# Six Steps to Get Your S&OP in High Gear

By Ann Grackin, ChainLink Research

## The Global Challenge

With growth as the number one focus for 2011,[1] firms are gearing up for increasing sales, new products, new brands and expansion in emerging markets. And to support that, they need a steering mechanism that works to take advantage of richer market opportunities. That means more effective management and investment in technology.

Sales and Operations Planning (S&OP) has been talked about, written about for over two decades. Best practice pundits have advocated it. And technology providers have answered the call and developed better and better solutions. Yet S&OP practices and the supporting technologies, though a fast growing segment in the supply chain world, have yet to hit full speed.

We need to get good at this fast, since firms have become more diffused in their business models, as global competition for scarce resources increases, and new competitive entrants compete for *our* customers, and economic volatility impact growth and profit.

The pure structure of corporations today (multi-site/multinational), coupled with the complexity of having multiple trading partners, has led us to redraw the concept of the corporation. Even small organizations depend on partners—distributors, contract manufacturers, design partners—challenging the concept of a cohesive organization.

> *"You ask me which is the most important to improve in the next 12 months? Forecasting tops my list and S&OP tied for the top spot!"*
>
> *High Tech Electronics Executive*

And the volume of digital interactions (no longer just transactions, but plans, emails, input from the web, and now, social networks) makes understanding and absorbing change extremely vexing.

To tackle these challenges, the S&OP effort was top of the list for focus to gain control of communication and planning.

This article will review six recommendations accumulated from our research[2] on who got it right, and tell you how to get your S&OP in high gear—fit for global competition.

---

[1] 2011 Business Priorities survey indicates growth vs. cost cutting is the focus for 2011.

[2] Thanks to our survey and interview respondents, especially Michael Burke, Director of Supply Chain at Continental Foods, for taking the time to participate and share their ideas.

## Why S&OP

A detailed discussion of S&OP is probably the topic of a different article,[3] but here are a few pointers to look at now.

When first envisioned, S&OP was a *monthly meeting* to review and make sure the organization was in synch—no small feat, given the limited tools and data available at that time.

Today, Sales and Operations Planning is an integrative process which extends beyond a single meeting and surely is a cross-functional, often multi-enterprise exercise.
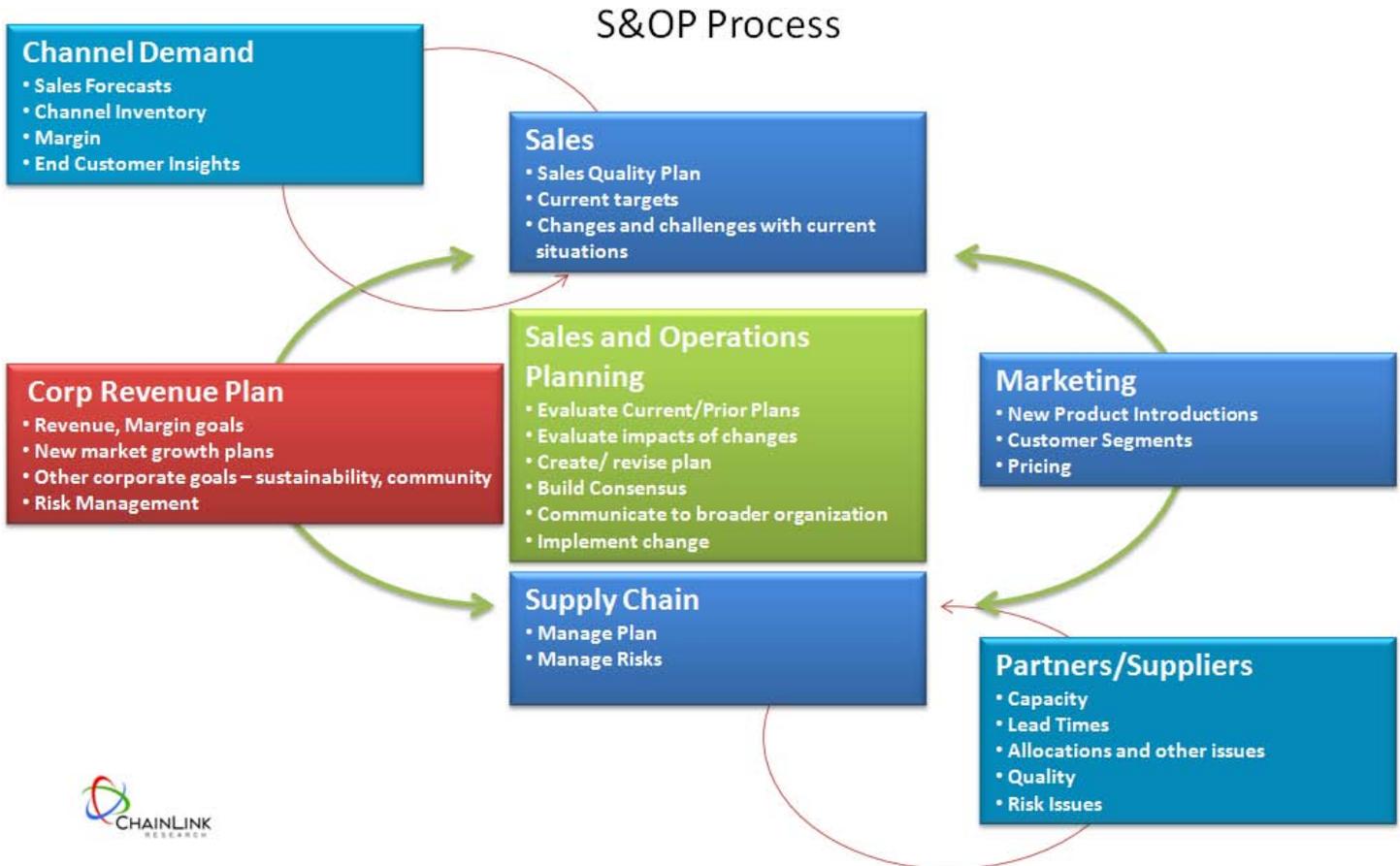


