Many companies struggle with building and sustaining sales and operations planning processes that consistently deliver business value. Supply chain leaders can use this research to identify what may be hindering their S&OP success and plan (or adjust current plan) for a transformation to overcome it.

**Analysis**

Sales and operations planning (S&OP) is a cross-functional decision-making process that focuses on building tactical plans to achieve competitive advantage. The concept has been around for over 40 years and despite the perceived importance and the research proving a number of benefits for organizations, approximately 50% to 70% of S&OP transformations fail. Most organizations are able to run meetings on a monthly basis but they are mostly information-sharing and short-term focused, so plans made don’t really drive execution and engagement varies on a monthly basis.

Based on our survey research, client interactions and external sources, the most common challenges for S&OP success are:

- Lack of or weak executive sponsorship exists. Sponsors do not have enough influence across the organization or do not cascade a strong enough mandate to prevent detractors from going back to previous ways of working.

- S&OP process design does not align to the supply network or P&L leaders, making it impossible for the process to be decision making. Or the design fails to properly integrate planning with execution to translate improved planning into business performance.
To transform your S&OP to deliver business value, drive a step-change program that includes key transformation elements to avoid the common pitfalls (see Figure 1).

**Figure 1. Navigate your S&OP Transformation to Avoid Common pitfalls**

- **Leadership** — Secure and maintain executive sponsorship to drive the S&OP transformation success by continuously providing vision and inspiration, and taking away resistance that might hinder progress and/or success. Leverage executive sponsorship to govern the new S&OP process and eliminate the possibility of going back to old processes or behaviors.
- **Content management** — Design an S&OP solution to align decisions across the organization and deliver value to the business.
- **Change management** — Take the proper actions to align key stakeholders and create engagement to the S&OP transformation. This is not a one-time activity. Change management should run across the entire project timeline.
Leverage the recommendations and highlighted research in the following section to set up and successfully run your S&OP transformation.

**Research Highlights**

**Project Management**

The deployment and/or improvement of S&OP usually involves activities in different regions, business units, markets and factories. S&OP deployments require multiple parts of the business to become integrated to align with one overarching planning and decision-making process. This increases the complexity of the deployment by orders of magnitude. To lead a successful transformation take a strong project management approach and dedicate enough time to each of the phases below.

**Phase 1 — Initiation**

- The objective of this phase is to get the right business priority, create cross-functional support and define the program/project management organization. See [Successful Change Management in S&OP Transformations Begins at Project Initiation](#).

- During this stage it will be key to create accountability in the organization by defining clear roles and responsibilities in the program (steering committee, project teams and reference team)

**Phase 2 — Planning**

- The planning phase should provide a detailed project plan that is accepted by key stakeholders and ensures commitment to execute the S&OP transformation. See [Project Planning and Change Management Are Essential for a Successful S&OP Transformation](#).
During this phase, the deployment approach will be defined to balance trade-offs (time, cost and resources). The expected outcomes should align with the organization strategy.

**Phase 3 — Execution**

- The execution phase aims to design, develop and deploy S&OP. The key objectives during this phase are to produce a solution that is accepted by the whole organization and to extend transformation beyond the planner function to create a real impact of S&OP. See Build Stakeholder Engagement for Successful Execution of an S&OP Transformation.

- Start preparing the local teams to take on ownership of the process execution and continuous improvement. Assess local role descriptions and organization structure. See Design 4 Layers of Capabilities in Your Supply Chain Planning Organization to Achieve Excellence.

**Phase 4 — Closure**

- During the closure phase, hand the project deliverables from the project to the organization. This phase will ensure that S&OP continues to deliver the expected business results. See Key Building Blocks for Sustaining and Improving S&OP Post-Transformation.

- Assign the S&OP business process owner to lead the change network and take responsibility for supporting and coaching the people in the network.

**Leadership**

Supply Chain Planning Leaders need to ensure executive sponsorship is secured and maintained for the project to be successful. According to Gartner research, there are three dimensions of sponsor effectiveness:

- **Commitment**: Sponsors recognize the urgency of their sustained engagement and are accountable for partnering to deliver business outcomes. Create a solid business case to secure the right sponsor and create a sense of urgency. See Quantify the Value of S&OP to Engage Cross-Functional Leaders. Connect transformation benefits to business strategy to secure project prioritization.
**Competency:** Sponsors possess the capabilities required for effective sponsorship. Consider the seven competencies when selecting your sponsor: Leading and deciding, analyzing, communicating, persuading and influencing, executing and delivering, sharing business expertise and applying commercial thinking. See [Driving Project Sponsor Effectiveness to Achieve Improved Outcomes](#). Leverage this framework to share and discuss them with your sponsors, highlight which competencies they bring to the table and which become more important in different project stages.

