



The S&OP pulse check II

August 2011

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The S&OP Pulse check II: Introduction

Introduction

The objective of The S&OP Pulse check II is to informally research, create and share insight in S&OP. This was done by using free survey software from <http://www.kwiksurveys.com/> and using the social network LinkedIn with help from www.SupplyChainmovement.com to get participants in the survey. The aim was to take not longer then 5-10 minutes from participants their time. The survey was open for participants from 30th of June until the 29th of July 2011, in which the survey had 142 participants from 31 countries.

The S&OP insight in this document aims to create inspiration, provoke some thoughts and hopefully healthy discussion. It's the personal interpretation of the survey results by the initiator.

Open source S&OP

The S&OP Pulse check is an open source S&OP initiative. The raw data from the survey is available for analysis on: <http://supplychaintrends.wordpress.com>. Everybody is free to analyse the data and create their own perspective. If you do, don't be evil and share your S&OP insight!

Enjoy reading on S&OP

The S&OP Pulse check II: Survey demographics

Insight 1: S&OP is still a supply chain driven business process

Country and job level

A total of 142 participants from 31 countries completed the survey. Every participant had to complete all 11 questions. The United States, UK and the Netherlands represented 48% of participant.

The job level is for 76% manager, senior manager or director. This means a high representation of middle management in the survey. See figure 1.

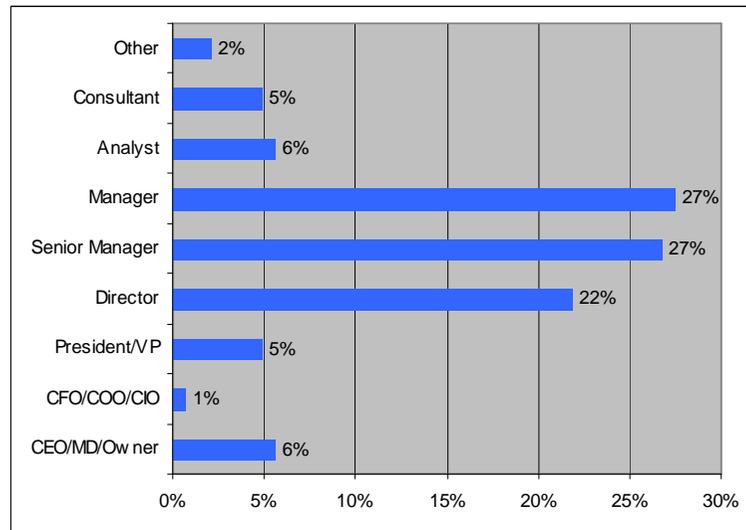


Figure 1: survey participants job level

Functional area

Although it is widely acknowledged that S&OP is developing from a Supply Chain driven process to a company wide driven process, 58% of participants are reporting into Supply Chain. See figure 2. If this result only slightly represent the functional area that drives S&OP throughout a company, we can conclude that **S&OP is still a supply chain driven business process**. The often expressed perception of other functional area's that S&OP is 'a supply chain thing' might be right and can be an important contributor to resist S&OP change.

