



Excellence in S&OP

Tips and Traps When Implementing

APICS North Shore Chapter

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S&OP keeps these four characters in check

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

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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

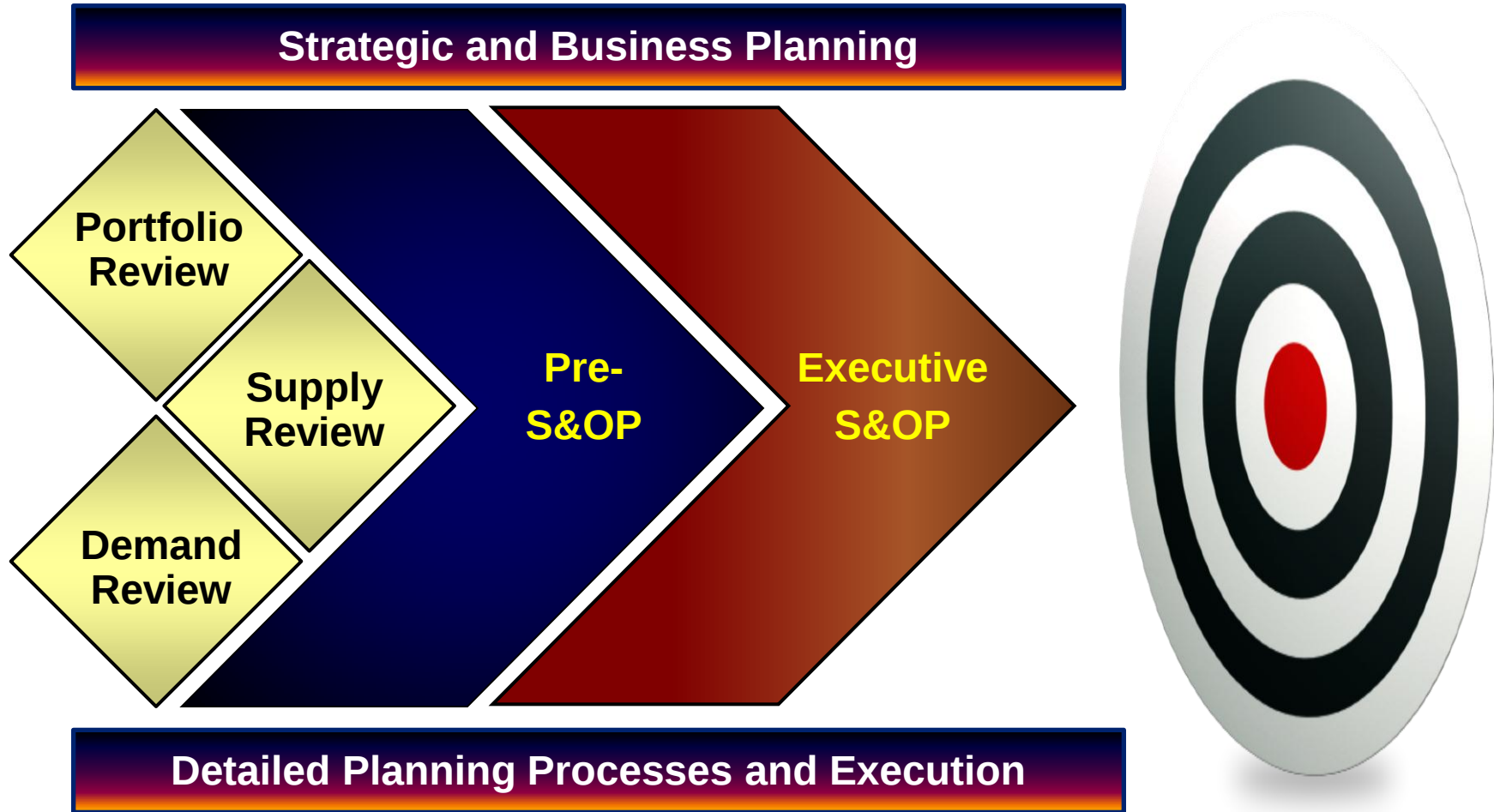
- Discuss some elements of a well functioning S&OP as well as some of the challenges
- Discuss some areas to review in your own process
- Tips and Traps when implementing
- Discuss maturity assessment and tracking of continuous improvement in your S&OP process
- Emphasize how S&OP can be the platform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

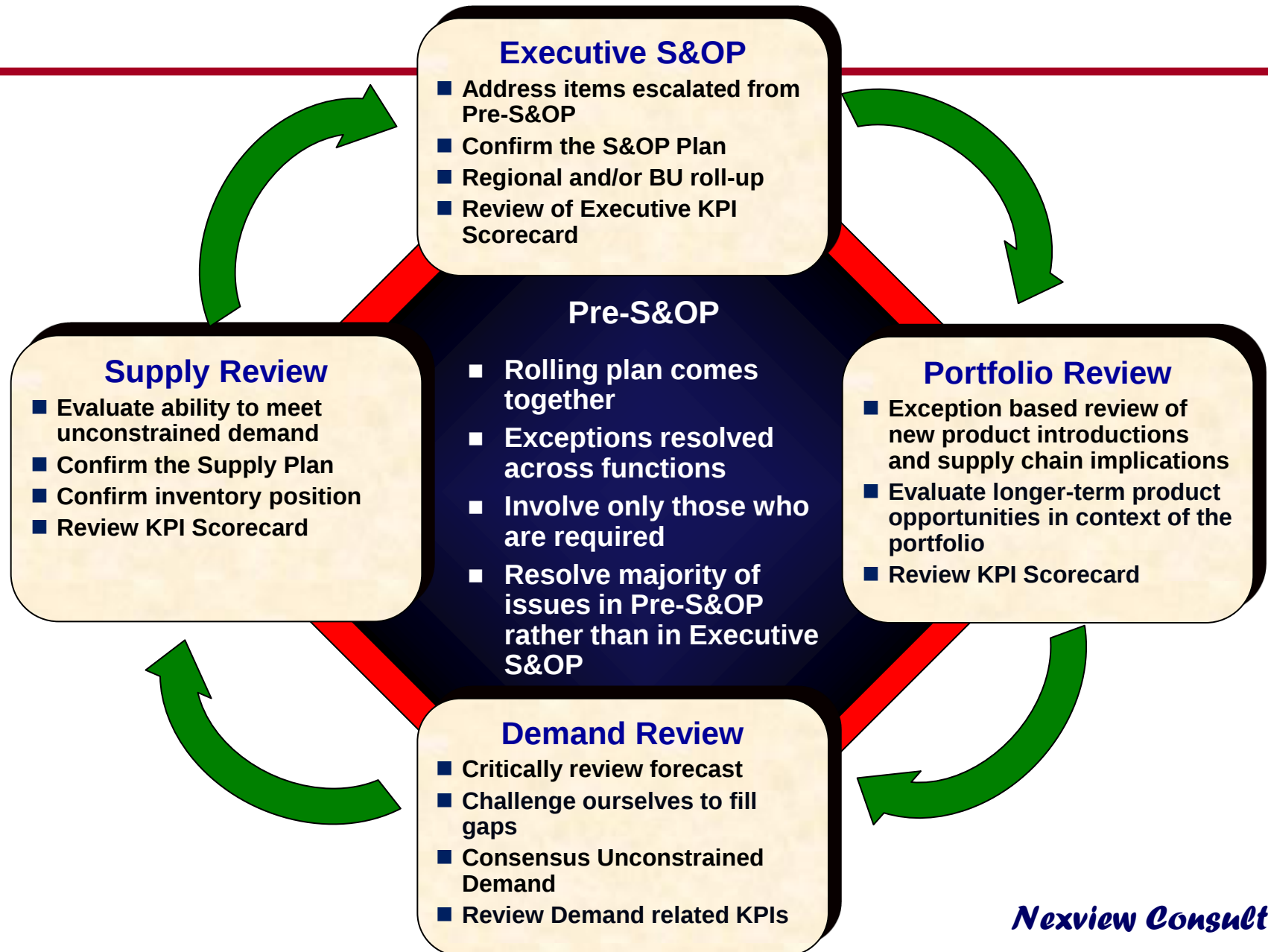
- Key characteristics of S&OP include:
 - Cross-functional alignment of planning and decisions aligned to the strategy of the company
 - One set of consistent plans used throughout the organization
 - Sr. Management led
 - Exception-based, product family level discussions
 - Management of financial gaps, 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



