



The S&OP pulse check

Creating insight in S&OP

The S&OP Pulse check: Contents

Introduction

Survey demographics

Key insights

Key reasons to implement S&OP

Insight **1. Improving cross functional communication is the key reason to implement S&OP**

Key actions taken in current S&OP process

Insight **2. The S&OP process is still driven by demand and supply actions**

Insight **3. Manage demand forecast is the main action taken in the S&OP process**

S&OP satisfaction

Insight **4. There is a low satisfaction in S&OP stakeholder commitment**

Insight **5. S&OP satisfaction is higher in companies that work longer with S&OP**

Main roadblocks to implement S&OP

Insight **6. Senior leadership support is the biggest roadblock in implementing S&OP**

Insight **7. Roadblocks to implement S&OP are mostly people and culture driven**

About the S&OP pulse check initiator

Acknowledgements

The S&OP Pulse check: Introduction

Introduction

The objective of The S&OP Pulse check is to informally research, create and share insight in S&OP. This was done by using free survey software from Kwiksurvey and using the social network LinkedIn to get participants in the survey. The aim was to take not longer then 5 minutes from participants their time. The survey was open for participants from 15 November until 7 December 2010, in which the survey had 50 participants from 11 countries.

This S&OP insight aims to create inspiration, provoke some thoughts and hopefully healthy discussion. There is no intention to scientific or statistically proof the insight. Some of the insight is benchmarked with research from the Aberdeen group on S&OP, which was available free on the internet.

Enjoy reading on S&OP

Niels van Hove

The S&OP Pulse check: Survey demographics

S&OP pulse check demographics

Country of work

A total of 50 persons from 11 countries have participated in the survey. Every participant had to complete all 9 questions. Australia, the United States and the Netherlands represented 62% of participant. See figure 1

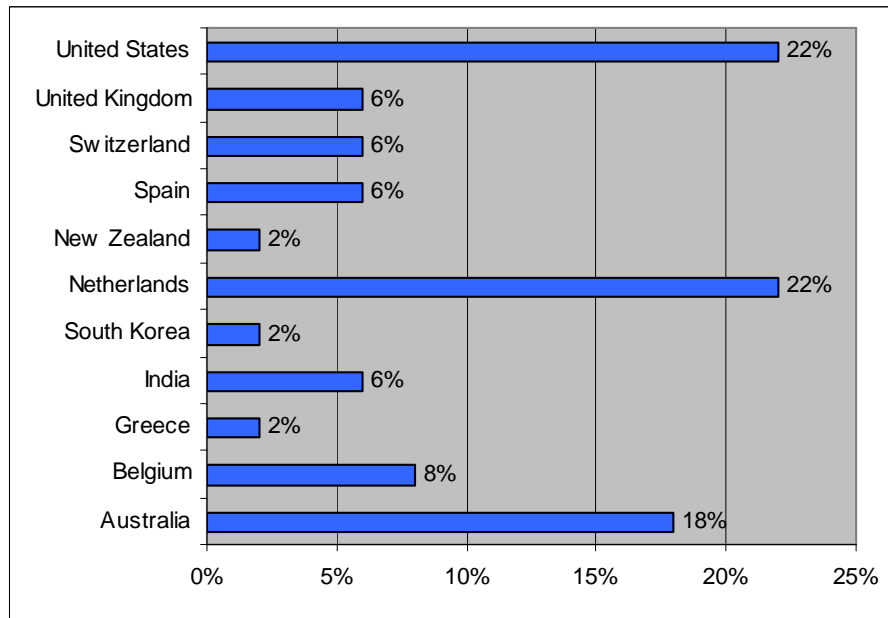


Figure 1: countries where survey participants mostly work

Functional area

Although it is widely acknowledged that S&OP is developing from a Supply Chain driven process to a company wide driven process, 60% of participants are reporting into Supply Chain. See figure 2