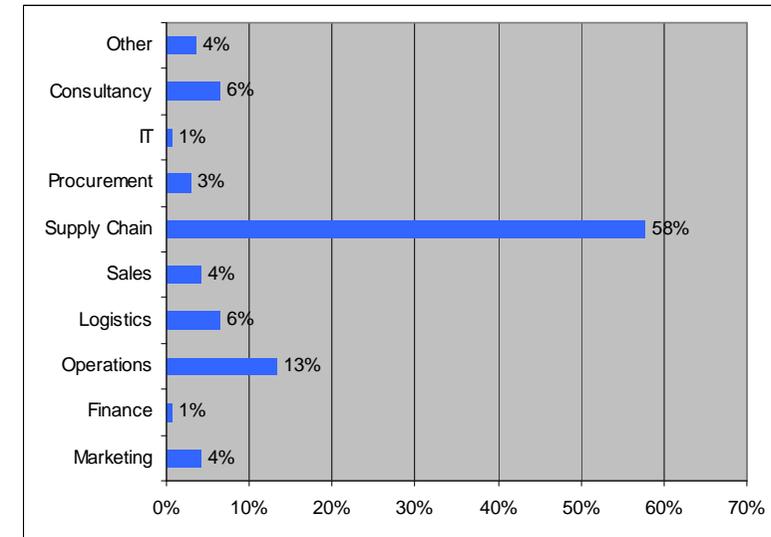


Figure 2: functional area survey participants report to

The S&OP Pulse check II: Survey demographics

Company industry

Survey participants joined from 14 different industries, with the top 3 representing 48% and mostly manufacturing driven. See figure 3

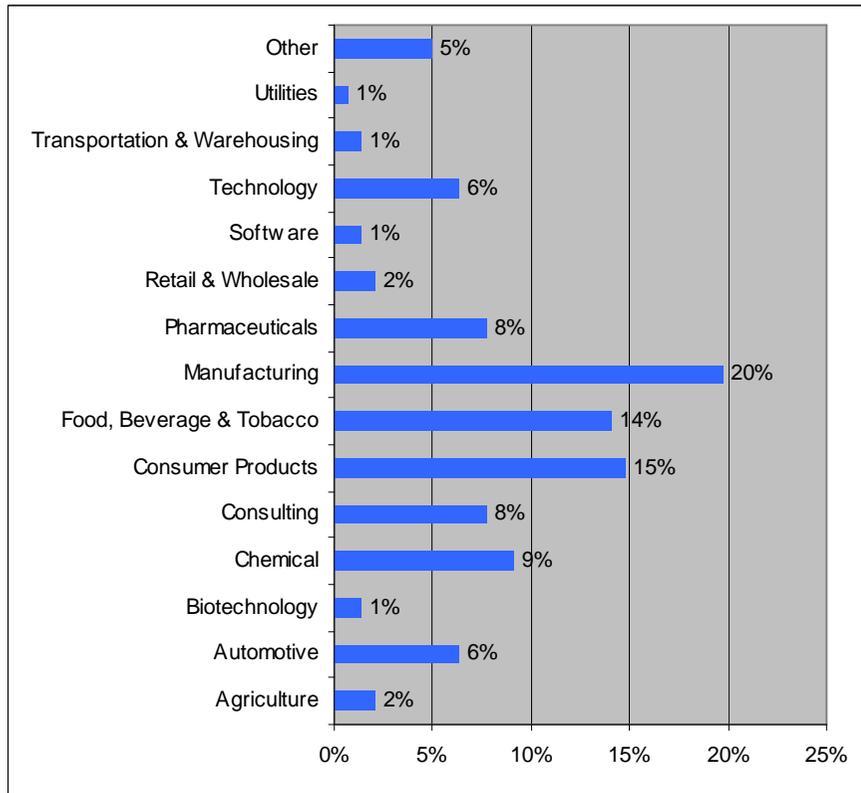


Figure 3: Industries represented by survey participants

Company size and S&OP experience

Companies below 500 employees highly represented survey participants (30%). 70% of companies have between 0 and 5 years S&OP experience. See figure 4 and 5