S&OP is an enabler to improved company performance, benefits can be measured across several areas

S&OP aligns medium-term planning to drive, enable, and sustain benefits

The gains begin in the sub-process areas

6-12 Month Benefits (5- 25%)

- Reduced Inventory
- Reduced Obsolete Inventory
- Reduce Transportation Costs
- Reduce Unit Production Costs
- Reduce Material Costs
- Product Portfolio Management
- Grow Sales
 - Improved OTIF
 - Reduce Stock-outs
 - Manage to stretch goals

Portfolio Management

- Replace negative or low margin products with higher margin products
- Reduce service on low margin products
- Bring new products to market more effectively

Demand Management

- Enable benefits throughout the supply chain through better
 - Demand management
 - Customer collaboration
 - Customer management

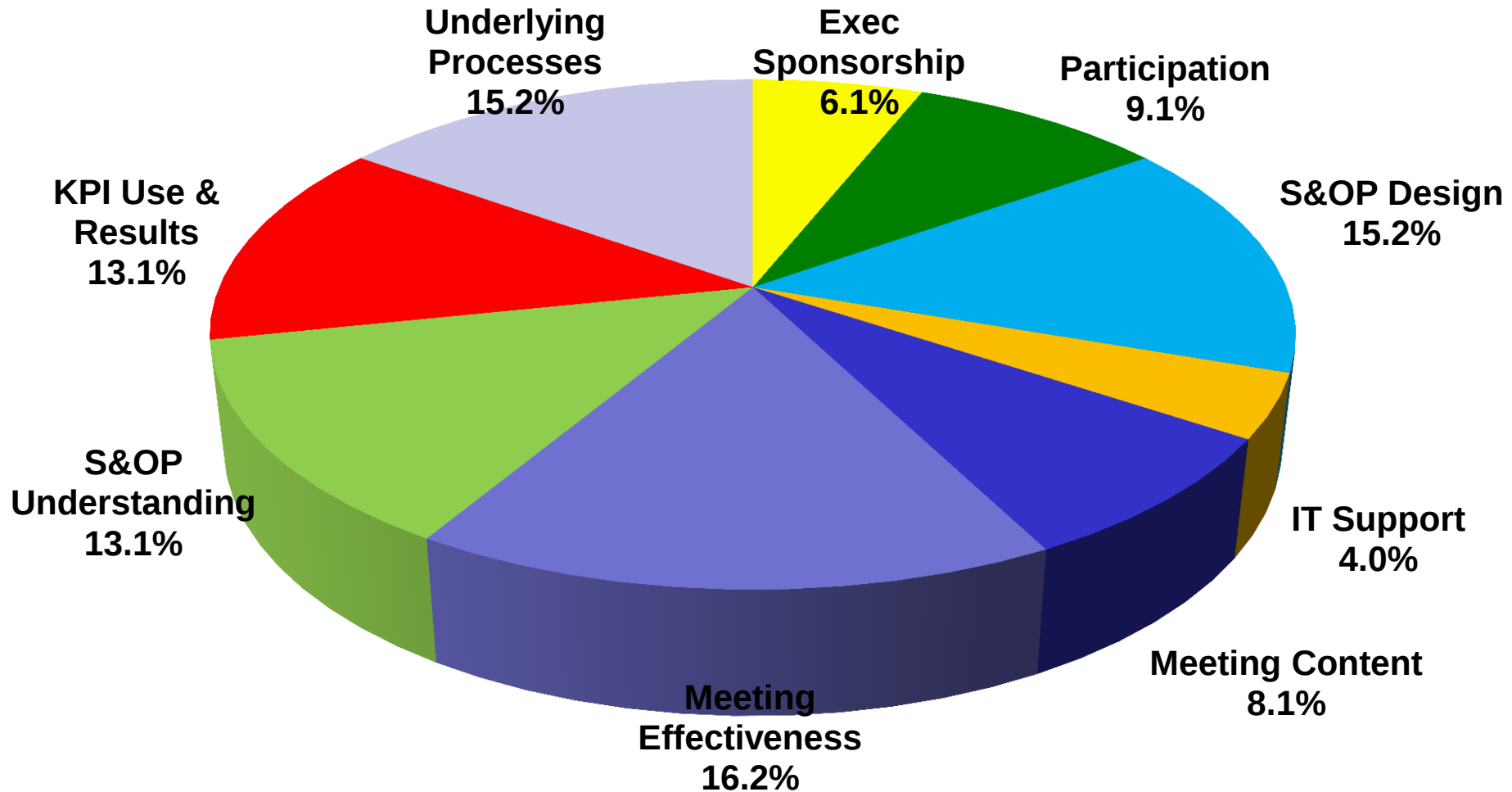
Supply and Distribution Management

- Short-term inventory reduction → “Police” production on top items
- Review sourcing in targeted areas
- Tactical transportation areas (e.g. routing, backhauls, preferred carriers)
- Overtime management

