



# How S&OP Drives Agility

Research Results  
March-April 2012





# Key Findings

- S&OP landscapes are more complex. The average company has five S&OP processes.
- There is a gap in supply chain agility importance and performance.
- Companies that are the most mature in S&OP are more agile.
- 90% of companies believe that a mature S&OP improves agility.
- Only 13% of companies have effectively tied S&OP planning to execution.



# Agenda



**Overview**



Demographics



S&OP Process



Agility Definition & Goals



Agility Performance



# Study Overview

## WHY

- **OBJECTIVE:** To assess the importance of supply chain agility and tactics used to improve agility and to understand the role of S&OP in driving agility in organizations.
- **HYPOTHESIS:** The greater the complexity of the supply chain, the more important it is to have a mature S&OP process.

## WHAT

- Survey topics included:
  - Supply chain organization definition
  - Agility definition and techniques
  - S&OP process details and impact on agility



## WHEN & HOW

- Online interviews were conducted between March 22 – April 9, 2012.
- Respondents were recruited via email from Steelwedge.

## WHO

- 117 business leaders, primarily Managers and above.
- Across over 50 companies in 13+ industry groups (primarily Food & Beverage, Make to Order Discrete, Consumer Packaged Goods, and High Tech & Electronics).
- 62% from Process industries, and 34% from Discrete manufacturers.