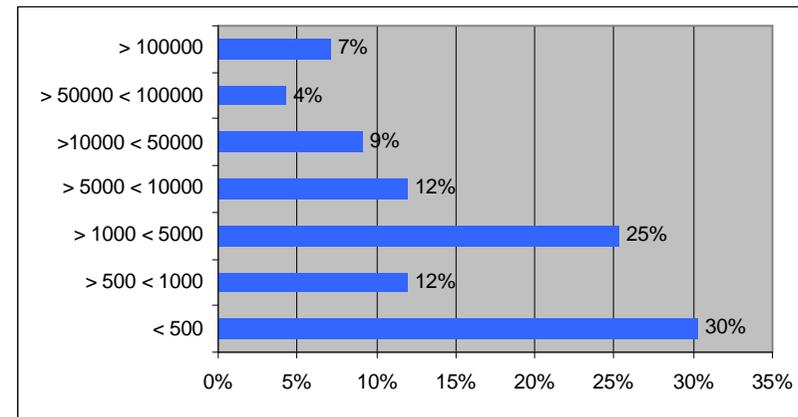


Figure 4: Company size (nr. of employees) for survey participants

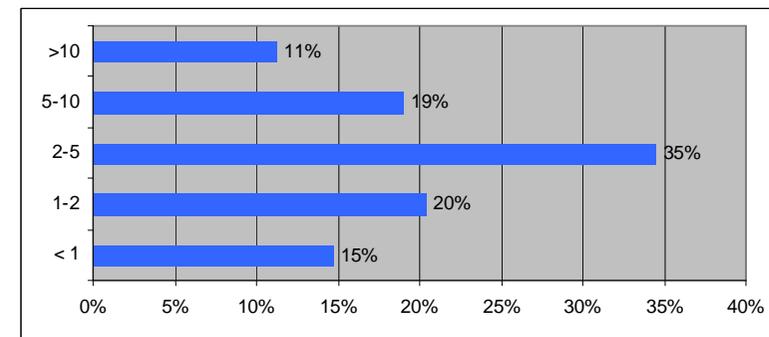


Figure 5: Years the company works with S&OP for survey participants

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

Insight 2: Improving cross functional communication is the key reason to implement S&OP

Survey participants were given ten options to choose key reasons to implement S&OP. An eleventh option 'other' was available. Multiple answers were possible. **Standout with 75% was; Improve cross functional communication.** All job levels except for the manager level chose this as their main key reason. This is similar as the 2010 survey results where this key reason was voted number one with 68%.

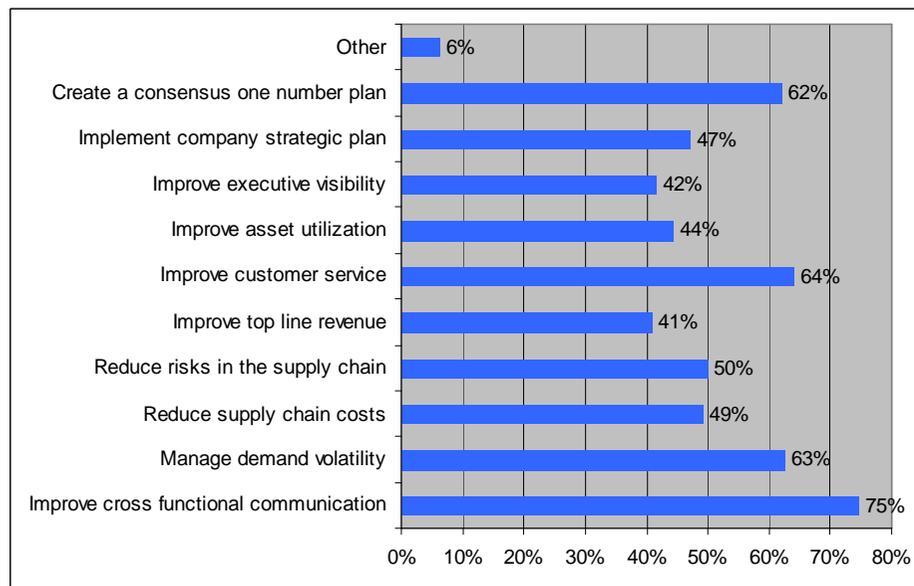


Figure 6: Key reasons for S&OP according to survey participants

S&OP costs and growth reasons

An observation out of the results is that direct cost and growth related reasons to implement S&OP score relatively low. Reduce supply chain costs, improve top line revenue and improve asset utilization are in the bottom five choices. Return On Assets (ROA) is one of the five criteria on which Gartner yearly selects its top 25 supply chains, but according to most participants improve asset utilization is not a main reason to implement S&OP.