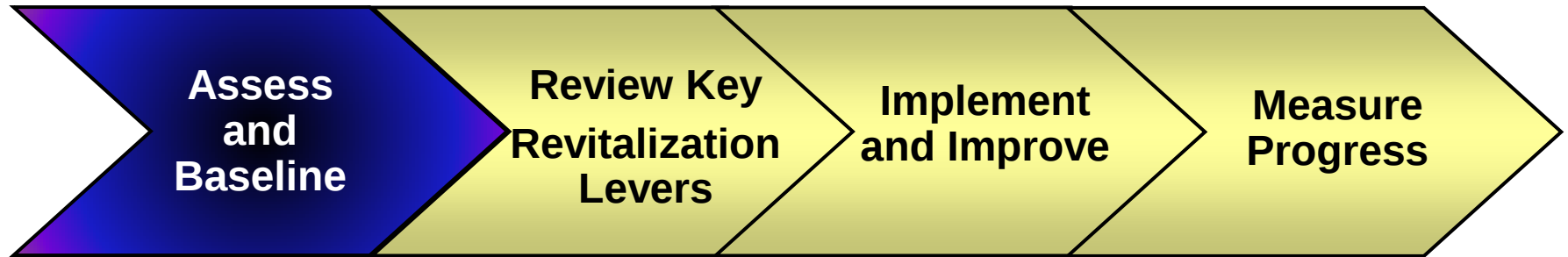
What are some typical challenges with your S&OP process that you struggle with?



Nexview's market survey of S&OP challenges shows meeting effectiveness to be a top challenge



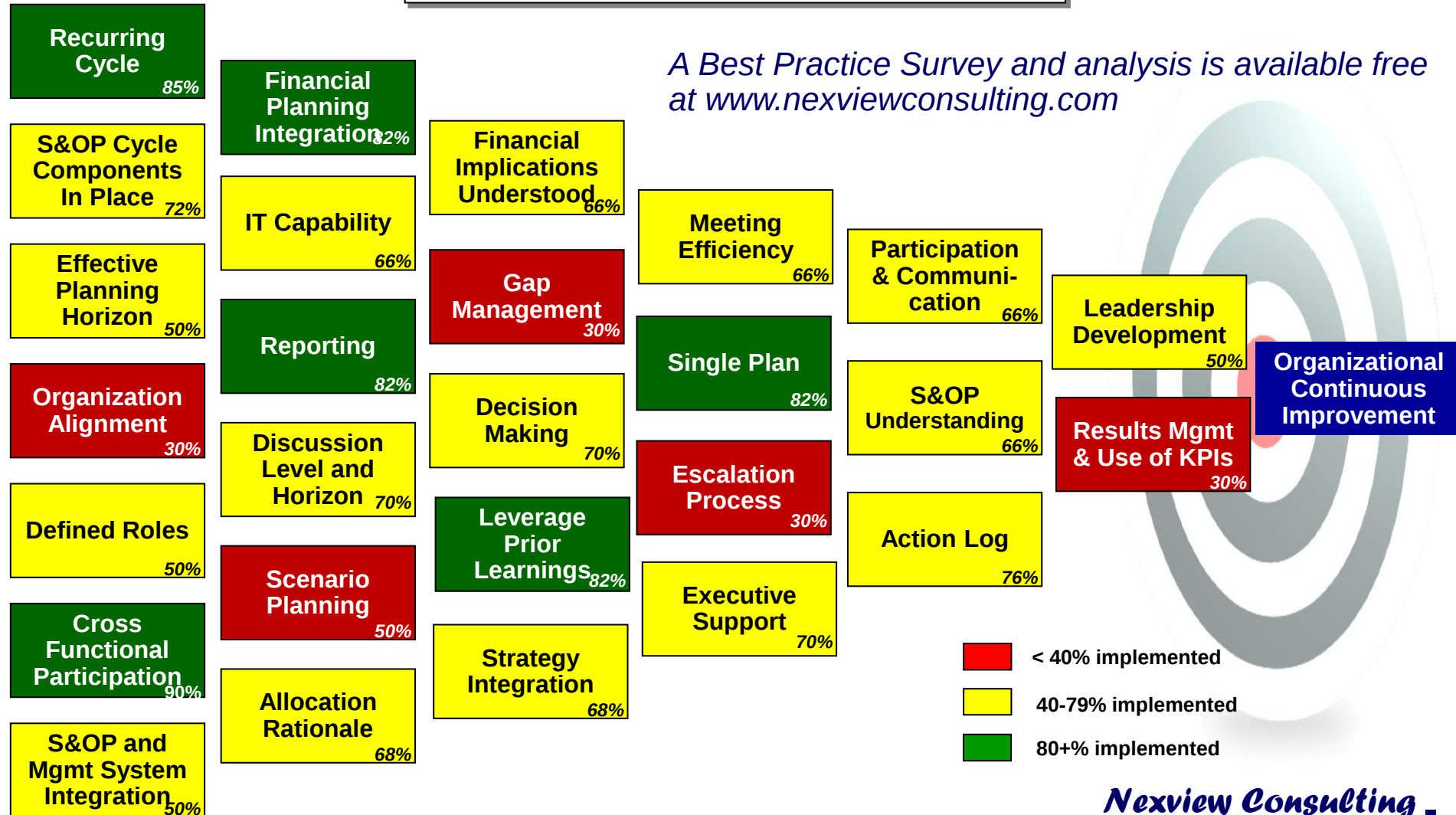
Nexview's S&OP Revitalization Methodology can be used to improve an existing S&OP or guide an implementation



S&OP Maturity should be assessed for Design, Technology, Content, Behaviors, and Results