# Agenda



Overview



**Demographics**



Agility Definitions



S&OP Process



Agility Performance

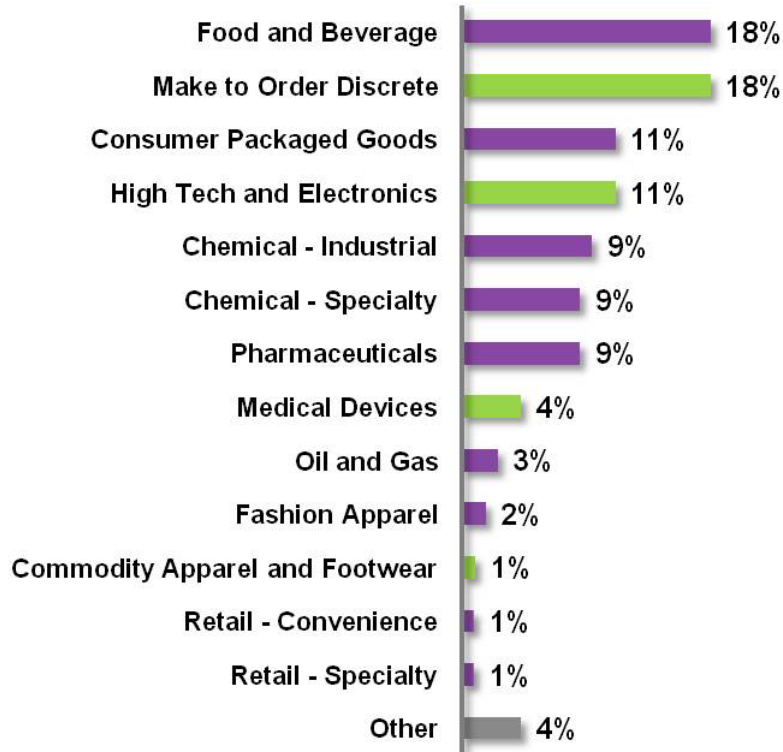


# Who Was Surveyed?

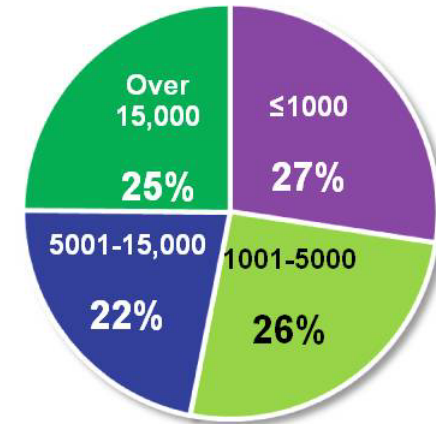
## Industry, Company Size & Title

### From 13+ Industry Groups

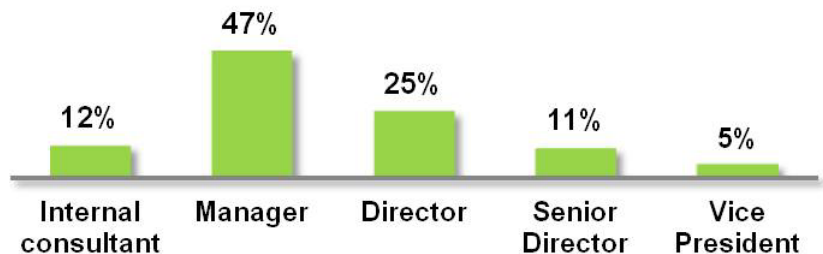
62% Process vs. 34% Discrete



### 47% from Companies with Over 5K Employees



### 88% Managers & Above



Supply Chain Insights, LLC – Agility 2012

Base: Total Sample (117)

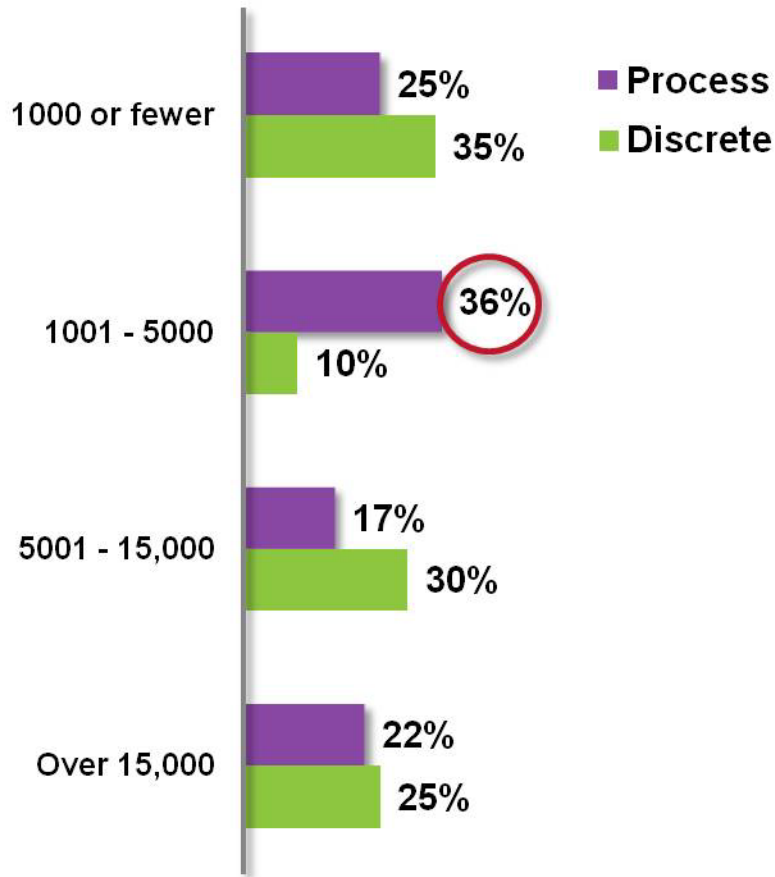
Q2. Which industry grouping best defines your company? Please select the one that best applies.  
 Q3. What is the size of your company, in terms of number of employees? Your best estimate is fine.  
 Q4. Which of the following best describes your current position? Please select the one that best applies.