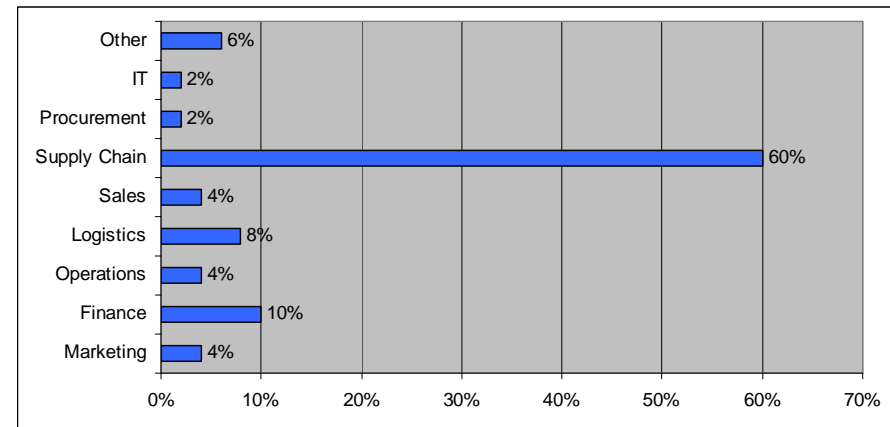


Figure 2: functional area survey participants report to

The S&OP Pulse check: Survey demographics

S&OP pulse check demographics

Company industry

Survey participants joined from 13 different industries, with the top 3 representing 56%. See figure 3

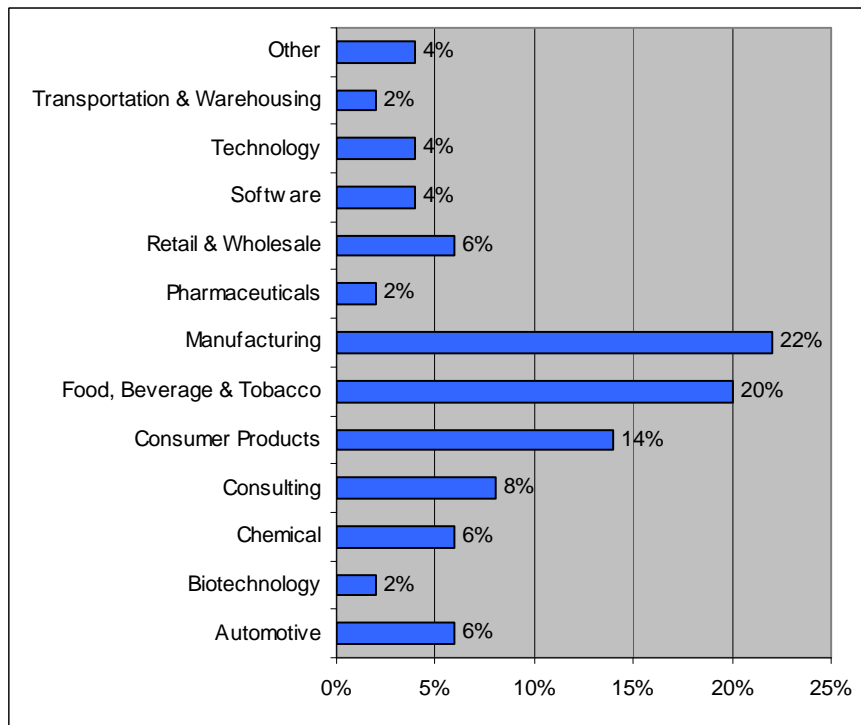


Figure 3: Industries represented by survey participants

Company size and experience

Companies below 5000 employees highly represented survey participants (68%). 82% of companies have between 0 and 5 years S&OP experience. See figure 4 and 5