**Figure 1: Sales and Operations Planning Process**

At its heart, Sales and Operations *planning* is a consensus driven process that deals with a rich variety of issues to agree, finally, on an implementable sales and execution plan for a given period.

Today, we envision a much more inclusive plan than first defined three decades ago. First, the ability to coordinate, collaborate, and orchestrate across the supply chain is now possible. And since much of the success of any plan is dependent on trading partners, this represents best practice today.[4] So the channels, who often know end-customers best, and the suppliers, who often know their products and capabilities best, should be included.

---

[3] See Demand Management definitions

[4] Collaboration is another topic for in-depth discussion. Creating effective collaborations is well discussed in various writings elsewhere.

Second, sales, marketing, and design should all be included. The latter often represents the wild card in planning with New Product Introductions and engineering or other product changes. Since Demand Shaping often occurs in S&OP exercises, the price, packaging and bundling decisions often reside within these groups. Sales alone cannot make decisions that impact these factors.

Lastly, good S&O *Plans* must meet the corporate criteria—supporting revenue, profit and other corporate goals. These goals can be available and used as guidance to either the S&OP exercise, or the final step, i.e., gaining approval of the plan before implementation.

Inclusion and completeness are the keys here to success. Ultimately, in order to create an operating plan, consensus needs to be created. Physical activities need to be directed and goods need to be bought and paid for. Results, good or bad, reflect the quality of the plan, and are the outcome of this consensus.

## Is Your Sales & Operations Planning in Low Gear?

Mature corporations may have invested in implementing some systems, but often, these still may be spread sheets. They may not have refreshed their systems roadmap for a decade or more. They may not have kept pace with system developments, nor incorporated organizational changes such as outsourcing or leveraging channels within their systems. So they often exacerbate stovepipes.

Visibility and collaboration features and platforms are available, but mature organizations often have not implemented them. As a result, they risk falling behind on partner enablement and integration, and they may not realize the value of sharing intelligence from markets to enhance corporate performance.

On an immediate level, users exhibit these types of behavior in most current processes:

> *"Over time, management has become very comfortable with the process. They have learned to trust the data from the Sales and Operation Plan that the Supply Chain team creates. Now we are also a more empowered organization."*
>
> *Michael Burke, Director of Supply Chain Planning at Continental Mills*

- *Lack of engagement*—Process Participation is low. Process not respected by the organization; meeting frequencies, data disciplines to support process are not adhered to.

- *Lack of empowerment*—Systems and expertise exist, but due to environment, appropriate people are not entrusted to make needed decisions.

