion point

All of these items work together to improve the meetings, content, decision making, and resulting business performance.



# Results are necessary for success

Why are we doing S&OP? It's a good idea? It helps us communicate better? It helps us work as a team? All good reasons, but what are those things for? To get results. S&OP is too hard and too much work to not get anything quantifiable out of it. A lack of results, or the lack of diligence to track (and market!) them are reasons why S&OP processes fail or get reduced to the tactical. No results? Any naysayers in the stakeholder population will either be all over that, or just drop out.

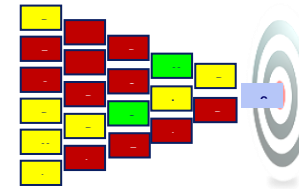
## We normally recommend conducting an assessment.

Many want to just jump into this before an aligning assessment is completed. Others do something cursory that produces a loose benefits case that no one will sign their name to. We tailor the level of assessments to client situations (and budgets), but after doing this for 20+ years, what we do is probably very different from what typically happens when clients do this on their own. You'll need your business case when the project gets challenging and you ask someone in a high place to do something differently, or when the next shiny object to chase comes up. It's usually 3-4 months into the project.

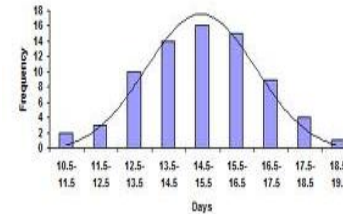
## Key steps in an assessment are:



Get input from Stakeholders



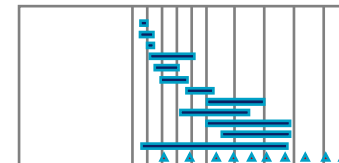
Assess as-is processes/capabilities relative to best practices and determine gaps



Complete quantitative studies on potential improvement areas



Quantify and time improvement opportunities



Define and scope the project based on the assessment

# Results are necessary for success

S&OP is an over-arching, planning, coordinating, and decision-making process.

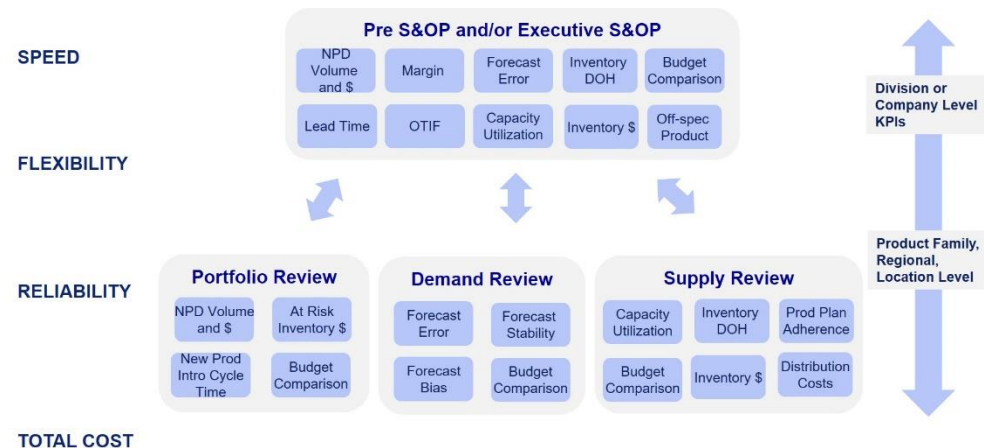
It does produce results in time, but with so many variables in business, the naysayer could also say the results were due to something else. S&OP channels human energy to produce results. The results can come by driving in the right direction at this higher level, or by working in the underlying processes and tactical areas to drive improvement faster. I wrote my first book, *S&OP Results – Find, Measure, and Manage Results Throughout Your Supply Chain* about this. Note that “Supply Chain” is in the title too.