The 7% of participants with CEO/MD/Owner job levels however choose the costs and growth reasons as number 2, 3 and 4 key reason to implement S&OP. Aberdeen 2010 research, with more participants at C-level, tells us that 59% of respondents indicate that improving top line revenue is a key pressure point to implement S&OP. This raises the question if there are different key reasons and therefore expectation from implementing S&OP at different job levels. Most job levels seem to say that S&OP is first and foremost an enabling and facilitating process to improve cross functional communication, manage demand volatility, create consensus and improve customer service. If this is not aligned with expectation from senior leaders, driving change through S&OP with senior leadership support becomes a challenge.

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

Insight 3: The S&OP process is still driven by demand forecast and supply constraining actions

Insight 4: Scenario planning is not a key action in most S&OP processes

Survey participants were given eight options to choose on what key actions are taken in their current S&OP process. An option 'other' was available. Standout with 77% is *Manage Demand Forecast within S&OP*. *Manage supply constraints within the S&OP plan* came second with 61%. These scores suggest that according to the survey participant **the S&OP process is still driven by demand forecast and supply constraint actions**. A similar results as the 2010 survey

More than half the participants (52%) indicates that they are actively integrating financial planning & budgeting through the S&OP process. If this is done well, the S&OP process can replace the quarterly or annual budget process. In Gartner's four step S&OP maturity model this S&OP activity belongs in level 3 maturity. A level that, according to a 2009 Gartner study, only 34% of companies reach. See appendix for Gartner's S&OP maturity model. The two lowest scores on scenario planning to either reduce risks or optimize profit, suggest that **scenario planning is not a key action in most S&OP processes**. Being able to easily run what-if scenario's is a sign of S&OP maturity. What-if capability is often technology driven and Gartner defines this capability as part of a level 3 S&OP maturity. With 32% of participants indicating they scenario plan to reduce supply chain risks, this comes very close to Gartner's 34%.