- *Lack of expertise*—This is less about the system and more about the decision analytics and leadership. In other words, communication and leadership skills may be wanting.

- *Lack of cross organizational data*—From sources such as POS, channels, suppliers, and internal sources.

- *Performance criteria*—Changing management direction and goals makes a moving target.

- *Technology*—Modern systems and collaborative linkages and platforms are not implemented.

So, are these solvable issues? A resounding yes. But it will take addressing the above challenges. So let's move on to the six steps.

## Six Steps to Get S&OP in High Gear

So, what should you do next? These are recommendations from our research and interviews. They might not be in the typical order in which people are used to seeing them. But the successful change implementers had some fresh ideas and consensus about what works—and what sticks over time. And that is the key. Change has to be sustainable and allow for evolution of the business, evolution of thought in the firm and peoples' learning curve.

### #1- Performance Baseline

Though consultants and pundits recommend the ROI upfront, many firms had challenges creating credible ROIs for change initiatives and systems procurement. But creating a baseline works for everybody, and from that you can create performance goals to take you forward. Next, you can create a continuous improvement program where you can set performance improvement milestones, rather than expecting one big leap.

> *"We had no idea how much time and effort we put into chasing numbers and version control, until we didn't have to do it anymore,"*
>
> *Food Company executive*

The big leap often sets up the wrong behavior. "You can get that inventory reduction; but it is forced and you slip back unless you do it in a systematic way." Another firm told us about the cost saving and inventory reduction gained early on, but then there was no momentum to continue. Top management had the big goal to 'check off;' then their involvement waned. The future roadmap was never implemented and other, more sustaining gains were never achieved. No surprise, then, that inventory excess began to rise again.

### #2 Technology - The Right Tool for the Right Job

Often, technology is last on the list. But most people felt this was the key catalyst for change. Now with the sales goals, instead of cost cutting as the focus, many respondents stated that they needed technology to facilitate planning and execution across the enterprise—from sales through to supply chain. In fact, having the technology to improve work quality and reduce workloads was very high on the list of requirements for firms and employees *now*.

It appears that technology investments also get top management involvement, beyond just process change. "They pay attention when money is spent on technology." "Determining value for technology investment," getting the benefits, is consistently mentioned to enable focus and a sense of purpose.

> *"The biggest challenge in trying to implement advanced processes is the people side."*
>
> *CPG Executive*

### #3 People Empowerment and Development

This was a pivotal point in all the interviews and surveys. In spite of massive displacement, most firms were looking for key talent with Supply Chain as a focus area. But for those who have the staffing, the mutual need from management and professional staff was to increase skills and create high performance teams.

Beyond skills, professionals stated that technology/tools are critical to their productivity, since without the right enablers, people can't keep up with the relentless pace and the volumes and complexity of data thrown at them.

Putting technology as a priority element was the key to empowerment.[5] Technology liberates people from 'grunt' work and allows them to be more empowered and more analytical. We hear this consistently from large and small firms, "We don't want our people to be report generators, data entry people. We want them to focus on the business issues."

Employee development and enrichment comes from inclusion and advancement. These goals are supported by planning organizations that allow for these characteristics in their professional staff's roles.

- Planning and proposing—Having understanding and visibility to manage goals and criteria. Then allowing employees to develop scenarios and propose plans and alternatives.
- Empowerment—Once analysis is done and criteria are met, allow people to make some decisions.
- Accountability—Capture and communicate decisions. Systematically measure the achieved goals.

Job enrichment leads to better quality outcomes—better performance for people and their organizations.

### #4 Make It a Process

We put this after the technology, as well, since people repeatedly told us that process disciplines are enhanced with automation.

And, as discussed earlier, many problems stem from a lack of process integrity. This includes not only any 'edict' from above about the importance of meetings and results, but also a *demonstration of support*. Support can take the shape of attendance by senior management (often practiced), or meeting participants knowing that their plans will be reviewed, discussed and approved for implementation. *Feedback loops from management are essential*.

In addition, several key items of advice were offered:

- S&OP needs to fit in with the business timing. Although many people indicated that this was a weekly or monthly process, they also were specific about the need for responsiveness. Major changes need to be addressed as they happen, and communication and ad hoc methods need to support critical events. This takes S&OP beyond 'meetings' to a more dynamic, integrated, cross-functional communication.

---

[5] From a people perspective, it was hard to separate these two elements—people development and technology.