## Key Performance Indicators are a good place to start.

We advocate completing an assessment that produces a benefits case, then structuring a project around that to get defined benefits over a defined period of time. That’s a large undertaking and while there’s an ROI, some companies (especially in the mid-market) aren’t up for that. They want improvement, but sometimes don’t want to commit resources and time for an assessment phase.

Whatever the situation, every company needs to baseline and start measuring KPIs or the effort will degenerate to just a good idea.

**KPIs need to be integrated throughout S&OP and link upward to the executive balanced scorecard and downward to execution.**



**Our experience and research show potential improvements usually in the 10-20% range in the areas of:**

- Forecast error
- Inventory turns
- On-time-in-full
- Lead times
- New product introduction
- Sales
- Margins
- Distribution costs
- Procurement costs
- Organization



# Change needs active management

Change needs to be actively planned for and managed. It needs leaders and managers. We've had clients that say "everyone's on-board" and "we're doing this", which is good, but when it comes down to it, companies are overwhelmed in today's world, and this is one more thing to deal with. These projects are high visibility and have many moving parts with stakeholders of varying priorities and backgrounds.

## Everything we've talked about thus far contributes to the change.

- The S&OP design needs to be integrated with org structure
- The vision is used to communicate, educate, set expectations and common goals, manage scope, and evaluate success.
- You need a strong sponsor
- IT will be required
- An assessment aligns the team, sets expectations, and justifies resources and time
- The right reports matter and the meetings have other tools/techniques that go with them
- You need to demonstrate results

Change management is about both "hard" and "soft" techniques.



You need to hit change from many different angles, some of the items listed will be more effective than others in your particular situation. The point is all the items work together and skipping them is like removing blocks from the Jenga stack, remove too many or the wrong ones, and the house comes down.

# Do you need a consultant?

Hiring a consultant basically comes down to a question of your internal subject matter knowledge and your ability to get change and results within your organization.

## Most consultants I've worked with are:

- Smart, hard-working, and get results for their clients
- Mindful of client successes and take them personally
- Heavily depended on
- Good at listening to clients, eager to share knowledge, and want to learn too
- Quick to adapt to a new industry
- Adept at dealing with change management issues
- Under pressure to deliver results, we don't just float along from client to client
- Motivated. We have varying degrees of job security, but whether employees or independents, most of us don't know where our next project (i.e. livelihood) is coming from

## For clients, this enables consultants to:

- Give all they can, while they can
- Bring expertise from similar situations
- Come with a methodology and plan

- Say what needs to be said, when it needs to be said, to whom it needs to be said
- Decrease the time to get to the end result
- Be there when you can't be (perhaps in another geography or where-ever)
- Share risk with clients when appropriate
- Get change in interfacing parts of the organization
- Act as task masters if your organization struggles with execution (as most do)

## Certainly there are cons as well:

- Cost. Especially in non-ROI/benefits case situations, the focus can go here.
- Pace. We're on a budget (yours), we can flex, but when projects drag out, it often adds cost.
- Organizational disruption. We ask for things (e.g. data, peoples' time, executive involvement).
- Visibility. It's expensive, what if it still fails?
- Admitting you need help. Some leaders still mistakenly struggle with this.

*I hope this short guide has given you an idea about what S&OP is and what is involved. There's a lot more, but this is a primer. Best in your S&OP implementation and improvement efforts!*  
-EJT