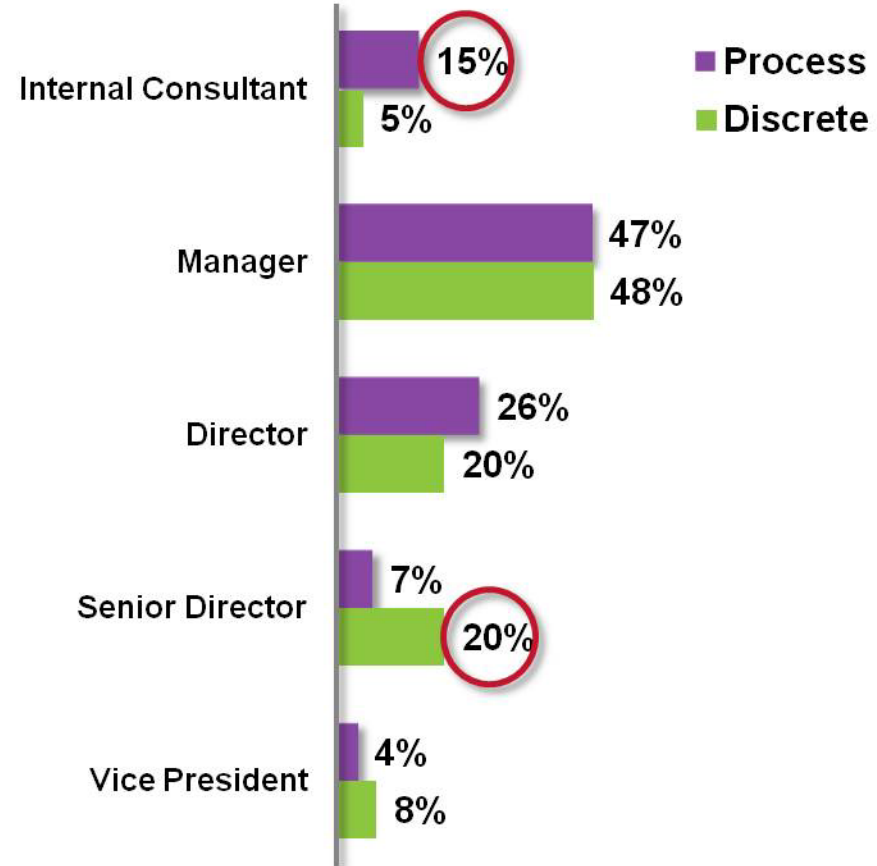
# Who Was Surveyed?

## Company Size & Title by Industry

### Number of Employees by Industry



### Title by Industry



Supply Chain Insights, LLC – Agility 2012

Base: Process Industry (72), Discrete Industry (40)

Q3. What is the size of your company, in terms of number of employees? Your best estimate is fine.

Q4. Which of the following best describes your current position? Please select the one that best applies.



# Who Was Surveyed?

## Companies Included

### Over 50 Companies Surveyed\*

Aeryon Labs Inc.	Grupo Campari do Brasil Ltda	Pacific Gas & Electric Company
Alfonzo Rivas & Cia.	Hartzell Propeller	Philips Home Healthcare
Amway	Heidelberger Druckmaschinen AG	Purac RTM
Aperam	Inversiones Mundial S.A.	Saint-Gobain PAM
ASC	Jaguar   Land Rover	SandvikSauer-Danfoss
Beiersdorf Hellas	Jay Ushin Ltd	Scapa
Berger Paints India Ltd-British Paints Div	Huber Engineered Materials	Schreder Tov
C&A	Johnson & Johnson	DCRA's Select Classics
Cameron Romania SRL	LEGO Systems	Shell Global
CSC	Linde Gases Ltda.	Springs Window Fashions LLC
Danone Chile	Lupin Pharmaceuticals, Inc.	Suave
Dow Chemical	Mahindra & Mahindra, LTD	Sicie Ltd
Dow Agrosciences	Mansour Group	Telecom New Zealand
Elecon Engineering	Mars Drinks	Therm-O-Disc Inc
FCI	MC Sports	Towers Corporacion
Freescale Semiconductor	Mexichem	VF Corporation
Gay Lea Foods Co-Operative Limited	Momentive	Vincor International Inc .
Grundfos Holding A/S	Novartis OTC	VME

#### Supply Chain Insights, LLC – Agility 2012

\*Includes only those who provided their company name (57% of respondents)