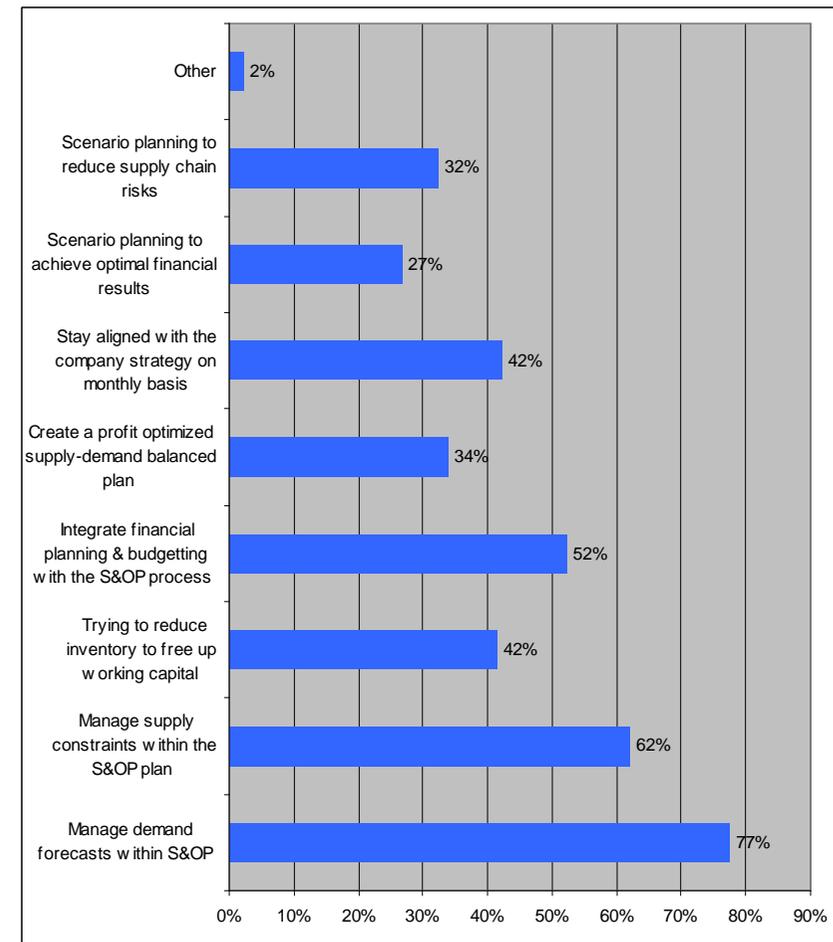


Figure 8: Key actions in current S&OP according to survey participants

The S&OP Pulse check II: S&OP satisfaction

Insight 5: Satisfaction in trust and communication between functional area's increases with S&OP experience

We asked the survey participants to score their level of (dis)satisfaction in several area's. With 53% of participants being satisfied or very satisfied with the *improvement S&OP creates for their company*, they suggest that S&OP adds value for them. There is 51% overall satisfaction in *the S&OP process you're working in*. If we define S&OP (dis)satisfaction as the sum of survey participants that are (dis)satisfied or very (dis)satisfied, we see that total satisfactions outweighs total dissatisfaction in every area. See figure 10.

To compare (dis)satisfaction with the amount of years a company is working with S&OP we created three categories. Less then 2 years, between 2 and 5 years and more then 5 years S&OP experience. See figure 11.

How satisfied are you with:	Very Satisfied	Satisfied	Neutral	Dissatisfied	Very Dissatisfied
The S&OP process you're working in	5%	46%	23%	21%	5%
The communication between functional area's	1%	41%	25%	26%	6%
The trust between functional area's	3%	35%	30%	24%	7%
The improvements S&OP creates for your company	10%	43%	33%	10%	1%
The commitment of all stakeholders in the S&OP process	6%	32%	28%	23%	9%

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

In figure 11 we can see that the participants results suggest that perceived **satisfaction in both trust and communication between functional area's increases with S&OP experience**. Companies with less then 2 year S&OP experience score highest dissatisfaction with communication and trust between functional area's. Companies with more then 2 year experience show the highest dissatisfaction in S&OP stakeholder commitment. See appendix for S&OP dissatisfaction graph. Furthermore we can see in figure 11 that satisfaction in S&OP process and improvements stay similar once 5 years S&OP experience is reached.