# Review offer

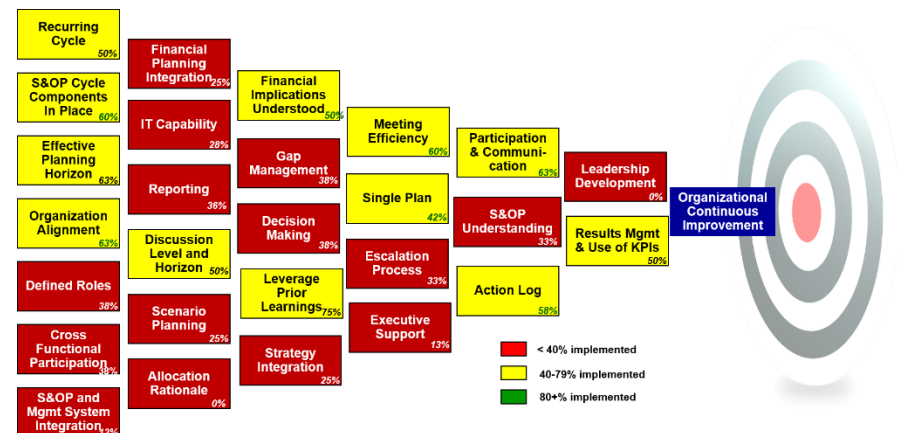
Paperback and Kindle versions of this primer are selling on Amazon at a very modest price. You see the [reviews](#) and if you'd like to leave one here, I'd be happy to send you one of our [best practice benchmarking/evaluation tools](#) of your choice. We have them for several supply chain processes and of course one for S&OP. Just send an email to [info@nexviewconsulting.com](mailto:info@nexviewconsulting.com) with the link to the review on Amazon and specify which assessment toolkit you'd like.

We use these in our assessments and maturity tracking systems. Most clients find them helpful and insightful. You are free to use the tool within your own company, but please also review the licensing agreement.

Nexview benchmarking tools provide a visual output of current state vs. best practices.

## Nexview S&OP Performance Arrow<sup>SM</sup>

SAMPLE OUTPUT



# About the author



Eric Tinker leads Nexview Consulting and has spent 25 years in management consulting helping clients achieve large-scale change within their organizations. His projects have resulted in over \$500 million in operational improvements. These results have been achieved through a combination

of improving business processes, management systems and tools, information systems, organizational effectiveness, and by helping clients achieve sustainable behavioral change. His client experience spans several countries and ranges from helping start-ups to leadership of large, complex, multi-geography business transformation. Eric focuses on Sales & Operations Planning as well as improving the supporting processes, information systems, and organizations to help clients leverage S&OP to be the platform for continuous improvement. He has taught and consulted across 5 continents, has published several articles, and is the author of *Sales & Operations Planning RESULTS*. His industry experience includes Consumer Goods, Energy, Chemicals, Life Sciences, and High Tech among others.

Prior to founding Nexview Consulting, Eric worked for organizations such as Celerant Consulting, Deloitte & Touche, Plan4Demand, and Hughes Aircraft. He is a CPA and holds a B.S. in Aerospace Engineering from Syracuse University, an M.S. in Mechanical Engineering from California State University-Northridge, and an MBA from the University of Southern California.

In addition to helping clients be successful, Eric enjoys training, supporting, and speaking at industry events. He has spoken at events hosted by the Institute of Business Forecasting, IE Group, APICS, Institute for Supply Management, Global Supply Chain Council and others, as well as numerous private events.

Please feel free to connect with Eric on [LinkedIn](#) and follow the [Nexview company page](#).



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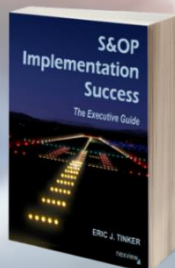
**“Why S&OP Matters to the CFO”**  
Journal of Trading Partner Practices



**“26 Ways to Get Sales On Board with Demand Planning”**  
Supply Chain Quarterly



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# About Nexview Consulting



*Nexview Consulting is a boutique management consulting firm that specializes in Sales & Operations Planning and Supply Chain improvement. We leverage S&OP to be the platform for continuous improvement and profitability within client organizations. We also work with clients to improve organizational performance, structure, and enabling information technology.*

*Consulting methods promote sustainability of performance improving behaviors, tangible results, and development of client team members. Our consultants are highly experienced business and consulting leaders with track records of delivering change and results for clients across the world, typically with larger consulting firms. We are based in the Boston area, and travel worldwide to conduct training seminars, speak at conferences, and work with clients on high-impact initiatives.*

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