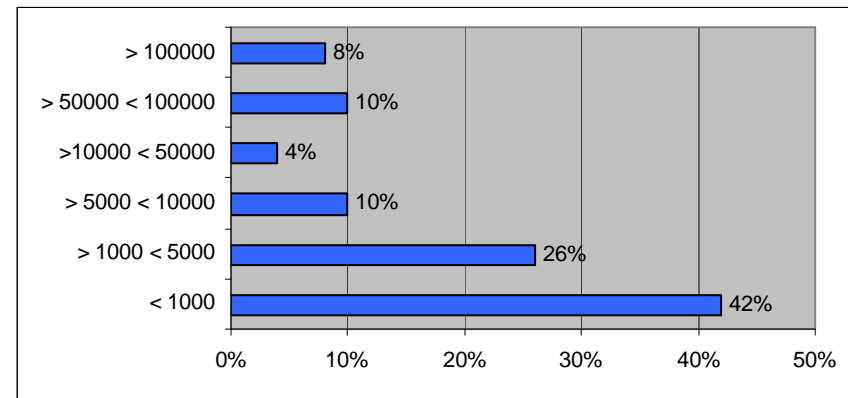


Figure 4: Company size (nr. of employees) for survey participants

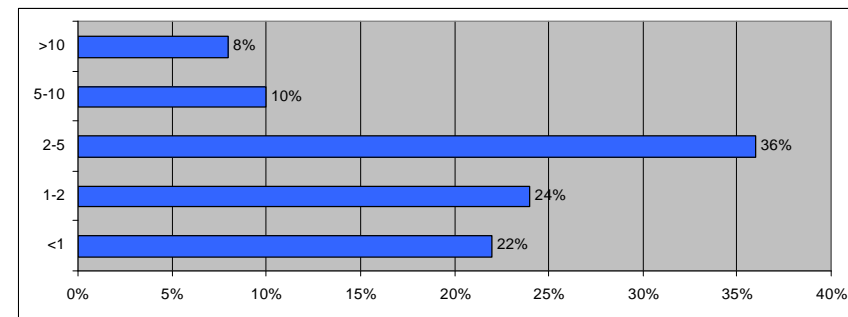


Figure 5: Years the company works with S&OP for survey participants

The S&OP Pulse check: Key reasons to implement S&OP

Insight 1: Improving cross functional communication is the key reason to implement S&OP

Survey participants were given six main options to choose on what key reasons are to implement S&OP. A seventh option 'other' was available. **Standout with 68% was *Improve cross functional communication***, which can be seen as an enabler to achieve other improvement opportunities. *Reduce supply chain costs* and *Improve customer service* were 2nd and 3rd.

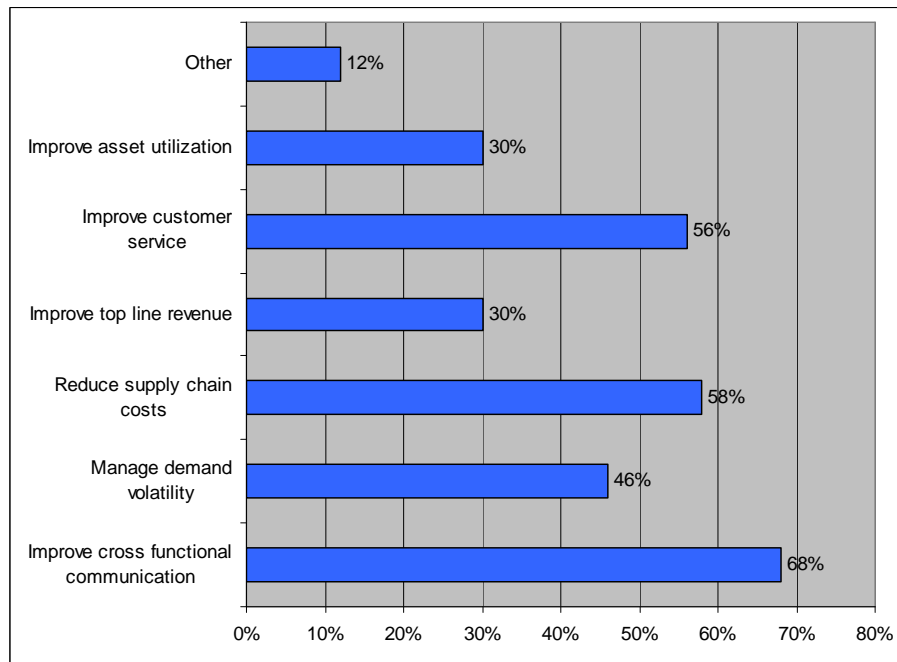


Figure 6: Key reasons for S&OP according to survey participants

Benchmark with Aberdeen research

Aberdeen research conducted two S&OP studies (July 2009: *S&OP; Integrate with Finance and Improve Revenue* and July 2010: *S&OP; Strategies for Managing Complexity within Global Supply Chains*