**Clarity:** Sponsors understand their roles and responsibilities and are conversant in the project management process. Provide a formal role for them, be clear of what is expected from the sponsor, work closely with them to deliver the right messages and model the right behaviors. Some of their key tasks will be:

- Help shape the vision of success.
- Lead the project kickoff sessions to provide endorsement to the S&OP transformation.
- Be a role model for the right behaviors and provide coaching sessions with cross-functional leaders to drive the needed cultural change.
- Cascade a strong mandate to the organization. Help communicate the new ways of working are the only acceptable ways of working going forward.

Identify a sponsor high enough in the organization to manage the resistance during the transformation. For a global deployment, also identify local sponsors that can help unlock cultural change.

**Content Management**

A best-in-class S&OP requires several steps: Portfolio planning, demand planning, supply planning and executive forum. Some organizations also add a pre-S&OP or reconciliation step after the supply planning step to drive effectiveness in their executive forum. This step is particularly important for low maturity organizations in which it is less common to have financial information in the demand and supply planning processes and more common to need a filter before going to the executive forum. Identify the current maturity stage and improvement potential by executing an assessment. See [Supply Chain Score for Planning](#).
To design a future state, focus on developing expected outcomes first, then define required data, process, organization, metrics and time horizon capabilities to deliver the outcome. Design based on how things should be done and how decisions should be made, not how they are being done today.

To begin:


Putting in place each of the steps is not enough. What organizations struggle with is designing the level at which each of the forums need to be deployed and balancing local versus global needs. Follow design principles shown in Figure 2 to create a process that delivers business value.

**Figure 2. S&OP Design Principles**

- Align to P&L Decision Rights
- Align to Supply Network Design
- Integrate with financial planning
- Connect planning with execution
- Consider local requirements
- Build for the future

Source: Gartner

For more details see, How to Design an Effective S&OP Process Beyond the Mechanics of the 4 Steps.
Change Management

As with any business transformation, the people aspect of change is the hardest. Among 74 surveyed companies, the most commonly cited factor leading to a failure to deliver expected results from an S&OP implementation was “cultural challenges.” 3 This is no surprise given that culture is simply the way we do things as an organization and change initiatives demand a shift in that status quo. Develop a change management plan so that the pain of making shifts to ways of working is minimized and employees remain engaged throughout the transformation. At the beginning of the transformation:

- Create a list of your key stakeholders, this should include anyone whom we need for the implementation to be successful.
- Take time to understand stakeholder priorities, positions and pain points so that your communications resonate with specific stakeholders or stakeholder stakeholder groups. See Develop a Stakeholder Analysis for Effective PMO Communications.
- Build a compelling vision of how success looks. Create an explainer document to communicate why we're changing, what we gain and how we'll get to the desired end state.
- Make change management activities explicit as part of the project plan. See Ignition Guide to Driving Employee Adoption of Change.

Although all change plans embark with the best intentions, they do not exist in a vacuum and your S&OP transformation will often sit alongside other changes that are occurring simultaneously. According to a Gartner Change Fatigue Survey, as the volume and urgency of organization change increases, so does change fatigue. Gartner defines change fatigue as negative employee responses to organizational change that harm outcomes. There are three key drivers of change fatigue: Volume of change, effort required to respond to change and the disruption it causes. Fatigued employees are 17% more likely to leave the company and 24% more likely to intentionally behave in ways that work against changes an organization is trying to implement.

There are two ways to reduce change fatigue: Decreasing the volume of change (very hard to do in today’s world) and increasing employee’s change fitness. Taking an open source approach to change management is one of the biggest drivers of increased change fitness. Leverage the following resources to involve local stakeholders in developing local change plans. See Open-Source Change: Driving Effective Transformations in Supply Chain.
S&OP transformations are long journeys. Be sure to:

- Identify a change network, people from different functions, levels, business units and markets across the organization who truly understand and see the value of S&OP and can help communicate the S&OP vision and engage their functions into the transformation.

- Create a two-way dialogue. Leverage change networks to capture the perspective of the business and identify what the teams are struggling with. Use these to adjust the change plan and position resources to support the teams through the change and avoid derailment of the transformation.

- Plan for small changes. Identify key behaviors that need to change and leverage sponsors to “plant” conversations. Before meetings align specific questions that you need them to ask to drive the need for change.

**Enablers**

**Metrics**

One of the biggest challenges for organizations trying to transform their planning processes is breaking down the silos. A recent Gartner Survey uncovered that only 45% of organizations say that they already have in place cross-functional decision-making teams, operating end-to-end processes. 4 One of the key factors for transformation success is aligning metrics to drive behavioral change.

> No matter how much time is spent in aligning sponsors, driving change management activities, building process frameworks or deploying new processes training, if organizations do not take a close look at metrics the chance of truly changing behaviors over the long-run is minimal.

We could typically see organizations first aligning metrics across the supply chain and then moving into business metrics. Leverage the following resources to align metrics across the organization:

- Supply chain planning is about balancing cost, service and inventory. Organizations need to evaluate metrics as a whole to understand trade-offs, how decisions that positively impact one metric might negatively impact another. Define a holistic approach to manage your supply chain health. See Supply Chain Benchmarking Helps Leaders to Initiate and Sustain Performance Improvement Over Time.
Technology to support your supply chain planning decision making is more important than ever and many organizations are increasing their investments for this. They want to be able to plan faster, make more scenarios and achieve higher quality plans by leveraging data and technology as follows:

- Carefully identify the key metrics that need to be tracked as part of your S&OP process. See Ignition Guide to Selecting and Communicating Metrics in an S&OP Process.