S&OP Best Practice Performance Arrow

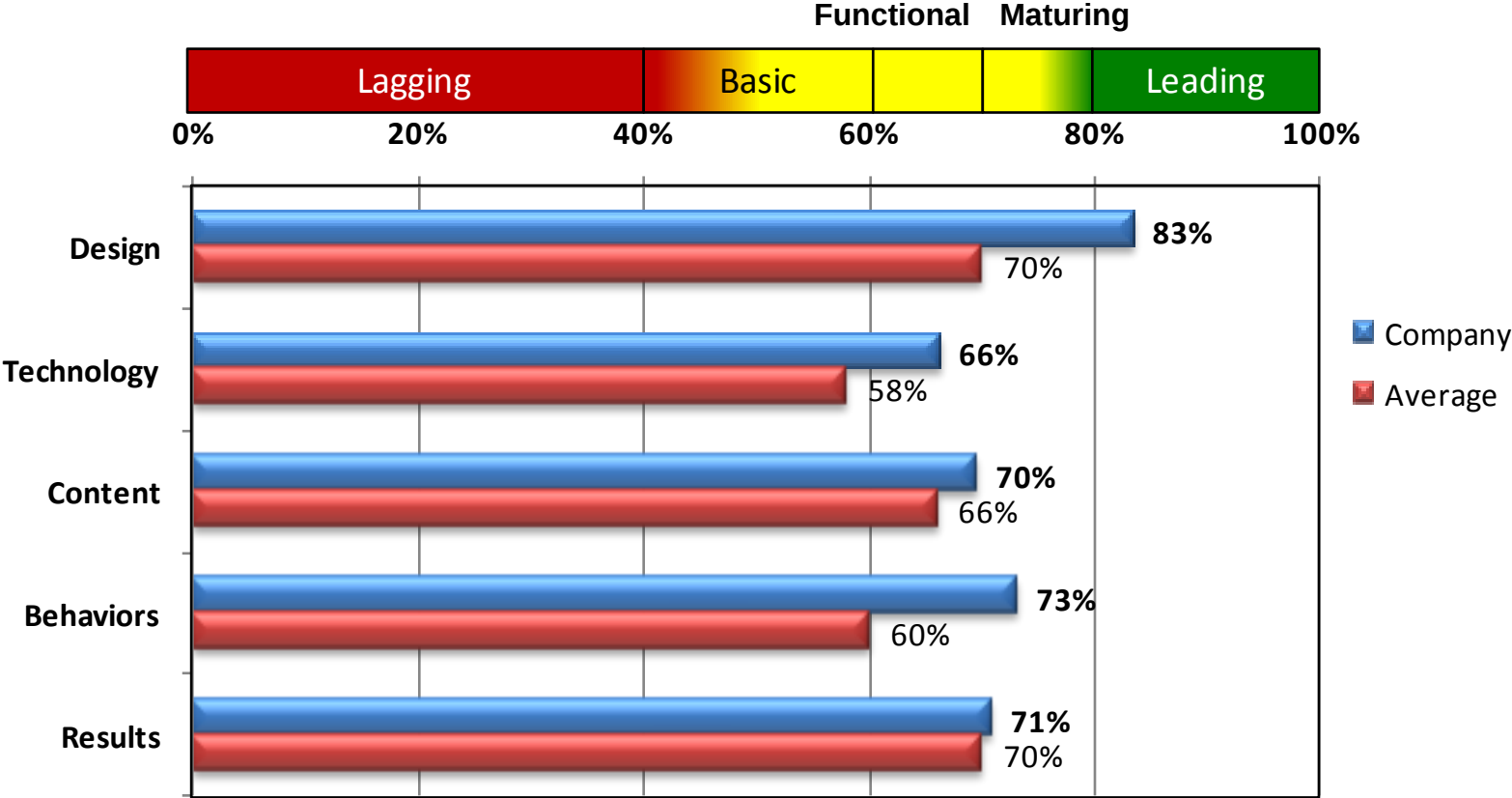
A Best Practice Survey and analysis is available free at www.nexviewconsulting.com



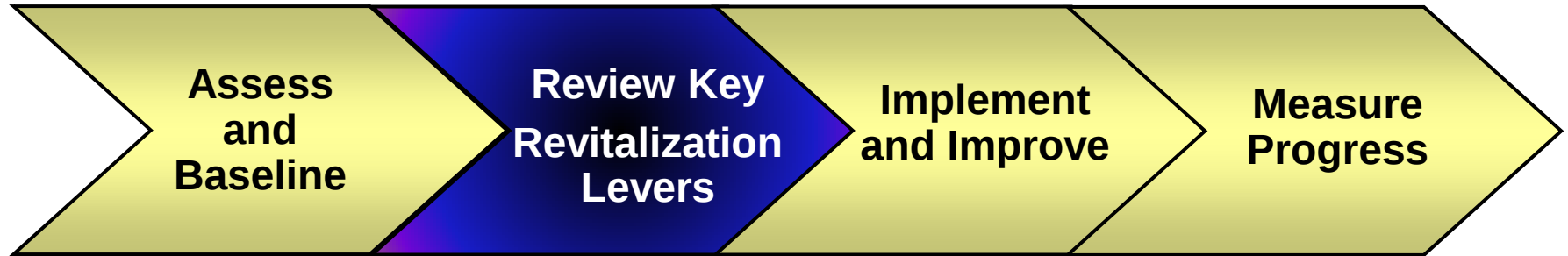
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Boxes in the Performance Arrow roll-up to higher level categories