196 companies participated in 2010 and 214 companies in 2009. A majority in both studies (64% and 68%) was from North America. The job title of participants in both studies was for 50% Director, President or C-level (CEO, CFO, CIO, CTO)

In both studies similar questions were asked on key reasons to implement S&OP. There were 5 possible answers, which the S&OP pulse check used as well in the survey. In the S&OP pulse check participants had the opportunity to choose the extra options *Improve cross functional communication* and add their own key reason by choosing *Other*.

The *Other* key reasons was chosen by 12% of participants. Some other key reasons were *standardize processes, to reach consensus, work with one plan, support optimized decision making*. Most of these *Other* key reasons plus *Improve cross functional communication* can be seen as the necessary key S&OP inputs before improved S&OP output can be achieved.

The S&OP Pulse check: Key reasons to implement S&OP

In figure 7 we see the five comparable answers in both the S&OP pulse check and the 2009 and 2010 Aberdeen S&OP research. We see that three key S&OP reasons have similar score and two key S&OP reasons are significant different.

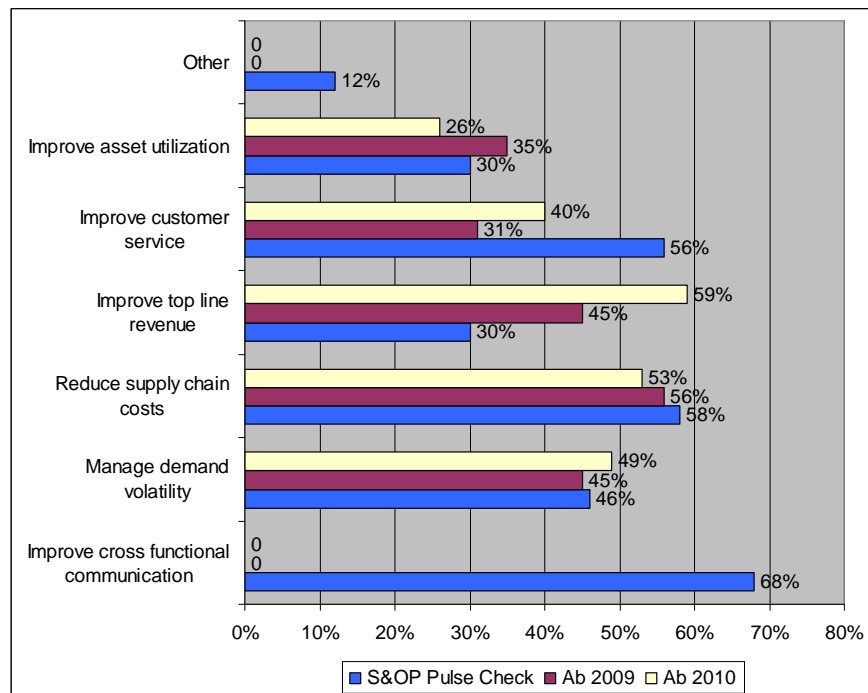


Figure 7: Key reasons for S&OP compared with Aberdeen research

Improve asset utilization, reduce supply chain costs and manage demand volatility have scores which are close to the 2009 and 2010 Aberdeen Research

Improve customer service scored 2nd and shows a significant (16%) increase with the 2010 Aberdeen results. This can be a steep continuation of a trend, as the 2010 Aberdeen results increased 9% versus 2009 on this key reason. Although integrating CPFR with S&OP to achieve collaborative Integrated Business Planning is a dream in today's world, this key reason might just be the driver to achieve this dream.

