Excellence in S&OP
Tips and Traps When Implementing

APICS North Shore Chapter
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Principal, Nexview Consulting
There were four people named Everybody, Somebody, Anybody and Nobody. There was an important job to be done and Everybody was asked to do it. Everybody was sure Somebody would do it. Anybody could have done it, but Nobody did it. Somebody got angry about that, because it was Everybody’s job. Everybody knew Anybody could do it but Nobody thought that Nobody would do it. It ended up that Everybody blamed Somebody when Nobody did what Anybody could have done.

- Unknown author of adaptation of poem by Charles Osgood
Nexview Consulting is a management consulting firm that helps clients achieve alignment within their organizations to improve performance and generate quantifiable results.

- Key service offerings include:
  - S&OP, Operations Assessments, Change Implementation, Project Evaluation & Partner Selection
- Eric’s projects have delivered over $240M in documented client savings, his clients include:
Objectives for tonight’s discussion

- Discuss some elements of a well functioning S&OP as well as some of the challenges
- Discuss some areas to review in your own process
- Tips and Traps when implementing
- Discuss maturity assessment and tracking of continuous improvement in your S&OP process
- Emphasize how S&OP can be the platform for continuous improvement in your company
Nexview’s definition of S&OP

S&OP is the vehicle for communication, performance measurement, and decision making related to integrating financial, demand, and supply planning to meet company objectives.

Key characteristics of S&OP include:

- Cross-functional alignment of planning and decisions aligned to the strategy of the company
- One set of consistent plans used throughout the organization
- Sr. Management led
- Exception-based, product family level discussions
- Management of financial gaps, while there’s still time for action
- Leadership development and improved teamwork
- Business performance management across the enterprise
- Platform for continuous improvement in the company
A defined, tightly integrated cycle of steps is necessary to hit the target of a highly performing S&OP process.

S&OP sits between Business Planning and the detailed planning and execution processes below.
The S&OP meetings build upon each other

**Executive S&OP**
- Address items escalated from Pre-S&OP
- Confirm the S&OP Plan
- Regional and/or BU roll-up
- Review of Executive KPI Scorecard

**Pre-S&OP**
- Rolling plan comes together
- Exceptions resolved across functions
- Involve only those who are required
- Resolve majority of issues in Pre-S&OP rather than in Executive S&OP

**Supply Review**
- Evaluate ability to meet unconstrained demand
- Confirm the Supply Plan
- Confirm inventory position
- Review KPI Scorecard

**Demand Review**
- Critically review forecast
- Challenge ourselves to fill gaps
- Consensus Unconstrained Demand
- Review Demand related KPIs

**Portfolio Review**
- Exception based review of new product introductions and supply chain implications
- Evaluate longer-term product opportunities in context of the portfolio
- Review KPI Scorecard
S&OP is an enabler to improved company performance, benefits can be measured across several areas.
What are some typical challenges with your S&OP process that you struggle with?
Nexview’s market survey of S&OP challenges shows meeting effectiveness to be a top challenge.

- Underlying Processes: 15.2%
- Exec Sponsorship: 6.1%
- Participation: 9.1%
- S&OP Design: 15.2%
- KPI Use & Results: 13.1%
- S&OP Understanding: 13.1%
- Meeting Effectiveness: 16.2%
- Meeting Content: 8.1%
- IT Support: 4.0%

Source: Nexview survey, 2011
Nexview’s S&OP Revitalization Methodology can be used to improve an existing S&OP or guide an implementation.
S&OP Maturity should be assessed for Design, Technology, Content, Behaviors, and Results

A Best Practice Survey and analysis is available free at www.nexviewconsulting.com

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Boxes in the Performance Arrow roll-up to higher level categories

S&OP Maturity Summary

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<tr>
<th>Category</th>
<th>Functional</th>
<th>Maturing</th>
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<td>Design</td>
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<td>Technology</td>
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<td>Results</td>
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Nexview’s S&OP Revitalization Methodology can be used to improve an existing S&OP or guide an implementation.
Working on these “Revitalization” levers will help your process to become the best it can be

- Direction and Alignment
- Executive Support and Resources
- Best Practice Design and Content
- Change Management
- Enabling Tools
- Results

New S&OP Processes need consideration of these items from the get-go
First, check your vision for S&OP

Key Questions to Ask

- How did you/should you define S&OP?
  - What it is and what it is not
- What should it accomplish?
- What should happen by when? (Roll-out, process standardization, technology support, business results)

Next Steps

- “Core Team” agrees on the particulars
- Sponsor approves
- Write it down (Vision, Communication Package)
- Review it with stakeholders
- Communicate it again periodically

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A vision could be a tightly worded statement or perhaps a set of clear bullet points, such as