S&OP Maturity Summary

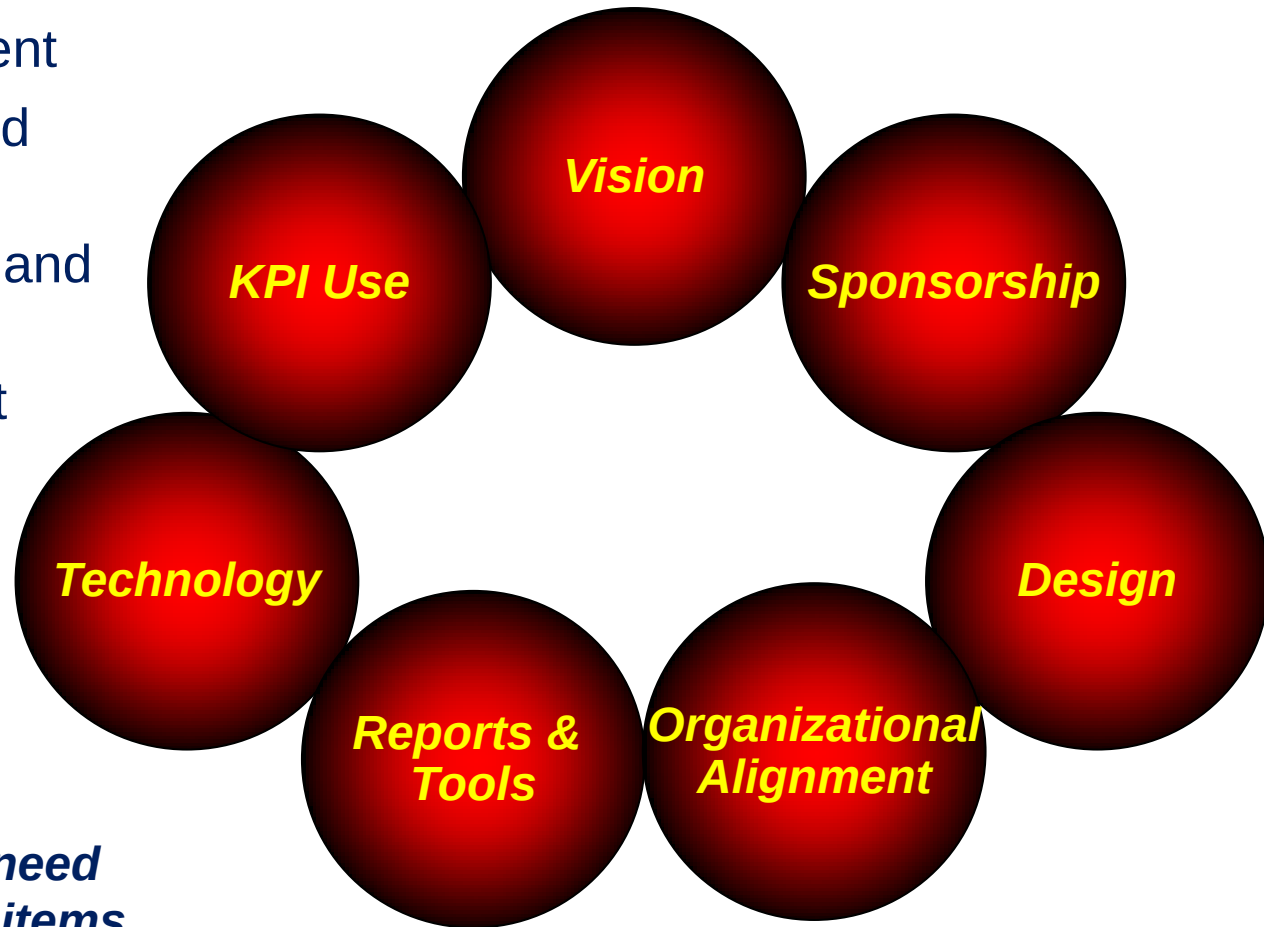


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Working on these “Revitalization” levers will help your process to become the best it can be

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



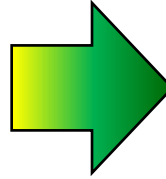
New S&OP Processes need consideration of these items from the get-go

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

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

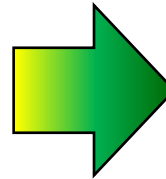
- We understand that S&OP is the aggregate and coordinated planning layer above the detailed supply chain planning processes; we'll identify several gaps in the underlying processes, but won't address all of them as part of this project.
- All business units will participate in S&OP.
- We have agreed 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?

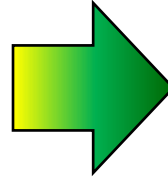
The Sponsor can be any executive that has cross-functional expertise and influence.

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

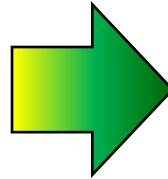
- Adjust “Best Practices” to fit your business with the meetings in the S&OP flow
- Look for consistency across business units, but don't force it where it doesn't make sense
- Clearly define and document each participant's role
- For each meeting have an Executive Owner, Facilitator, S&OP Leader structure
- 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

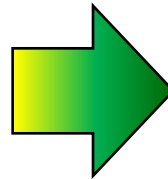
- Aside from a core group, invite only those who have exceptions to address (others optional)
- Rotate groups in and out of the meeting
- If no imbalances, KPI gaps, or financial gaps, confirm plan virtually
- Discuss an ad-hoc improvement topic
- Rotate invitations to target executives

Review the technologies you are using to support the process



Key Questions to Ask

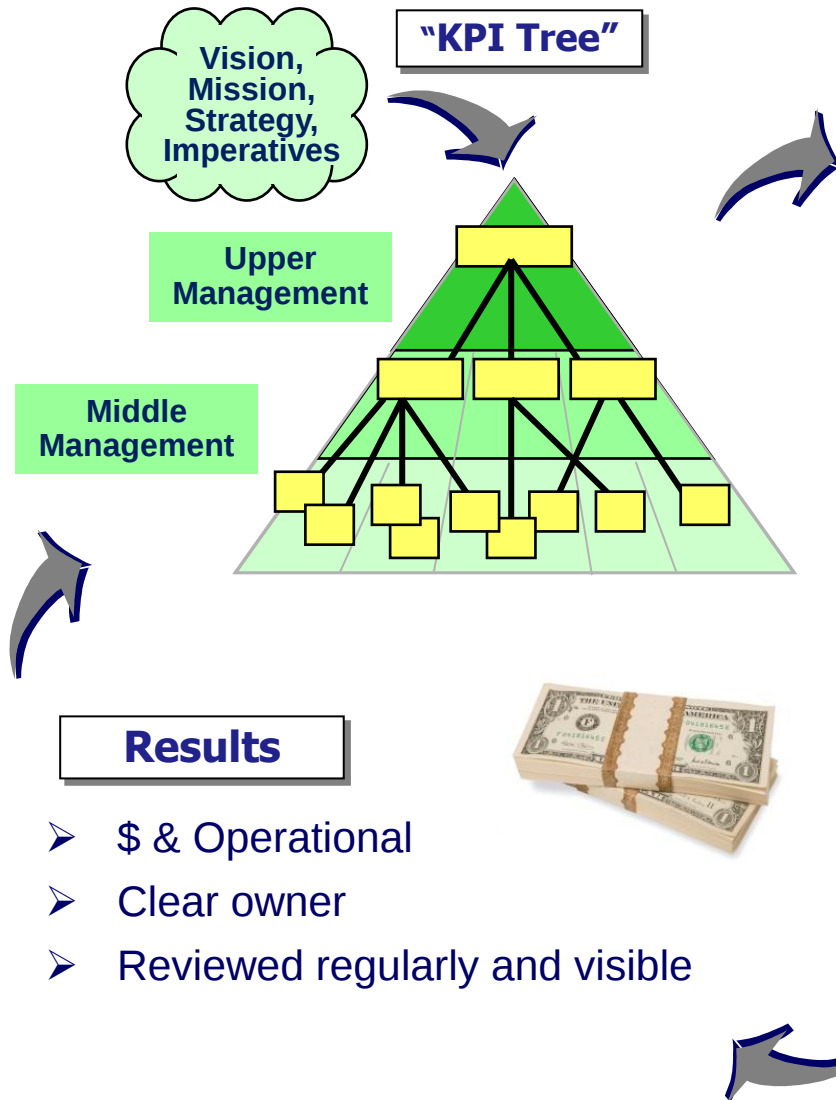
- Spending more time building reports than analysis?
- Roll-up/breakdown data in the product hierarchy as well as cut by reporting unit?
- Single data repository with high integrity?
- System assisted scenario modeling?
- Automated KPI reporting?
- Exception reporting and/or highlighting?



