

# scprime<sup>®</sup>

Benchmark report

S&OP: are you making the most of it?

2016



# Introduction

Best practice processes can reduce whole business costs by 15-20% and working capital by 10-15%. While S&OP processes alone do not generate this level of savings, the process underpins everything else. So it's a mystery as to why so many global firms continue to pigeon-hole S&OP as a "supply chain topic" and ignore its true business-wide potential.

Using our **scprime**<sup>®</sup> improvement approach to examine in detail how S&OP tasks should be performed and how they are actually being carried out, we analysed over 600 S&OP processes across twenty countries and five continents. The companies spanned a broad range of sectors, including chemicals, energy, manufacturing, FMCG, retail, life sciences and more, making this one of the largest independent studies into the process.

All areas of the S&OP process, right from the data level used, to the cross-functional working behaviours exhibited, are significantly underdeveloped.

## The scprime<sup>®</sup> method

**scprime**<sup>®</sup> is an improvement approach covering process and people capabilities. In each supply chain area there are detailed and fact-based descriptions of how tasks should be performed for each process, allowing a thorough and objective assessment of performance. For this report, we analysed the assessments completed on S&OP and related processes.



Buy	Make	Plan	Deliver	Demand	Foundation
Procurement direction & policy	Production strategy	S&OP	Network design & management	Demand forecasting	Integrated working
Procurement business management	Detailed scheduling	Run strategy design	Warehouse planning	Demand management	Education and training
Category management	Asset maintenance	Finished goods inventory management	Warehouse operations	Customer relationship management	Data management and integrity
Strategic sourcing	Production systems	Finished goods replenishment planning	Warehouse performance management	Sales order processing	KPI reporting
Supplier performance management	High performing teams	Strategic supply planning	Transport operations	Customer & channel segmentation	Continual improvement
Supply development	Sustainability in manufacturing	Tactical supply planning	Transport performance management	New product development	Quality assurance
Operational purchasing		Materials inventory management	Contractor management	Promotion planning	Contingency management
Indirect procurement		Materials replenishment management	Sustainability in delivery	Sustainability in demand	Sustainability strategy
Capital procurement		New product introduction			
Sustainability in sourcing		Sustainability in planning			

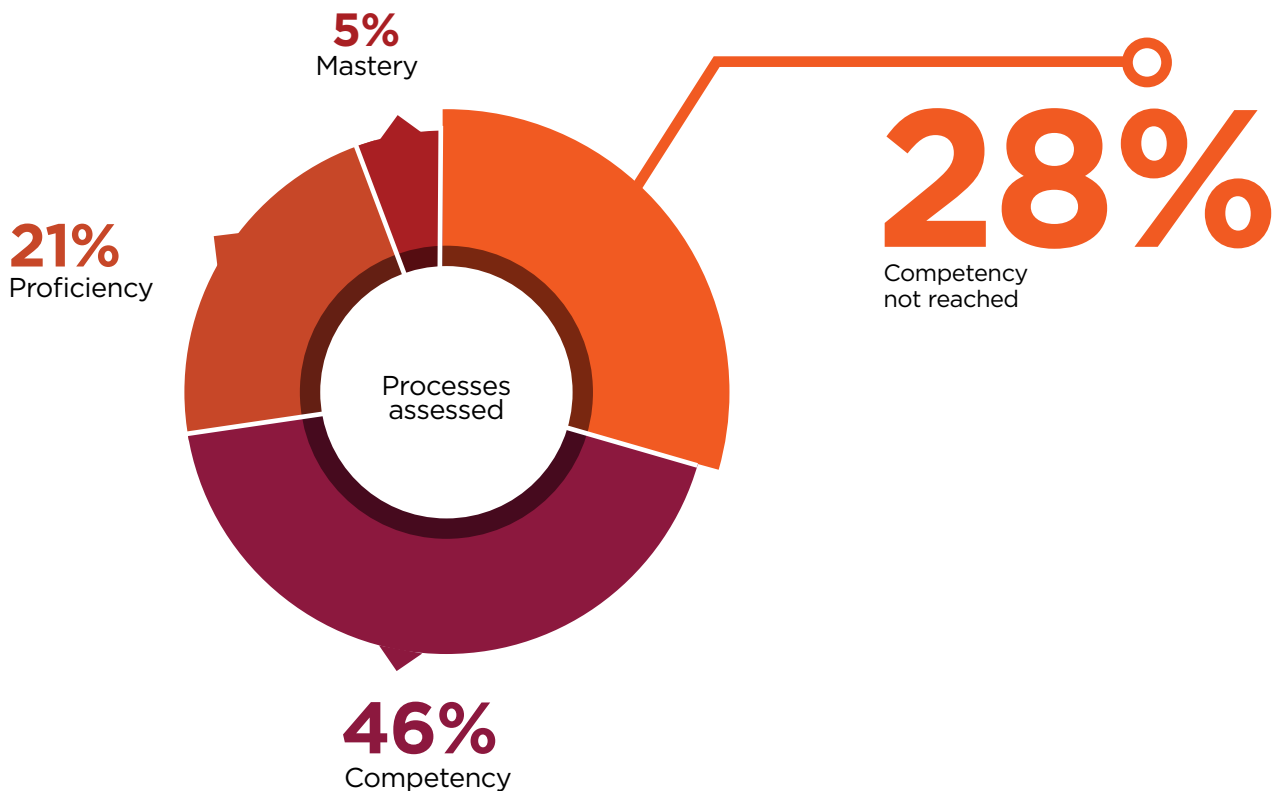
# S&OP research results

We assessed the maturity of the S&OP process across a range of organisations.