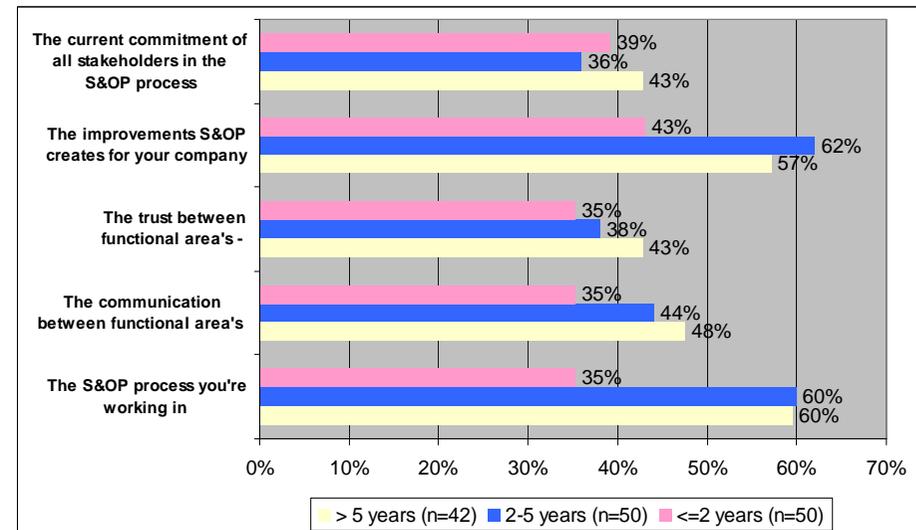


Figure 11: S&OP satisfaction in relation to experience with S&OP

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

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

Insight 7: Technical capability is not a major roadblock in implementing S&OP

Survey participants were given ten options to choose on what the main roadblocks are to implement S&OP. **Standout with 61% is Senior leadership support**, see figure 12. This is a similar result as the 2010 S&OP pulse check, where this roadblock scored highest with 68%. In many companies it takes time before senior leaders lead by example in S&OP disciplines and behaviours and therefore drive an S&OP culture.

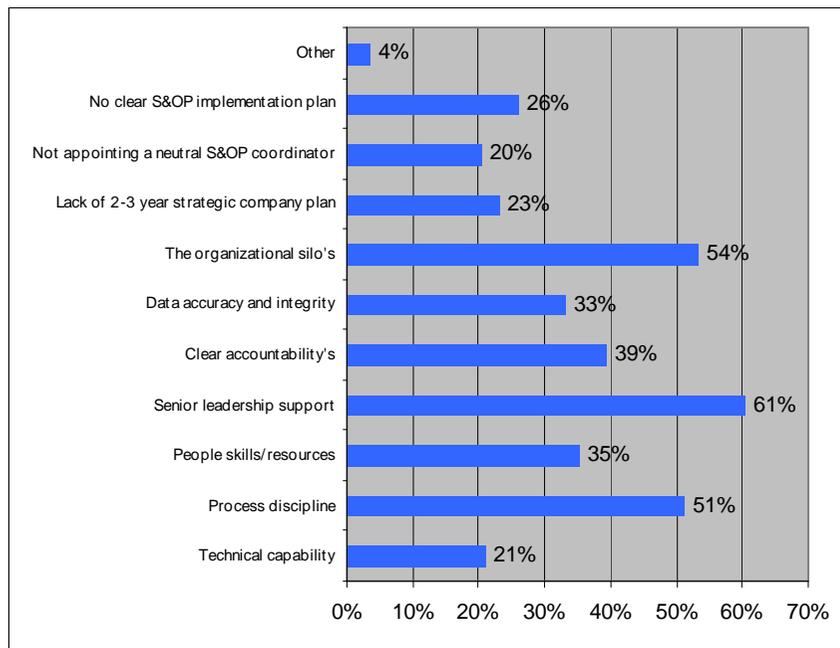


Figure 12: Roadblock to implement S&OP according to survey participants

Therefore it might even be said that support only is not enough. We have to talk about relentless ownership in both process and behaviour. Senior leadership language and behaviour has to show that S&OP is their process and it is the way they run the business. Advanced S&OP is a long journey. A recent Gartner report on IBP at Danone mentions; 'it takes 10 years to reach champion level'. Therefore it is essential to establish an S&OP culture that is maintained to drive improvements over a longer period of time. Senior leader ownership of the process and leading in S&OP behaviours is key to drive a culture like this.

The organizational silo's score 2nd with 54% and *Process discipline* scored 3rd with 51%. If we add *Senior leadership support* as number one roadblock, we might conclude that roadblocks to implement S&OP are mostly company culture and behavioural driven.

With 21% technical capability scored in the bottom two as a roadblock to implement S&OP. A similar result of 22% was found in the 2010 S&OP pulse check. There is no significant difference in relation to S&OP experience. This suggest that although many spreadsheets are being used during S&OP (84% according to Aberdeen), **Technical capability is not a major roadblock in implementing S&OP**. This contradicts with what many consultancies advocate on technology.

The S&OP Pulse check II: Cultural changes due to S&OP

Insight 8: Better understanding and communication between functions is the main cultural change driven by S&OP

Survey participants were given eight options to choose on what cultural changes were due to the S&OP process. Standout with 73% is **Better understanding and communication between functions**, see figure 14.