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, **M**easurable, **A**chievable, **R**ealistic, **T**ime 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

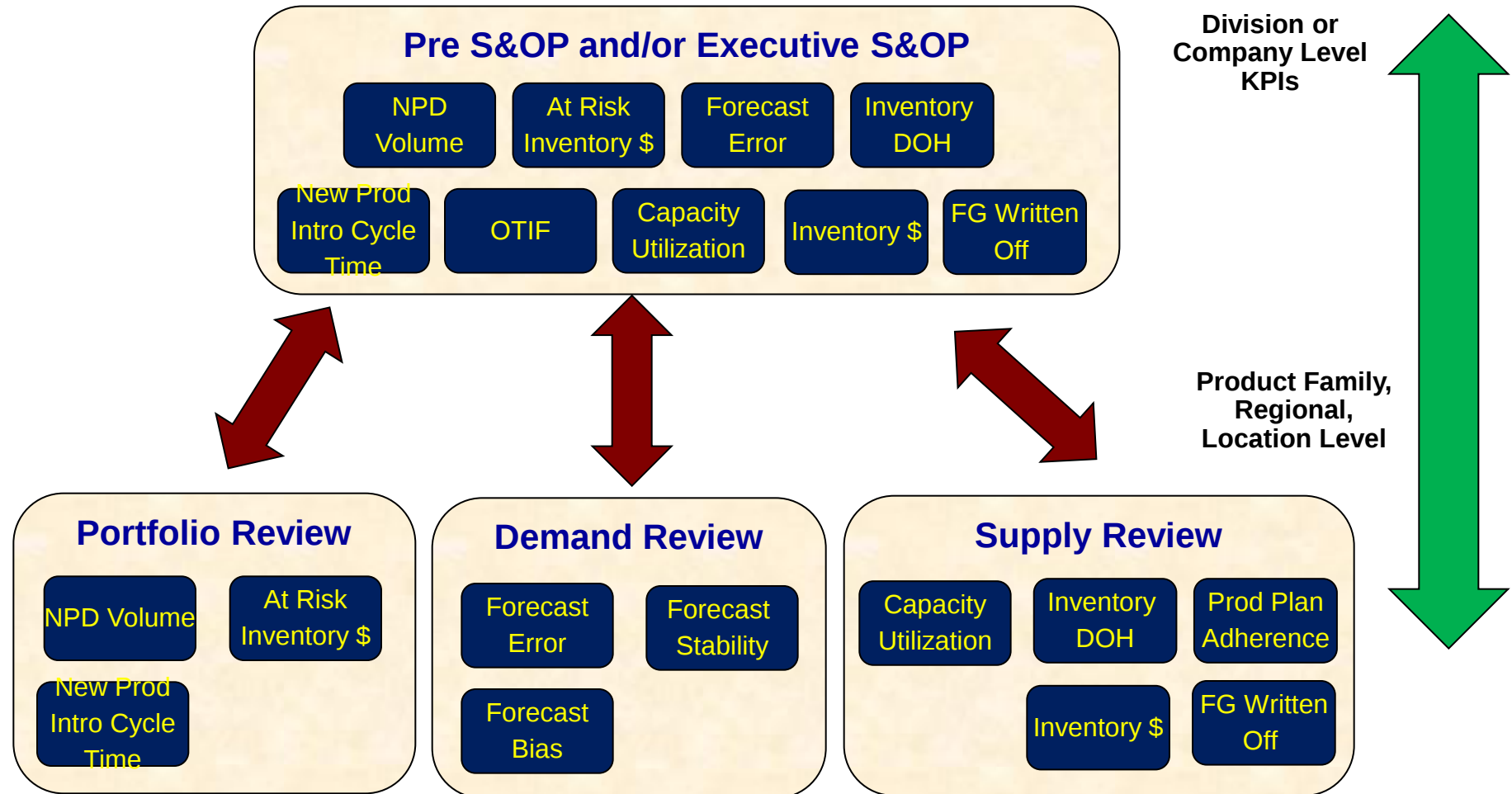
- Root cause analysis
- Firm, but supportive
- Set actions to improve performance
- "When will we be back on track, What do we need to do to avoid it in the future"



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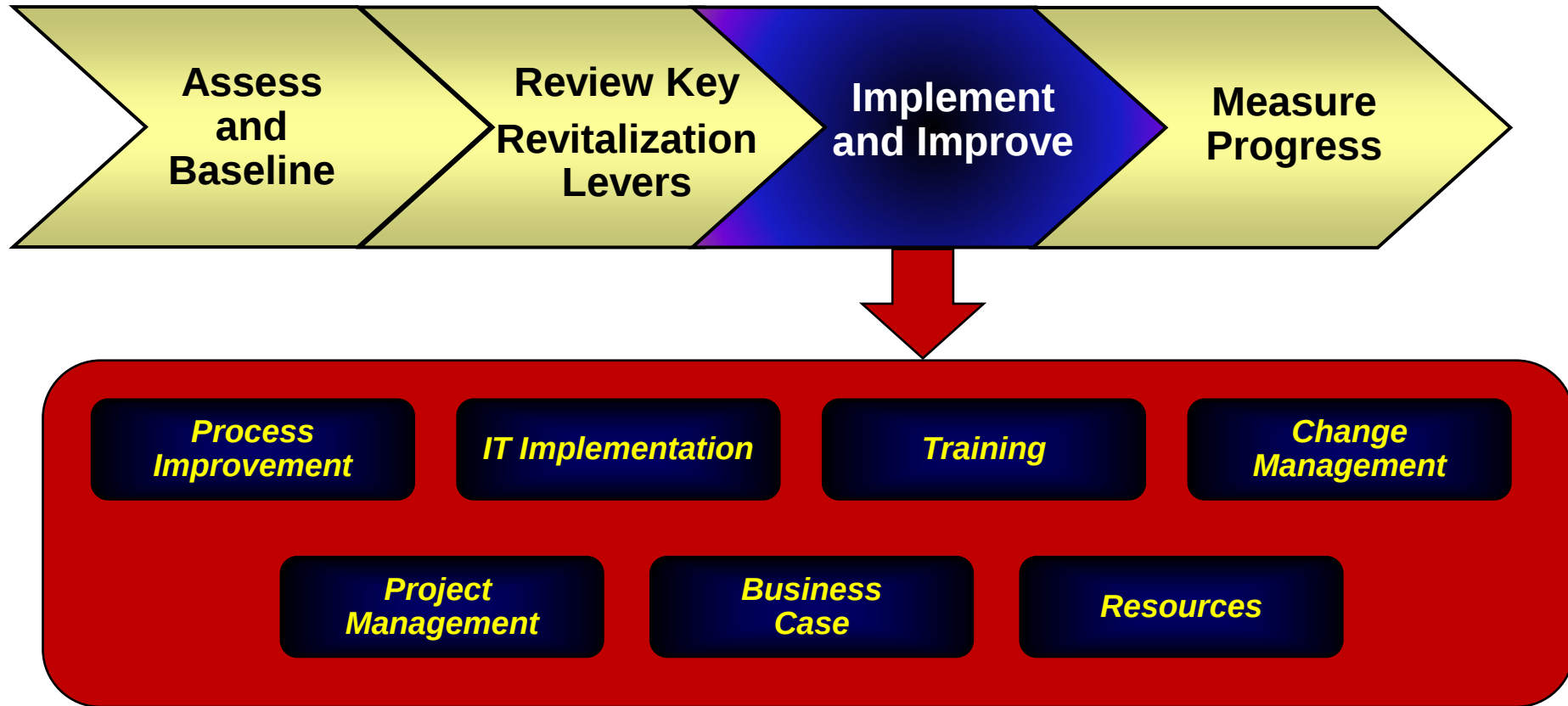
What results are S&OP generating, and do you have the right KPIs in the right places?