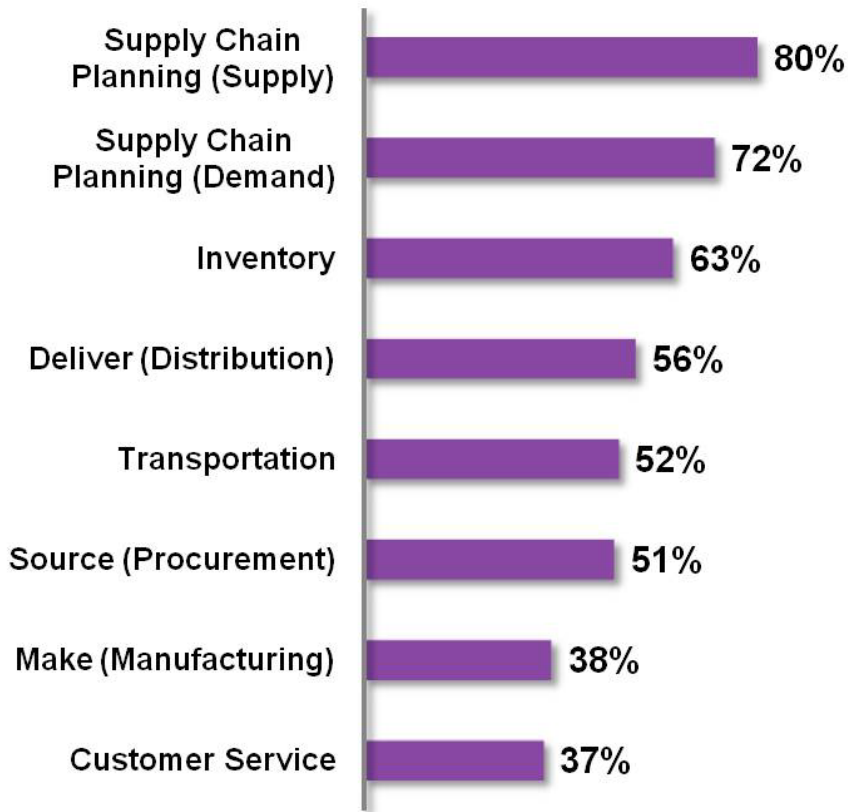
Base: Total Sample (117); Q1 - First, what is the name of your company? OPTIONAL, OPEN-ENDED



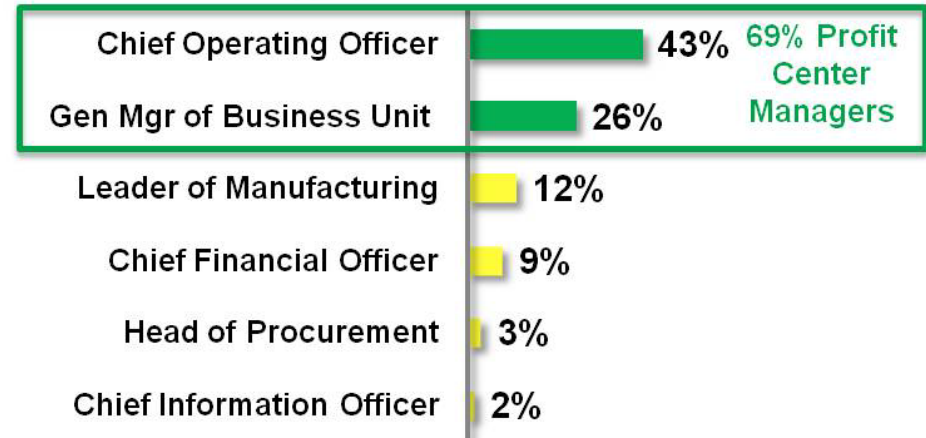


# Who Was Surveyed? Supply Chain Organization

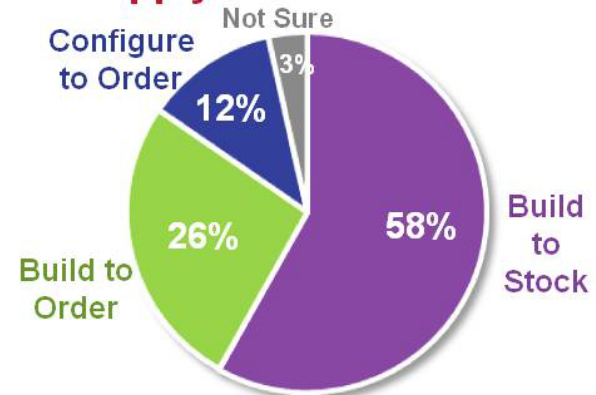
## Functions Reporting Through Supply Chain



## Supply Chain Leader



## Supply Chain Definition



Supply Chain Insights, LLC – Agility 2012

Base: Total Sample (117); Q5. Please tell us how you define your company's supply chain organization by selecting which function(s) report through the supply chain organization. Please select all that apply. Q7. To whom does your supply chain organization report? Q6. How would you characterize your company's supply chain?