Improve top line revenue scored a shared 4th place. It goes against the trend that Aberdeen shows between 2009 and 2010 and scores significant lower (-29%) versus 2010. This might be because Aberdeen participants were for 50% director, president or C-level. This level might have different drivers to implement S&OP then an average LinkedIn survey participant.

The S&OP Pulse check: Current S&OP actions

Insight 2: The S&OP process is still driven by demand and supply actions

Survey participants were given five main options to choose on what key actions are taken in their current S&OP process. A sixth option 'other' was available. Standout with 71% is *Manage Demand Forecast within S&OP*. Lowest score with 37% is *Create a profit optimized supply-demand balanced plan*. The *other* option was chosen by 6% of participants. These did not represent similarity in their key actions.

The highest scores to manage demand and supply constraint suggest that ***the participants S&OP process is still driven by demand and supply actions***. S&OP has matured in the demand and supply area, but is still developing to fully integrate financial and profit based planning.

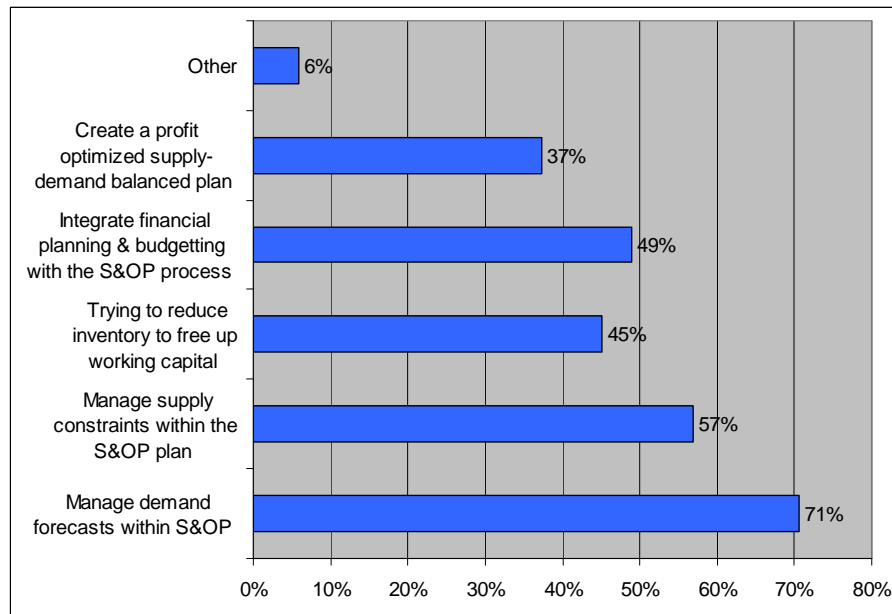


Figure 8: Key actions in current S&OP according to survey participants

Benchmark with Aberdeen research

In the Aberdeen study six options were given to participants. The extra option was *Provide Executive visibility to the S&OP process*. This question was not part of the S&OP pulse check. In the Aberdeen research no *Other* option was provided in the results.

The S&OP Pulse check: Current S&OP actions

Insight 3: Manage demand forecast is the main action taken in the S&OP process

In figure 9 we see the five comparable answers in both the S&OP pulse check and the 2009 and 2010 Aberdeen S&OP research. The top three answers in the S&OP pulse check and the Aberdeen 2010 research are identical, with **manage demand forecast within S&OP** the highest score amongst participants.