Sample



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 the their business

Each area or business unit probably needs 3 cycles to be able to “handle” the content that goes into each meeting

Each meeting builds upon the last, adding content and covering more of the business

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.

Managing change can be complex, it takes plans, tools and leaders to get it done



Methods for Leading and Managing Change Initiatives

Establish a Project Vision

Project Structure

Team Charters

Project Plans

Project Status Scorecards

Results Measurement

Action Logs

Review Meetings

Integration Meetings & Plans

Communication Plans

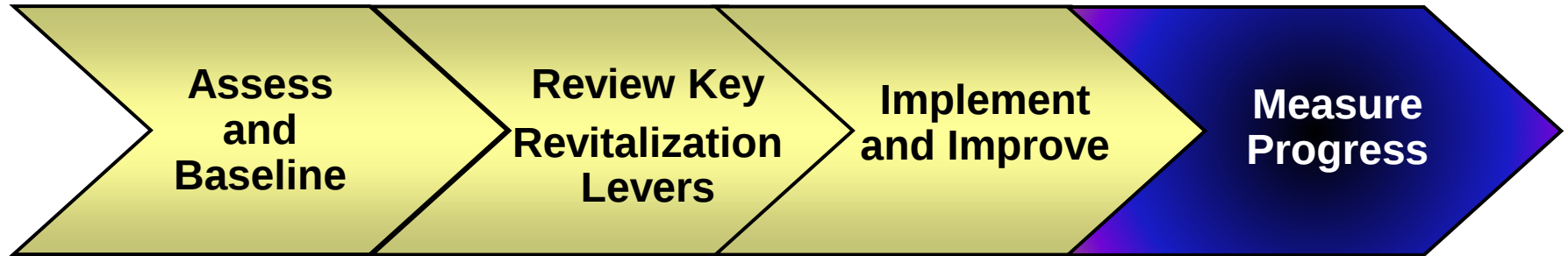
Stakeholder Analyses

Meeting Effectiveness

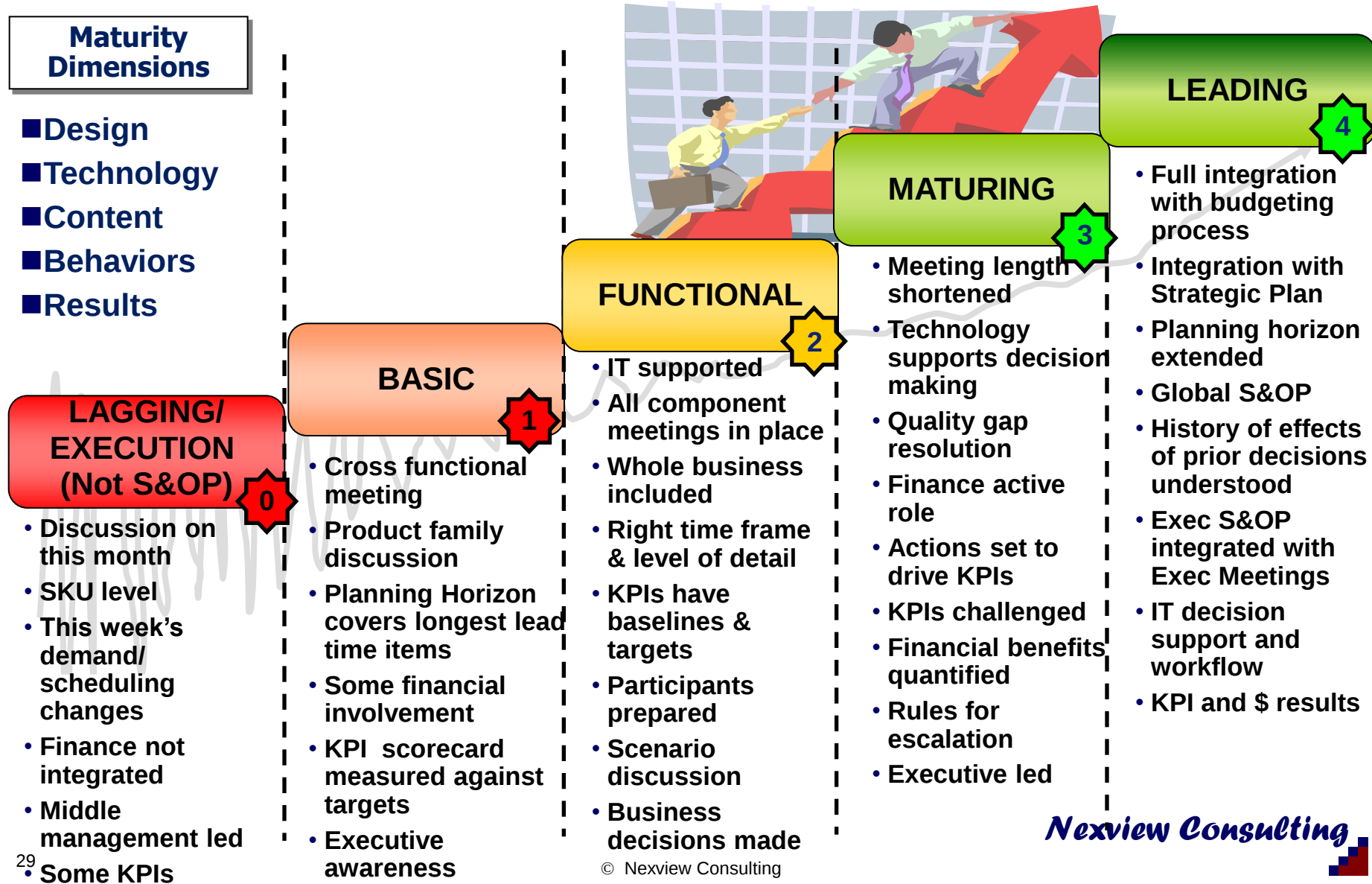
Team Effectiveness

Change Implementation Schedule

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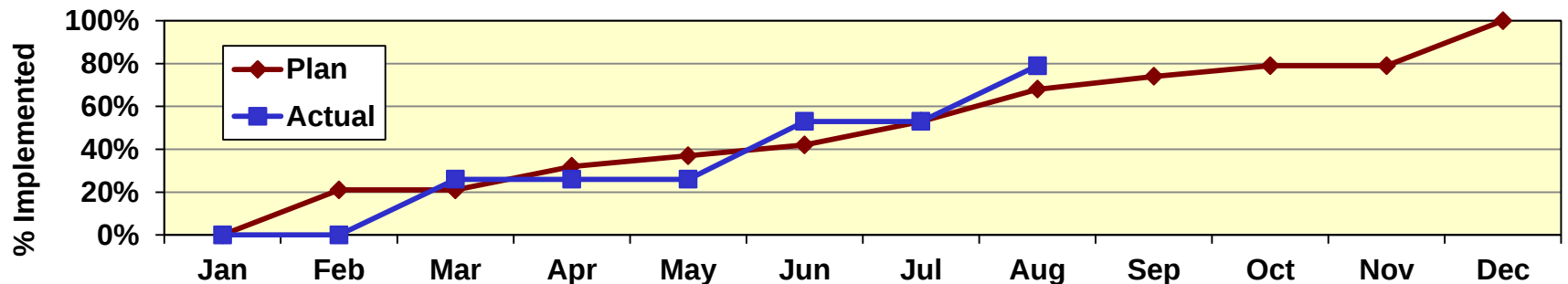
Defining a sequence of S&OP Maturity Stages will help you chart your course for continuous improvement