- High performance meetings and Teaming techniques, including methods for meeting management; communications and negotiation techniques; and techniques and criteria for decision making. The team may need training or team-building exercises to create their own team norms to assure a cohesive working unit. One company told us, "We have team-building for the product guys, but process people don't get these skill builders."

Michael Burke had this important insight to share here: "If you have process without a system you can't sustain it; and if you have a system and no process you won't be successful." That sums it up well!

### #5 Design the Data Model

S&OP, de facto, includes a cross-functional participation of the business. But Supply Chain managers consistently expressed the ongoing challenges of reconciling the disparate views within the organization. Lack of a holistic view leads to lack of productivity, contentious discussions and poor results. So taking a data-centric approach with smart technology can set a better foundation.

Care needs to be taken in developing the data model to support each role, each level of authority, each organization. Fortunately, there are pretty well understood models here; but, of course, each enterprise has its own nuances. Each constituent defines their digital persona, and has data, analytics and views meaningfully presented at the level of aggregation appropriate for their role. These tasks and roles should dictate the data model (see Figure 2), views, and even reports.

For example, each person has a need for unique views. These views are based not only on their personal way of understanding, but on their roles and the output. Data formats can deal with unique and often asynchronous time frames, i.e., senior level in months and quarters dealing with senior level queries or corporate performance to public markets; operations in weeks, days and often hours.

In addition, levels of aggregation and the units of measure, if not reconciled, can lead to discontinuity and unsuccessful efforts. Brand management may be looking at brand, product family over time; marketing may be looking at products based on packaging and price; supply chain at shipping units, SKU; and sales may be looking at consumption data at the shelf level of a trading partner.
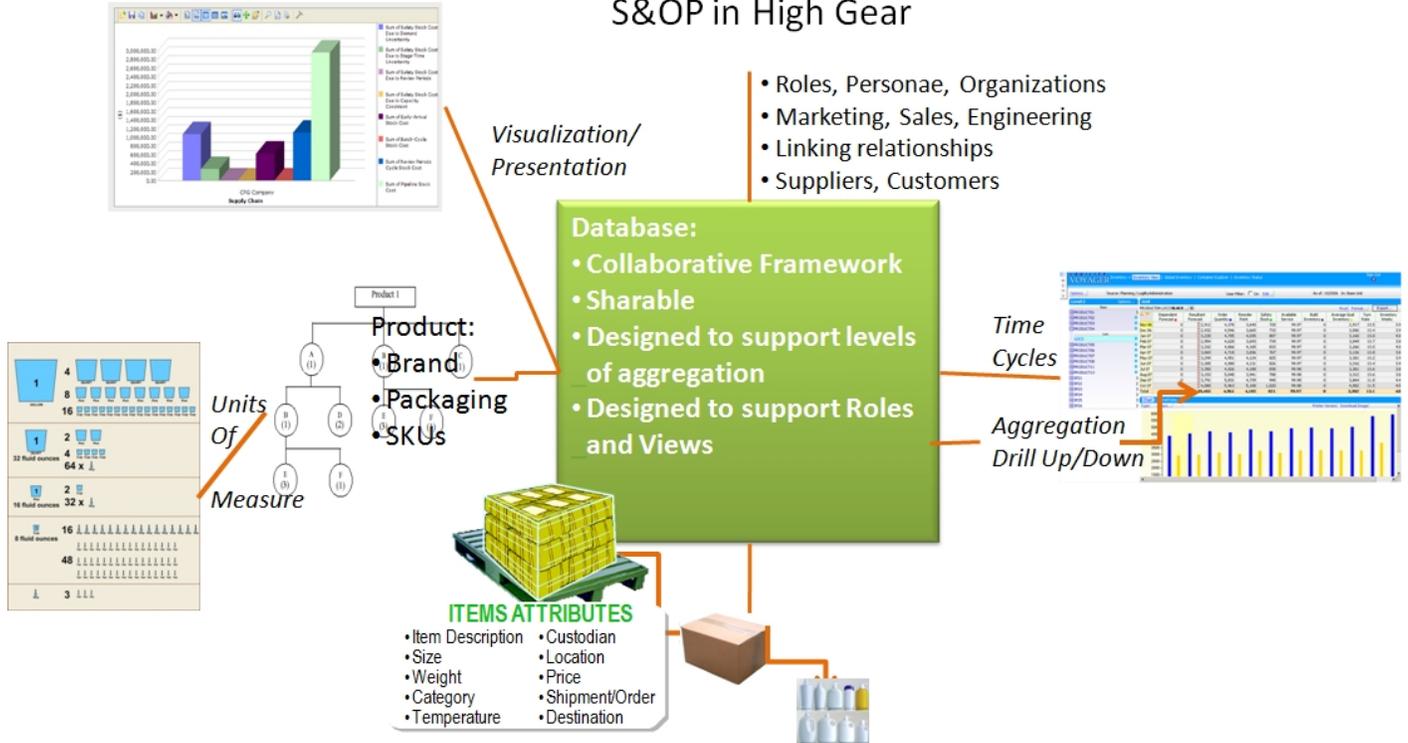
**Figure 2: Database Centricity Supporting Multiple Views**