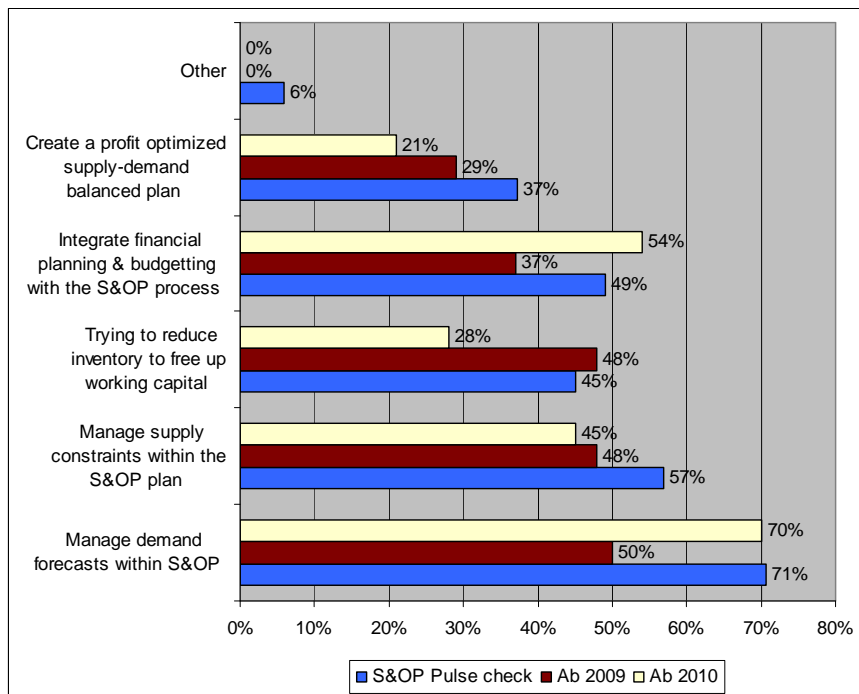


Figure 9: Key actions in current S&OP compared with Aberdeen research

In both studies, *manage supply constraints* and *integrate financial planning & budgeting with the S&OP process* are a close 2nd and 3rd. This is consistent with different types of S&OP maturity models, which mostly assume that integration starts at the demand side of the business.

It is widely accepted that demand and supply management need to be matured before more advanced S&OP, like Integrated Business Planning (IBP), can evolve. Primarily focus on demand and supply management can build a platform for further S&OP development.

Create a profit optimized supply-demand balanced plan scores lowest in both studies. Only mature S&OP can integrate this type of decision making. A critical question to ask is if the S&OP process should make trade off decisions or optimal decisions? Optimization over scenarios with multiple variables creates significant increasing complexity and doesn't always weigh up or outperform a well balanced trade off decision.

Trying to reduce working capital shows a significant difference with the Aberdeen 2010 results, but is comparable with the 2009 results. Seniority in roles of the survey participant in both studies might play a role in this

The S&OP Pulse check: S&OP satisfaction

Insight 4: There is a low satisfaction in S&OP stakeholder commitment

Insight 5: S&OP satisfaction is higher in companies that work longer with S&OP

There is some satisfaction in the *current S&OP process* used by participants with 33% being satisfied or very satisfied. With 58% of participants being satisfied or very satisfied with the *value S&OP creates for their functional area or their company*, the participants suggest broadly that S&OP adds value for them.

S&OP stakeholder commitment has a low satisfaction.

The total dissatisfaction (31%) out weights the total satisfaction (21%), see figure 10. As 60% of participants report in to supply chain we can conclude that this functional group perceives the commitment from the other main S&OP functions as too low. There is still work to do to make S&OP a real integration business function.

How satisfied are you with:	Very Satisfied	Satisfied	Neutral	Dissatisfied	Very Dissatisfied
The S&OP process you're working in	4%	29%	38%	27%	2%
The value S&OP creates for your functional area	16%	41%	25%	16%	2%
The value S&OP creates for your company	6%	53%	25%	14%	2%
The current commitment of all stakeholders in the S&OP process	2%	25%	40%	29%	4%

Figure 10: S&OP satisfaction on S&OP according to survey participants

If we define S&OP satisfaction as the sum of survey participants that are satisfied or very satisfied, we see an interesting result if we compare this with the amount of years a company is working with S&OP. **Companies with more than 5 years experience in S&OP show a higher satisfaction then companies that have less than 5 years experience.** See figure 11.