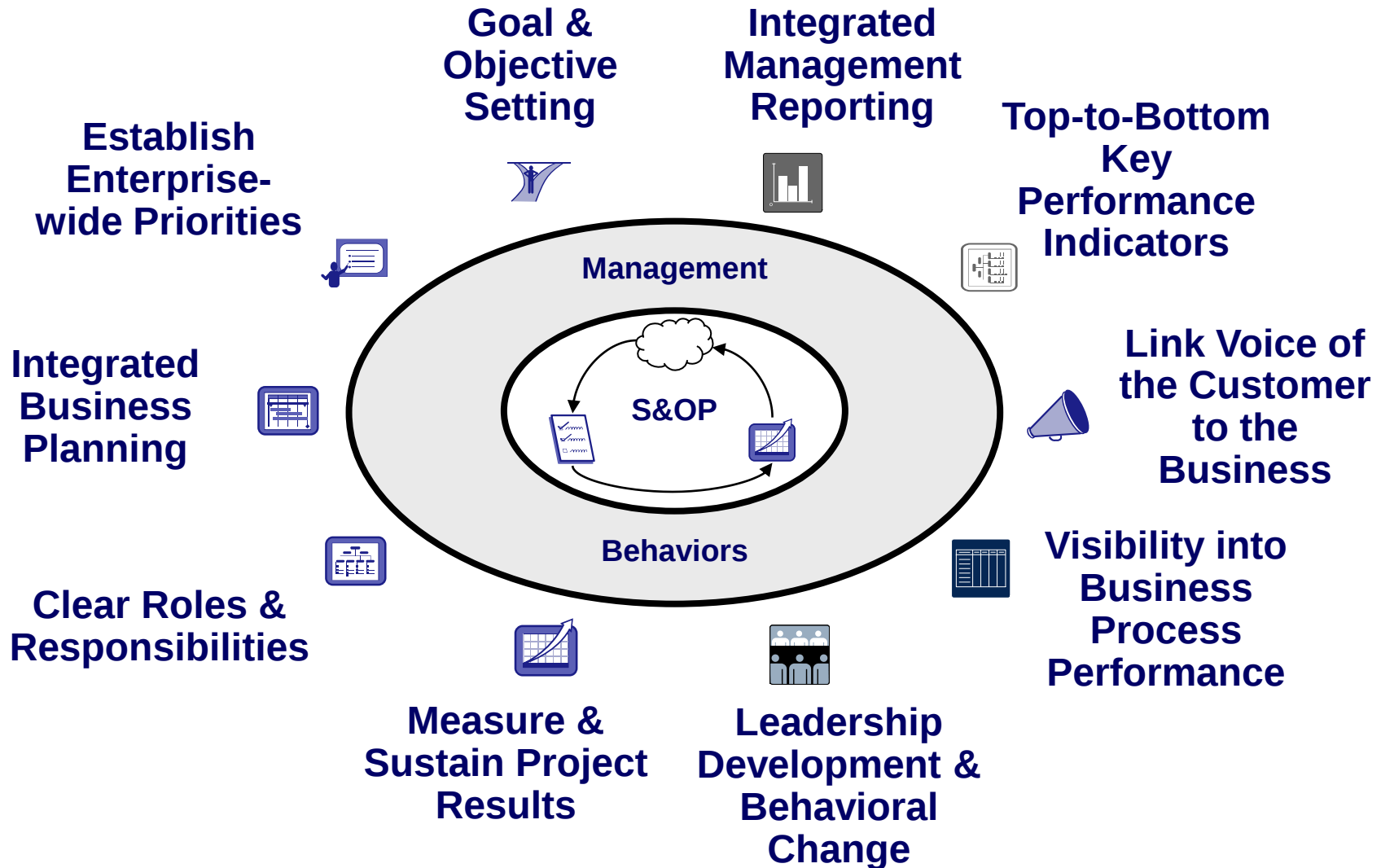
A Maturity Tracking Tool can be used during an improvement effort to set expectations as to what level of maturity will be achieved by when

S&OP Maturity Schedule

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Portfolio Review	Plan	0	1	1	1	2	2	2	3	3	3	3	4
	Actual	0	0	1	1	1	2	2	3				
Demand Review	Plan	0	1	1	2	2	2	2	3	3	3	3	4
	Actual	0	0	1	1	1	2	2	3				
Supply Review	Plan	0	1	1	1	1	2	2					
	Actual	0	0	1	1								
Pre-S&OP	Plan	0							2	3		3	4
	Actual	0				1	2		3				
Executive S&OP	Plan	0			1	1	1	2	2	2	3	3	3
	Actual	0	0	1	1	1	2	2	3				
Overall	Plan Tot	0	4	4	6	7	8	10	13	14	15	15	19
	Plan %	0%	21%	21%	32%	37%	42%	53%	68%	74%	79%	79%	100%
	Actual Tot	0	0	5	5	5	10	10	15	0	0	0	0
	Actual %	0%	0%	26%	26%	26%	53%	53%	79%	0%	0%	0%	0%

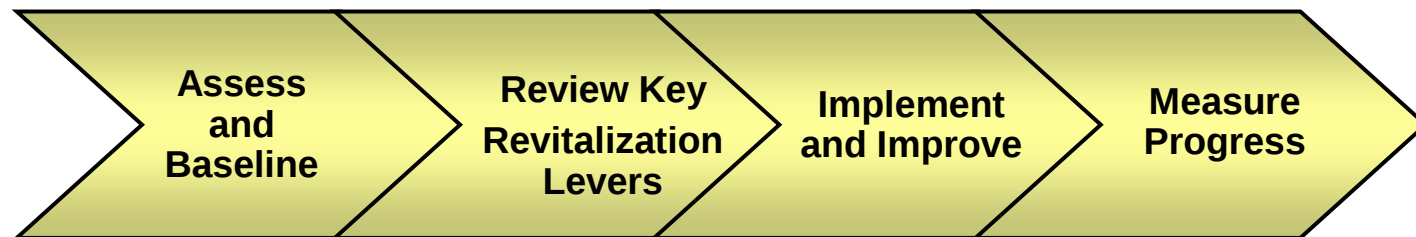


Make S&OP your platform for continuous improvement throughout the organization



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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