Two significant cultural changes could be identified related to the years of S&OP experience. *More empowered decision making* doubled as cultural change for companies that have more than 5 years of S&OP experience. *A more positive business and atmosphere* also shows an significant increase. This suggests that some cultural changes related to S&OP take five year to develop. See figure 15.

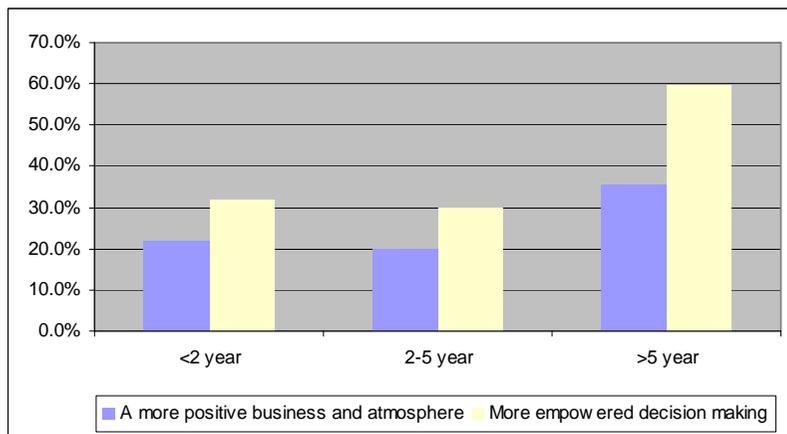


Figure 15: Cultural changes in relation to experience with S&OP

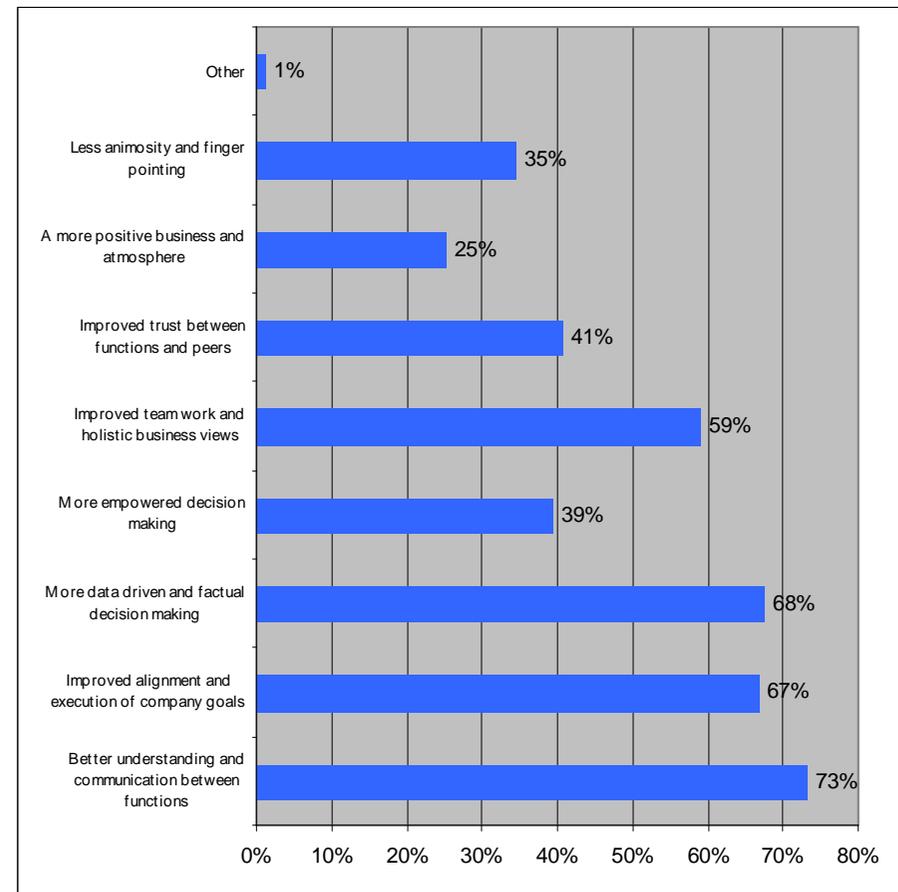


Figure 14: Cultural changes due to S&OP according to survey participants

The S&OP Pulse check II: About and acknowledgements

About the S&OP pulse check initiator



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

About Supply Chain Trend



Supply Chain Trend is passionate about creating and sharing Supply Chain insight and knowledge. To follow and share news, blogs and information on supply chain topics with a focus on S&OP, you can follow:

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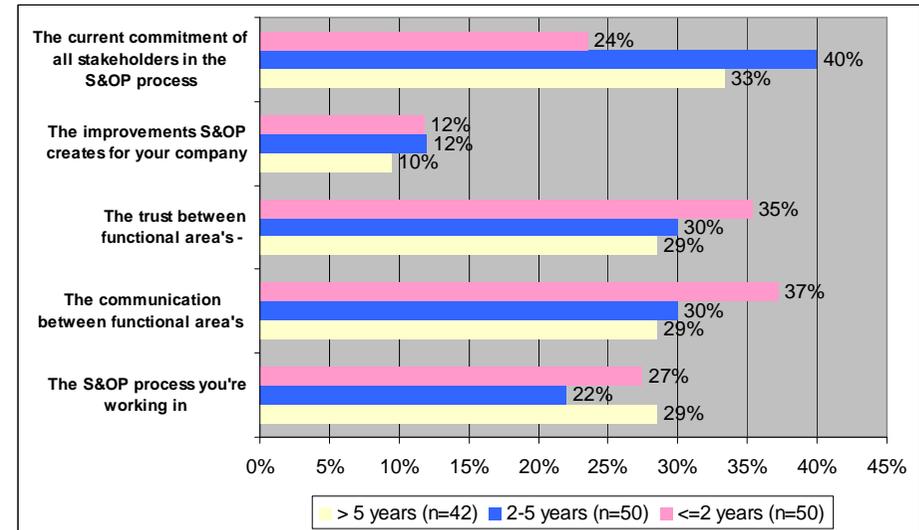
Acknowledgements

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The S&OP Pulse check II: Appendix

Strategy	Stage 1: Reacting	Stage 2: Anticipating	Stage 3: Collaborating	Stage 4: Orchestrating
Balance: S&OP				
Section 1: Goals	Development of an operational plan	Demand and supply matching	Profitability	Demand sensing, and conscious trade-offs for demand shaping to drive an optimized demand response
Section 2: Cross-Functional Alignment	Supply chain-driven process, with a strong sales or operational bias leading to imbalance. Lack of clarity as to the goal of S&OP.	Supply chain-driven process for purposes of achieving optimum forecast and supply response to demand.	Supply chain becomes the S&OP orchestrator, and business functions take ownership of input, output and results, looking at financial impact of decisions	Business ownership at multiple levels, with strong participation from executives and finance. Collaboration extends beyond the enterprise to achieve end-to-end value.
Section 3: Process and Technology	Emerging process, inconsistent and marginally effective. Often more of a sales review meeting. Tools are mainly Excel and ERP.	Formal, structured process. One-size-fits-all approach. Tools extend to include forecasting, SC planning and inventory optimization	Process tailored to business model and needs. Dialogue, and start of use of tools, around what-if analysis for demand shaping, financial reconciliation and cost to serve.	Process becomes balanced, dynamic and event driven. Strong connection to strategic planning and execution. Tools also support risk-value trade-offs, price optimization and complex simulation.

————— Increase in Organizational Balance —————>



S&OP dissatisfaction in relation to experience with S&OP