Though we have different views, units of measure, timelines, often marching to different imperatives, the core foundations ultimately need to mesh.

Success here has these elements:

- Create a multi-dimensional view and flexible but sustainable data structures:
  - Role-based—Supporting different work styles, and data displayed according to those different styles (screens vs. reports, alerts, tech)
  - Supporting unique time frames—Senior level in months and quarters; operations in weeks, days and often hours
  - Levels of aggregation and functional views—Sales, Marketing, Engineering and Operations
  - *Units of Measure*—Data centricity allows for the multiple dimensions required for accurate planning at any level.

- Everyone should be working from a common base. This allows for:
  - Control of the data and accountability. "We should not be allowed to rewrite history or operate from individual and un-auditable data sets."[6]
  - Sharing data across the supply chain.
  - Common data management and data. Trading partners requested a consistent Single Version of the Truth across the chain.

This then leads to number six—Collaboration.

---

[6] Spread sheets have no audit and control. Multiple people have their own copies, and can change content at will.

### #6 Collaboration with Trading Partners

This step follows coordinating people, process and data within your own organization, though getting your trading partners involved early in your ideas and plans is a must. But we put this last, since it is probably a good idea—no, a *great* idea—to tune the engine before you take it out on a long journey.

Collaboration methods and technology have evolved in the last decade. And we have seen more companies require that their suppliers 'comply' with rapid response data for queries. Sharing data in common formats (again, that data model!), often dictated or somewhat enabled by industry or working group standards, is a must.

This is a huge opportunity area for firms. Though visibility and collaboration are always rated very high by supply chain professionals, they lag in the use of valuable data from partners, as we mentioned above.

Advice from end-users boiled down to these three tenets:

1. Forging relationships through setting common goals
2. Being clear and disciplined in your process
3. Accurate data sharing—the Single Version of the Truth. "If you set a poor standard of quality, your suppliers won't be there for you."

Collaboration remains the most challenging area due to data, organization, technology and the dynamics of global planning. All fundamentally solvable with focus.

> *"It is hard enough to get alignment between sales, marketing, and supply chain organizations. But more and more, our S&OP process needs to take into account the constraints and forecasts outside the four walls."*
>
> *Chemical Supplier*

## Conclusion

S&OP at its heart is a process of consensus building. Consensus takes clarity, transparency, and trust. It is built over time. The underpinnings of these positive conditions need technology enablement. They can't be sustained without automation.

Technology empowers people. But organizations also need to recognize this and change their perspective about how people work. (This is a global problem, since certain cultures are more authoritarian.) Employees know their subject, their products, and with good communicating, they understand the organizational goals and boundaries. They have the experience to put all that to work to improve the outcomes.

With empowerment and accountability, outcome improves. And technology provides the platform for them to analyze, make proposals and recommendations, and support their positions. It provides the foundation for continuous improvement.

As Michael Burke also pointed out, "We were more realistic about our capabilities in planning and therefore more successful on delivering on the plan." Nothing builds a sustaining process like follow-though and the subsequent performance achievement.

And finally, in the words of Lech Walesa, **_"Let deeds follow words now."_**

## Resources:

**Collaboration** *series*

**Demand Management** *series*

**Supply Chain Definitions for Demand Management**

**Supply Chain leaders** - *congratulations from Logility*

**Logility** - *SupplyTech*

**From Complexity to Clarity** - *white paper (parts one and two)*

**Planning Dynamics and the Impact On Forecast Accuracy** - *article*