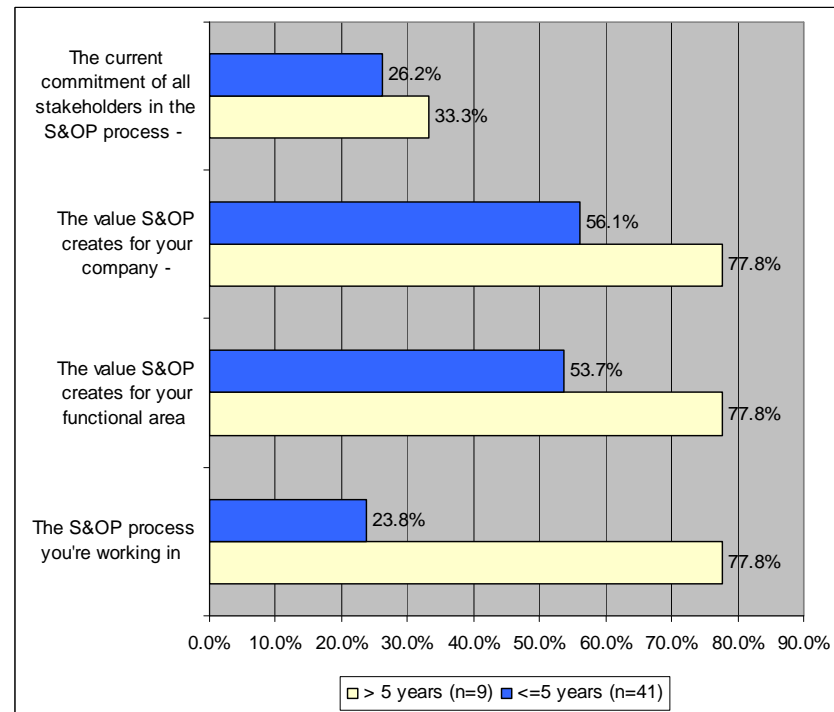


Figure 11: S&OP satisfaction in relation to experience with S&OP

The S&OP Pulse check: Main S&OP roadblocks

Insight 6: Senior leadership support is the biggest roadblock in implementing S&OP

Insight 7: Roadblocks to implement S&OP are mostly people and culture driven

Survey participants were given seven options to choose on what the main roadblocks are to implement S&OP. **Standout with 68% is Senior leadership support**, see figure 12. It might be no surprise that it takes years before senior leaders lead by example in S&OP disciplines and behaviours and therefore drive an S&OP culture.