- We understand that S&OP is the aggregate and coordinated planning layer above the detailed supply chain planning processes; we’ll identify several gaps in the underlying processes, but won’t address all of them as part of this project.
- All business units will participate in S&OP.
- We have agreed that a consistent process and set of tools will be used.
- We have a viable and sustainable way to aggregate data at the brand level and can produce a rolling 18 month plan.
- The S&OP process will be the key input into the budgeting process.
- S&OP will help us stabilize organizations roles and define accountabilities.
- We will reduce forecast error by 20%, reduce inventory by 15%, and improve on-time-in-full by 20% through S&OP.
S&OP needs an executive sponsor to be the true decision making process in the company

Role of the Sponsor
- Communicates the vision
- Ensures executive attention, participation, and, messaging
- Ensure resources are allocated for S&OP
- Coaches peers, as well as upward and downward in the organization
- Coordinates regionally and/or globally

Who Should Be The Sponsor?
- CEO/GM?
- VP Supply Chain?
- COO/VP Operations?
- CFO?
- VP Sales and/or Marketing
- CIO
- Other?

The Sponsor can be any executive that has cross-functional expertise and influence.
Examine the design and ensure alignment with the organizational structure

Key Questions to Ask

- Do we have the right meetings (meetings can sometimes be missing from the cycle)
- Are the right people in each of the meetings?
- How is Executive S&OP worked into the Executive Management System?
- Is there consistency across divisions/should they be consistent? Should divisions participate together or should they have separate processes?

Next Steps/Design Tips

- Adjust “Best Practices” to fit your business with the meetings in the S&OP flow
- Look for consistency across business units, but don’t force it where it doesn’t make sense
- Clearly define and document each participant’s role
- For each meeting have an Executive Owner, Facilitator, S&OP Leader structure
- Have too many redundant meetings or multiple owners? Perhaps the org structure is outdated
Pre-S&OP can sometimes be a challenging meeting to run effectively

Challenges
- Lots of people
- Lots of business units
- Lots of data
- Lots of opportunity to get into details
- Lots of opportunity for a long meeting
- Lots of opportunity to lose people

Consider Trying
- Aside from a core group, invite only those who have exceptions to address (others optional)
- Rotate groups in and out of the meeting
- If no imbalances, KPI gaps, or financial gaps, confirm plan virtually
- Discuss an ad-hoc improvement topic
- Rotate invitations to target executives
Review your basic tools/inputs for each of the meetings

Meeting Charter
- Defines our meeting design
- Objectives
- Participants
- Typical Agenda

Meeting Effectiveness
- Exception based
- S&OP best practices
- Gap management
- Preparedness
- Decisions
- KPI Review
- Actions

Action Log
- Actions
- Accountabilities
- Dates
- Decisions

Exceptions Report
- Analyzes Plan to automatically identify exceptions to plan
- Variance analysis measures
- Focuses discussion

KPI Scorecard
- KPIs in the right meeting at the right level, reviewed by the right people
- KPIs focus on underlying levers to reduce variances, exception based
- Baselines & targets

S&OP Plan
- Reference plan used for exception analysis
- Historical and 12-24 month forward look
- Plan of record (i.e. “The Plan”)
- Volume and $ versions
Review the technologies you are using to support the process

**Key Questions to Ask**

- Spending more time building reports than analysis?
- Roll-up/breakdown data in the product hierarchy as well as cut by reporting unit?
- Single data repository with high integrity?
- System assisted scenario modeling?
- Automated KPI reporting?
- Exception reporting and/or highlighting?

**Next Steps/Design Tips**

- Tool/Database evaluation
- Short-term/Longer-term options
- Set the right expectations that match your IT capability
- Integrate your roll-out with your ability to automate generation of the S&OP reports
Everybody has KPIs, but are they being used effectively throughout your Management System?

**KPIs**

- Specific, **Measurable**, Affordable, **Realistic**, Time Related
- Link above and below
- Common documented definition
- Actuals measured against a baseline and plan
- Can be influenced by the accountable person
- Drive behavior to improve performance

**Behaviors**

- Root cause analysis
- Firm, but supportive
- Set actions to improve performance
- “When will we be back on track, What do we need to do to avoid it in the future”
What results are S&OP generating, and do you have the right KPIs in the right places?