Our research demonstrated that almost a third of current S&OP processes are inadequate. Despite S&OP being around for decades, 28% of companies had not reached the basic competency level in their processes, 46% of businesses benchmarked are still performing at a basic level, 21% were reported as proficient, and only a tiny 5% have progressed to 'mastering' S&OP to unleash its real potential.

All areas of the S&OP process, right from the data level used, to the cross-functional working behaviours exhibited, are significantly underdeveloped.

S&OP is one of the oldest supply chain processes, so how can companies make the most of it?



There are three levels of assessment – Competency, Proficiency and Mastery:

- ▶ **Competency** covers the basic tasks to carry out the process
- ▶ **Proficiency** covers comprehensive procedures
- ▶ **Mastery** covers advanced techniques where businesses are using the process to substantially advance their competitive strength

Where processes do not fully meet the competency level they are described as 'competency not reached'. In this case, the process is operating below a level of basic reliability and presents a potential risk to business operations.

# Seven areas that can unlock S&OP's real potential

Our research revealed a number of areas that can have a significant impact on the effectiveness of S&OP.

**1. Take a long range view.** Despite the forward-looking nature of S&OP, historical performance metrics still dominate the agenda and the focus remains on short-term issues, with only 20% achieving 'proficiency' level or higher. In reality, this continued short-term focus leads businesses to stay reactive to issues, rather than resolving them before they happen. The S&OP process should concentrate on the resolution of business case options covering the 3-24 month horizon.

**2. Focus on significant changes.** S&OP processes continue to concentrate on reviewing the entire plan and do not concentrate on the important changes since the previous latest view. The constant focus on reviewing the entire plan can cause emerging trends or issues to be ignored and, therefore, fail to be addressed in sufficient time.

**3. Change granularity across the horizon.** The majority of S&OP processes continue to be performed at the wrong level of granularity, resulting in the process getting drowned in detail. Across all sectors the level of detail used was similar, but they remain at 'competency'. By reviewing the plan at different levels for various horizons, time spent forecasting can be reduced so the process can concentrate on resolving exceptions and analysing trends to improve business performance expectations.

**4. Go with business plan assumptions.** Considering the high number of assumptions made while building a business plan, the S&OP processes studied remained focused on the numbers and not on the assumptions or emerging trends used to generate the plan. This was apparent as a significant number remained in 'competency' or lower in this area. Without recording or reviewing plan assumptions they cannot be understood and, most importantly, challenged.

**5. Bring a cross-functional approach to agreeing the plan.** Most S&OP processes are still not cross-functional in nature and this practice has actually regressed over the years. Finance, particularly, are still not key players in the process, and therefore, the IBP (Integrated Business Planning) concept remains elusive for many. The ultimate goal is to have an agreed plan that is used for volume and value planning throughout the business.

**6. Major on business behaviours and effective decision-making.** Behaviours are often not sufficiently addressed in S&OP implementations and the on-going process effectiveness is rarely measured. An effective S&OP process should focus on decision-making, with unresolved issues escalated throughout the process.

**7. Implement APS solutions to provide the next level of S&OP support.**

Despite advances in planning system functionality, we still have not seen a move to 'mastery' in the use of these systems to support the S&OP process. Advanced planning systems need to be able to function at various levels of granularity and provide rapid what if/scenario planning. Although the costs and implementation times for APS systems can be lengthy, the additional benefits achieved are significant and provide a powerful business advantage.

# Conclusion

**The constant problem is that S&OP is still primarily viewed as a supply chain specific process but it's not, it's business wide.**

Without addressing this fundamental view, S&OP processes will not be able to reach their full potential. Supply chain decision-making is not just the aggregate of managing all the functions that compose the supply chain (sourcing, manufacturing, distribution and sales). It is the trading off of choices between these functions, and that's what good S&OP processes achieve.

S&OP is a versatile process and no single format will accommodate all business requirements. It is increasingly apparent that the traditional five-step and monthly cycle approach is becoming progressively irrelevant. However, irrespective of what process model is used, the key challenges to reaching S&OP mastery are effective business behaviours and dynamic use of systems.

# Testimonials



The project vastly exceeded our expectations, delivering an S&OP process and behavioural shift that enabled us to reduce inventory and significantly grow sales by getting the right products to the right markets.

Neil Weaver, Group Procurement Director  
PZ CUSSONS



Crimson designed and then implemented an S&OP process that changed the way we make decisions and helped us focus on more medium and long-term actions – it is difficult now to imagine how we ever managed to operate without this process.

Richard Downes, Supply Chain Director Europe  
REXAM



We needed to get the newly-formed supply chain function aligned to the end markets. The project helped us achieve this, implementing a fully functional S&OP process in just six months!

Tim Donovan, Operations Director  
TATA GLOBAL BEVERAGES



# About scprime®

scprime® is Crimson & Co's powerful improvement approach, combining process and people capabilities to ensure that the right people are in the right jobs, consistently doing the right things.

Based on benchmarking, an objective assessment of capability and a toolkit of implementation techniques, it defines supply chain excellence in terms that are meaningful to each specific organisation and ensures that improvements are sustainable. The content is comprehensive and up to date, but it is how it is applied that really sets scprime® apart.



## About Crimson & Co

Crimson & Co is a global supply chain consultancy that thinks differently. We stand shoulder to shoulder with clients as we develop outstanding supply chains, using deep operational experience and broad-based business skills to challenge, guide and implement.

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