# Who Was Surveyed?

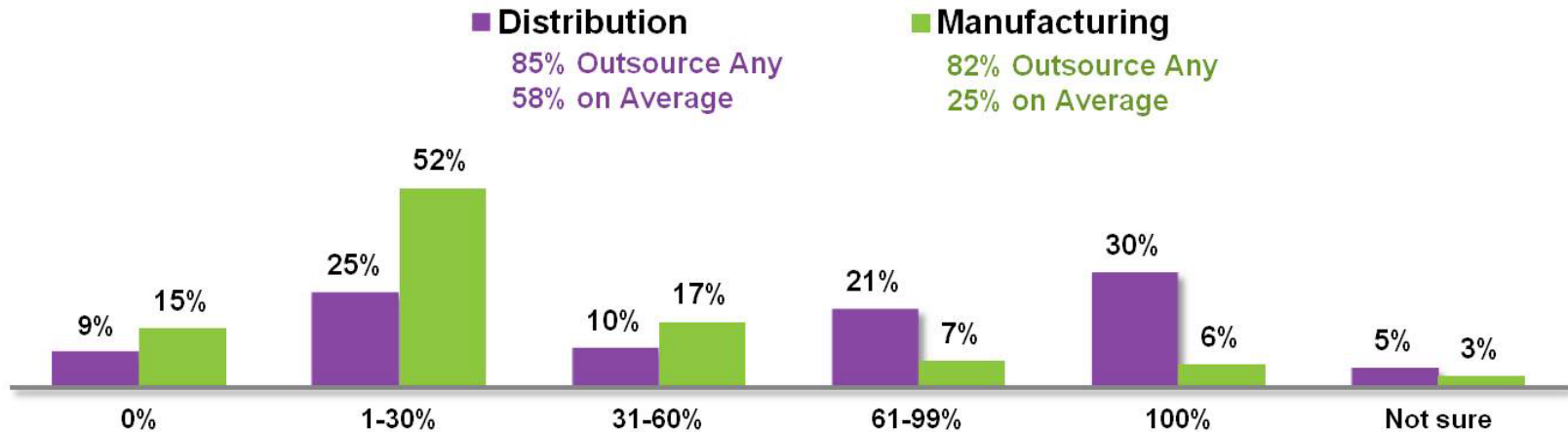
## Supply Chain Complexity

### # Stock-Keeping Units Planned



41% Plan Over 1000 Stock-Keeping Units

### Outsourcing to 3<sup>rd</sup> Party Firms: Distribution & Manufacturing



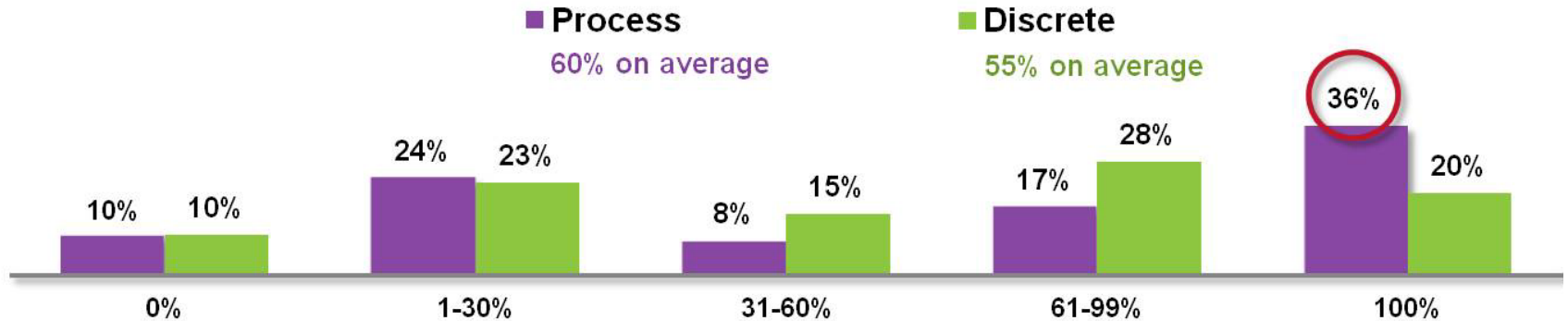
Supply Chain Insights, LLC – Agility 2012

Base: Total Sample (117); Q10. How many stock-keeping units does your company plan? Your best estimate is fine. OPEN-ENDED  
Q8. What percentage of distribution is currently outsourced to a third-party logistics firm? Your best estimate is fine.  
Q9. What percentage of manufacturing is currently outsourced to a third-party contract manufacturing firm? Your best estimate is fine.