- Ensure that metrics support the alignment between planning and execution. See Improve Supply Chain Planning Performance by Differentiating Metrics Based on 4 Planning Horizons.

- Identify a set of metrics to assess process adherence and effectiveness. See Measure S&OP Process Adherence and Meeting Effectiveness to Support Advancement of S&OP Capabilities.

- As you mature your S&OP process, leveraging technology to digitize your planning is a must-do. Learn about best practices for digital supply chain planning.

- There are many considerations when implementing new technology to manage the implementation effectively, limit risks and harvest the full potential benefits. See Implementation Best Practices for Supply Chain Planning Solutions, Part 1 — Initiation.

- When you implement supply chain planning technology, the majority use an agile project methodology and pilot the solution. See Conduct a Pilot to Mitigate Risk and Uncertainty When Evaluating Supply Chain Planning Technology. This ensures that you get lessons and benefits faster and are able to adjust and adapt continuously.

- Data is still a huge challenge for many companies and if you want to leverage more advanced technologies — advanced analytics, AI/ML etc. — high data quality becomes key.

- Ensure that the technology supports a tight connection between the S&OP planning decisions and the strategic planning decisions as well as the S&OE planning decisions.

Use the checklist below to navigate your S&OP transformation to avoid common pitfalls.
Figure 3. Navigate S&OP Transformation Common Pitfalls Checklist

- Secure Effective Executive Sponsorship
  - Identify sponsors high in the hierarchy that continuously provides vision and inspiration and takes away resistance that might hinder progress and/or success
  - Leverage executive sponsorship to govern the new S&OP process, eliminate the possibility of going back to old processes or behaviors.

- Design S&OP to deliver business value
  - Develop decision making forums based on how things should be done
  - Design an S&OP solution that: aligns to decision rights and supply network, integrates decisions across time horizons, integrates with financial planning and considers local needs.

- Drive Cross-functional engagement
  - Map stakeholders and take time to understand their priorities and pain points to build a compelling vision of success and design a strong change management plan.
  - Identify a change network to support the transformation and establish a two-way communication approach.

- Leverage metrics, data and technology as enablers for the transformation
  - Align metrics across the organization to drive the right behaviors.
  - Review data requirements and put a data governance process in place that ensures quality and timely availability of required data.
  - Deploy technology tools based on the capabilities you are trying to implement or improve.

- Manage the transformation through four phases
  - Manage the transformation through four phases: initiation, planning, execution and closure.

Source: Gartner

Evidence


2. Gartner’s S&OP Success Survey, 2018: This research explored the way organizations initiate, structure and develop their S&OP process, in order to grow their business and achieve strategic objectives. The research aimed to understand how S&OP’s impact increases as the process matures and how organizations have used it to achieve greater business value. The survey was conducted online by an external partner, between June and August 2018.

In total, 304 respondents were interviewed in their native language across the U.S. (n = 65), Canada (n = 35), Germany (n = 52), U.K. (n = 49), China (n = 48), Singapore (n = 30), Hong Kong (n = 14) and Taiwan (n = 11); Interpret small base sizes (n<30) with caution.

To enable the comparison and contrasting of key trends, quotas were established on key organizational and respondent characteristics:
Qualifying organizations operate in the manufacturing (high tech, industrial, consumer, life sciences, chemicals) or retail industries, with total revenue for the whole company in fiscal 2017 of at least US$250 million or equivalent. All organizations have either a formal S&OP process already in place or an unstructured demand and supply balancing type of process.

Qualified participants have a primary job or department in marketing, sales, finance, operations, it, supply chain or customer service and are personally involved leading the S&OP process.

Disclaimer: Results of this study do not represent “Global” findings or the market as a whole but are a simple average of results for the targeted countries, industries and company size segments covered in this survey.

3 Examining Impact of Technology on Global S&OP, APQC.

4 Gartner’s Opportunity after Crisis Survey, 2020: In May and June 2020, Gartner Supply Chain Research sent invitations to complete an online survey to Gartner clients, community members and to a wider group of practitioners in supply chain, and other functions globally. We received 528 completed responses during the survey period for this Opportunity After Crisis Survey. We had participants across industries, e.g., high tech (15%), industrial (14%), CPG (12%) and food & beverage (10%), and mostly worked in supply chain related functions, e.g., supply chain (36%), purchasing and procurement (10%), logistics/transportation and distribution (9%). Of the respondents, 44% were from EMEA, 37% were from North and South America, 18% were from Asia and Australia, and others were from the rest of the world. More than half (55%) of the participants worked for $10 billion plus companies. 54% of the participants were at VP/director level or above.
5 Tips to Improve Sales and Operations Planning Monthly Meeting Presentations

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