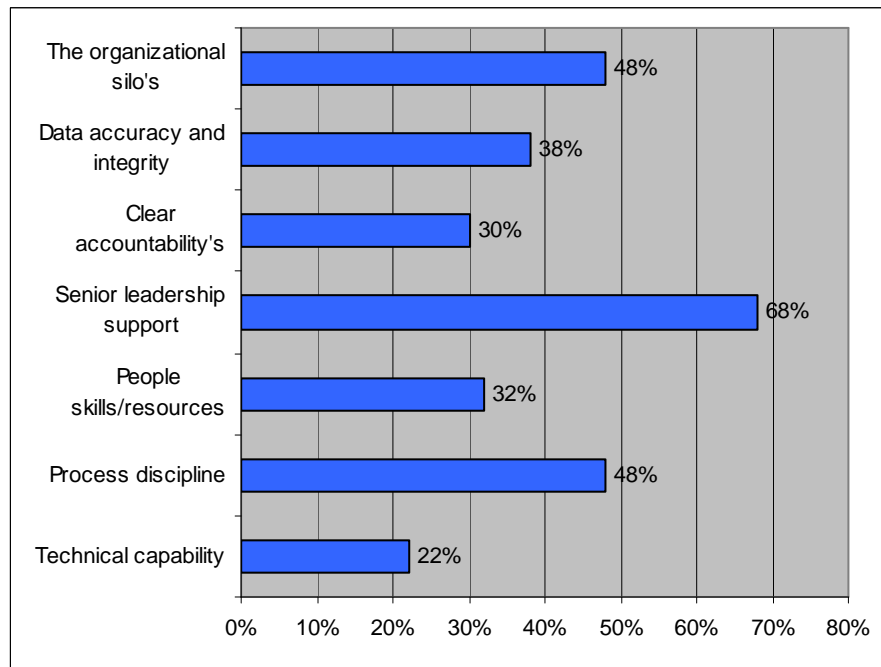


Figure 12: Roadblock to implement S&OP according to survey participants

As advanced S&OP is a long journey, it is essential to establish an S&OP culture that is maintained to drive improvements over a longer period of time. According to survey participants we see increased satisfaction in the S&OP process once S&OP is established for longer than five years.

Higher satisfaction often means higher engagement, more effective decision making, which drive better results. If the focus of senior leadership changes or an S&OP culture changes due to merger and acquisitions, a years long S&OP journey can abrupt end and disintegrate within months. There are examples of companies that were successful in S&OP for some years and lost this in months.

Technical capability scored lowest as roadblock to implement S&OP. Although an important roadblock, we might have to re-prioritize this when compared to other roadblocks.

The organizational silo's and *Process discipline* both scored 2nd with 48%. If we add *Senior leadership support* as number one roadblock, we might conclude that **roadblocks to implement S&OP are mostly people and culture driven**. Food for thought for any company that is currently implementing or operating S&OP.

The S&OP Pulse check: About and acknowledgements

S	C	T
Supply	Chain	Trend
Explore what the world's thinking		

About the The S&OP pulse check initiator



For more than a decade, Niels has been working as consultant and supply chain manager in several multi billion dollar companies around the world. Niels holds an Msc. in Operations Management from Amsterdam University, The Netherlands.

Acknowledgements

The S&OP pulse check initiator would like to thank:
Kwik surveys for their free and easy to use software.
Aberdeen group for the creation and free publishing of supply chain content.

The S&OP Pulse check: Survey questions

* 1. In what country do you mostly work for your company?

< Select >

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* 2. How many employees work at your company?

- < 1000 employees
- > 1000 < 5000 employees
- > 5000 < 10000 employees
- > 10000 < 50000 employees
- > 50000 < 100000 employees
- > 100000 employees

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3. What industry best describes your company's industry?

< Select >

* 4. In what functional area do you report?

<input type="radio"/> Marketing	<input type="radio"/> Finance	<input type="radio"/> Operations
<input type="radio"/> Logistics	<input type="radio"/> Sales	<input type="radio"/> Supply Chain
<input type="radio"/> Procurement	<input type="radio"/> IT	<input type="radio"/> Other

[Reset](#)

[Add Question](#)

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* 5. How many years is your company working with or implementing S&OP?

- < 1 year
- 1 - 2 years
- 2 - 5 years
- 5 - 10 years
- > 10 years

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* 6. According to you, what are the main reasons to implement S&OP? You can select multiple answers

- Improve cross functional communication
- Manage demand volatility
- Reduce supply chain costs
- Improve top line revenue
- Improve customer service
- Improve asset utilization

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Other

[Add Question](#)

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7. What are the key actions in the current S&OP process you're working with? You can select multiple answers

- Manage demand forecasts within S&OP
- Manage supply constraints within the S&OP plan
- Trying to reduce inventory to free up working capital
- Integrate financial planning & budgeting with the S&OP process
- Create a profit optimized supply-demand balanced plan

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Other

* 8. How satisfied are you with:

	Very Satisfied	Satisfied	Neutral	Dissatisfied	Very Dissatisfied
The S&OP process you're working in	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The value S&OP creates for your functional area	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The value S&OP creates for your company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The current commitment of all stakeholders in the S&OP process	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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* 9. According to you, what are the main roadblocks in implementing S&OP? You can select multiple answers

- Technical capability
- Process discipline
- People skills/resources
- Senior leadership support
- Clear accountability's
- Data accuracy and integrity
- The organizational silo's