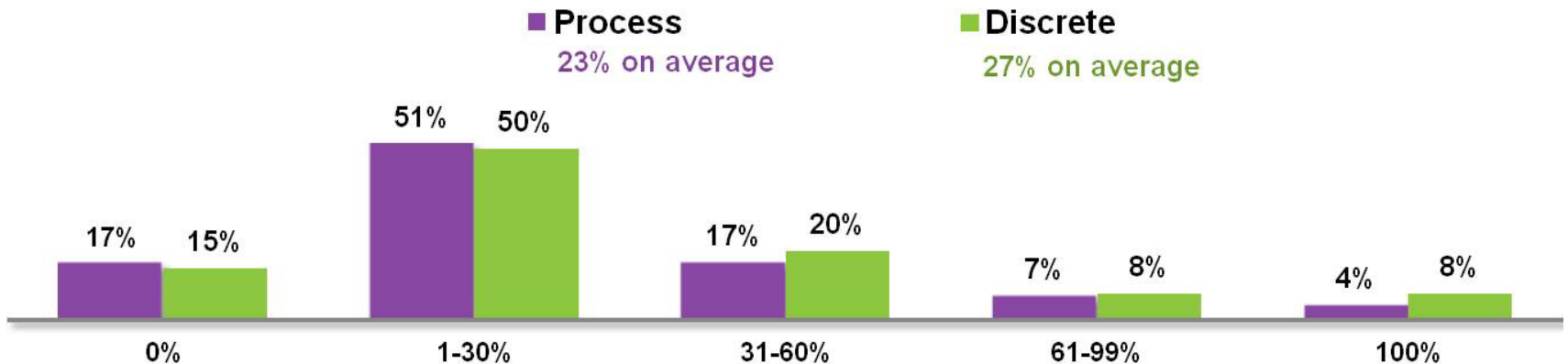


# Who Was Surveyed? Supply Chain Complexity

## Outsourcing to 3<sup>rd</sup> Party Firms by Industry: Distribution



## Outsourcing to 3<sup>rd</sup> Party Firms by Industry: Manufacturing



Supply Chain Insights, LLC – Agility 2012

Base: Process Industry (72), Discrete Industry (40)

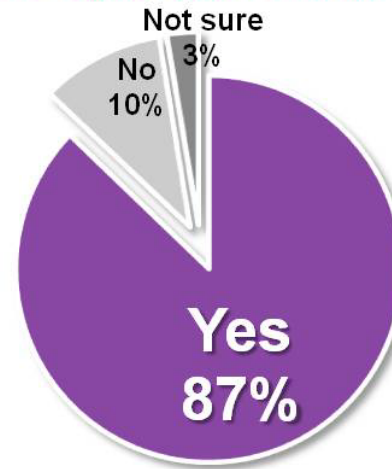
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Q9. What percentage of manufacturing is currently outsourced to a third-party contract manufacturing firm? Your best estimate is fine.



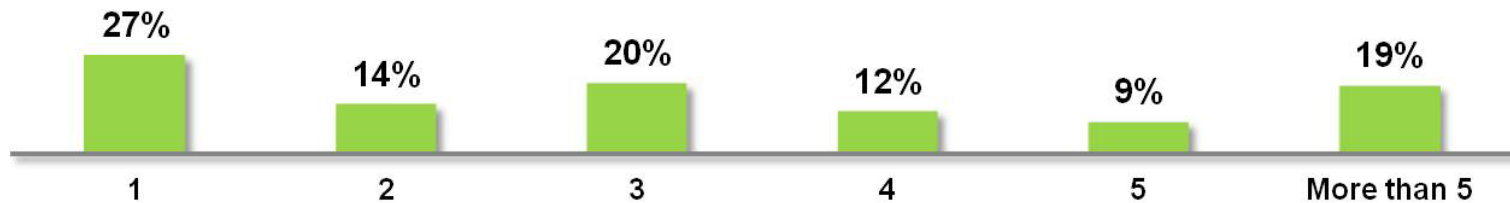
# S&OP Process Existence & Processes

## Have a Sales & Operations Planning Process



## # Distinct S&OP Processes

5 S&OP processes on average  
59% have 3+ processes



Supply Chain Insights, LLC – Agility 2012

Base: Total Sample (117); Q17. Does your company have a Sales and Operations Planning (S&OP) process?