Pre S&OP and/or Executive S&OP

- NPD Volume
- At Risk Inventory $
- Forecast Error
- Inventory DOH
- New Prod Intro Cycle Time
- OTIF
- Capacity Utilization
- Inventory $
- FG Written Off

Portfolio Review

- NPD Volume
- At Risk Inventory $
- New Prod Intro Cycle Time

Demand Review

- Forecast Error
- Forecast Stability
- Forecast Bias

Supply Review

- Capacity Utilization
- Inventory DOH
- Prod Plan Adherence
- Inventory $
- FG Written Off

Especially for Exec S&OP, The KPI scorecard can be integrated with financial metrics for the “Balanced Scorecard” approach.
Nexview’s S&OP Revitalization Methodology can be used to improve an existing S&OP or guide an implementation.
Tips and Traps when implementing S&OP include:

- Remember the 7 Revitalization Levers
- Plan for Training and Roll-out sessions
  - Executive session during design phase, set expectations
  - Wider communication meetings
  - Just in time training during the roll-out of the meetings
- Pilot the roll-out with a “friendly” business unit
- Roll-out to other business units in a manner that matches your capacity (meeting and data preparation, training)
- Start the Executive S&OP meeting in Month 2 of the rollout
- Don’t underestimate the data assembly/IT requirements
- Measure financial results
- Projects need communication plans, project management, and change management
- Get it 60-80% right, launch, and fix the rest as you go
- Each group probably takes 3 meetings to be able to discuss the full scope of their business
Each area or business unit probably needs 3 cycles to be able to “handle” the content that goes into each meeting.

**First Cycle (Month 1)**
- Meeting Training
  - Charter
  - Report/Plan format
  - KPI Definitions
  - Action Log
- Walk through data for 1 product family

**2nd Cycle (Month 2)**
- Add additional product families to reports
- Answer questions on KPIs
- KPIs have targets
- Address a business issue/supply and demand imbalance
- Launch Executive S&OP

**3rd Cycle (Month 3)**
- All product families/full volume
- Crisper KPI review, add KPIs
- Financial integration
- Address business issue/exception

Each roll-out needs to be tailored to the particular situation, the point is not to feed the group too much too fast.

* Each meeting builds upon the last, adding content and covering more of the business.*
Managing change can be complex, it takes plans, tools and leaders to get it done

<table>
<thead>
<tr>
<th>Methods for Leading and Managing Change Initiatives</th>
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<tbody>
<tr>
<td>Establish a Project Vision</td>
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<td>Change Implementation Schedule</td>
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Nexview’s S&OP Revitalization Methodology can be used to improve an existing S&OP or guide an implementation.

- Assess and Baseline
- Review Key Revitalization Levers
- Implement and Improve
- Measure Progress
Defining a sequence of S&OP Maturity Stages will help you chart your course for continuous improvement

**Maturity Dimensions**
- Design
- Technology
- Content
- Behaviors
- Results

**LAGGING/EXECUTION (Not S&OP)**

- Discussion on this month
- SKU level
- This week’s demand/scheduling changes
- Finance not integrated
- Middle management led
- Some KPIs

**BASIC**

- Cross functional meeting
- Product family discussion
- Planning Horizon covers longest lead time items
- Some financial involvement
- KPI scorecard measured against targets
- Executive awareness

**FUNCTIONAL**

- IT supported
- All component meetings in place
- Whole business included
- Right time frame & level of detail
- KPIs have baselines & targets
- Participants prepared
- Scenario discussion
- Business decisions made

**MATURING**

- Meeting length shortened
- Technology supports decision making
- Quality gap resolution
- Finance active role
- Actions set to drive KPIs
- KPIs challenged
- Financial benefits quantified
- Rules for escalation
- Executive led

**LEADING**

- Full integration with budgeting process
- Integration with Strategic Plan
- Planning horizon extended
- Global S&OP
- History of effects of prior decisions understood
- Exec S&OP integrated with Exec Meetings
- IT decision support and workflow
- KPI and $ results

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A Maturity Tracking Tool can be used during an improvement effort to set expectations as to what level of maturity will be achieved by when.

### S&OP Maturity Schedule

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**S&OP Maturity Levels:**
- LAGGING/EXECUTION (Not S&OP): 0, 1
- BASIC: 2
- FUNCTIONAL: 3
- MATURING: 4
- LEADING: 4

### % Implemented

- **Plan**
- **Actual**

![Graph of % Implemented](image-url)
Make S&OP your platform for continuous improvement throughout the organization
To revitalize an existing or give your new S&OP process a boost in the right direction, we talked about:

- Assessing and baselining the as-is
- Specific “Revitalization Levers” to critically examine
  - Vision, Sponsorship, Design, Org Alignment, Reports & Tools, Technology, Results
- The need for a well-planned roll-out – communication, project management, and change management
- Assessing your maturity and using tools to track your improvement progress
- Thinking of S&OP holistically and making it your platform for continuous improvement for the company
“The definition of insanity is to do the same thing over and over and expect different results.”
– Albert Einstein

“The way to get started is to quit talking and begin doing.”
– Walt Disney

“Drive thy business, or it will drive thee”
– Benjamin Franklin

“Just because something doesn’t do what you planned it to do, doesn’t mean it’s useless”
– Thomas A. Edison
Thank you

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