A S&OP process is a tactical planning process to forecast sales and plan operations.

Base: Have a S&OP process (102); Q19. How many distinct S&OP processes does your company currently have? Your best estimate is fine. OPEN-ENDED



# Agenda



Overview



Demographics



**Agility Definitions**



S&OP Process

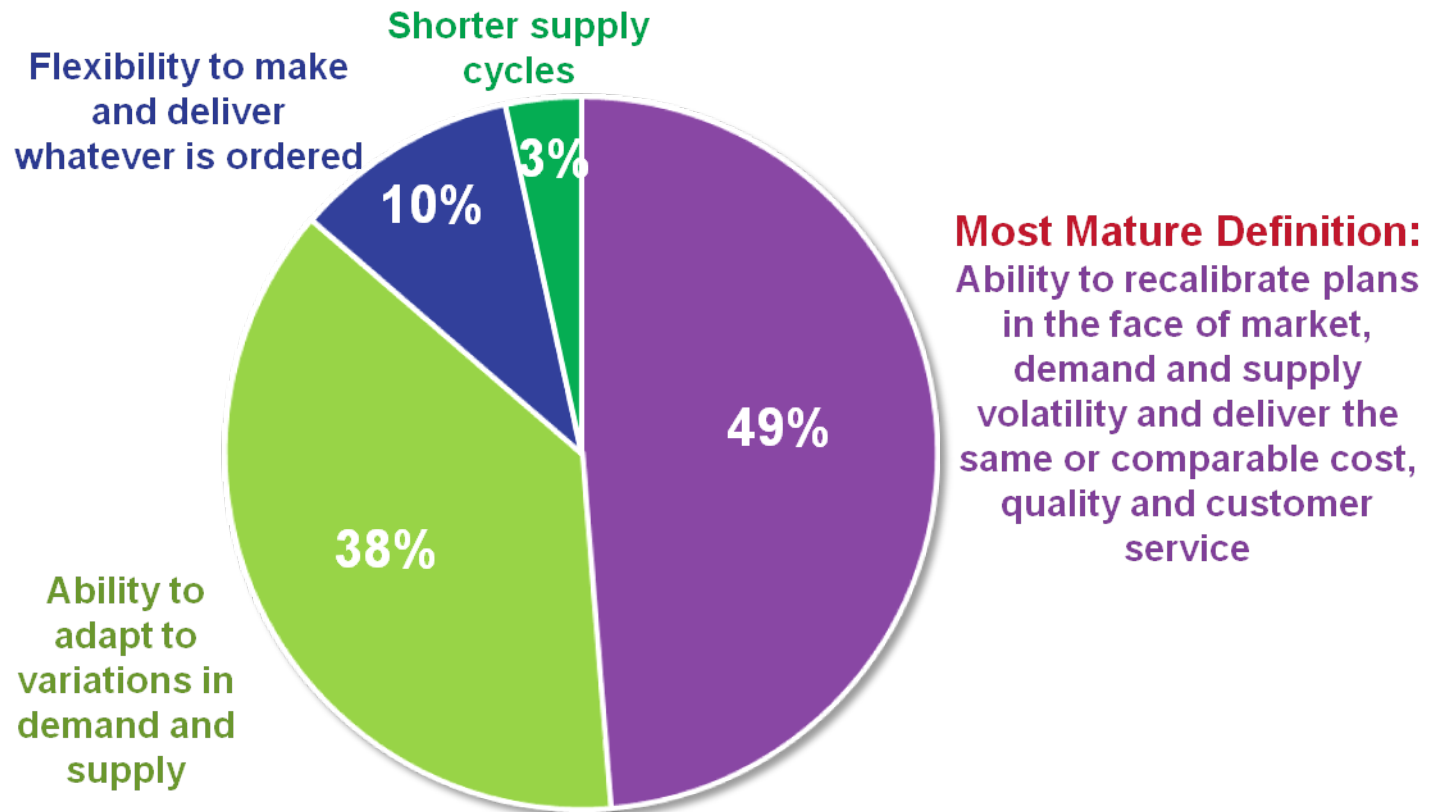


Agility Performance



# What is Agility?

## How Define Supply Chain “Agility”



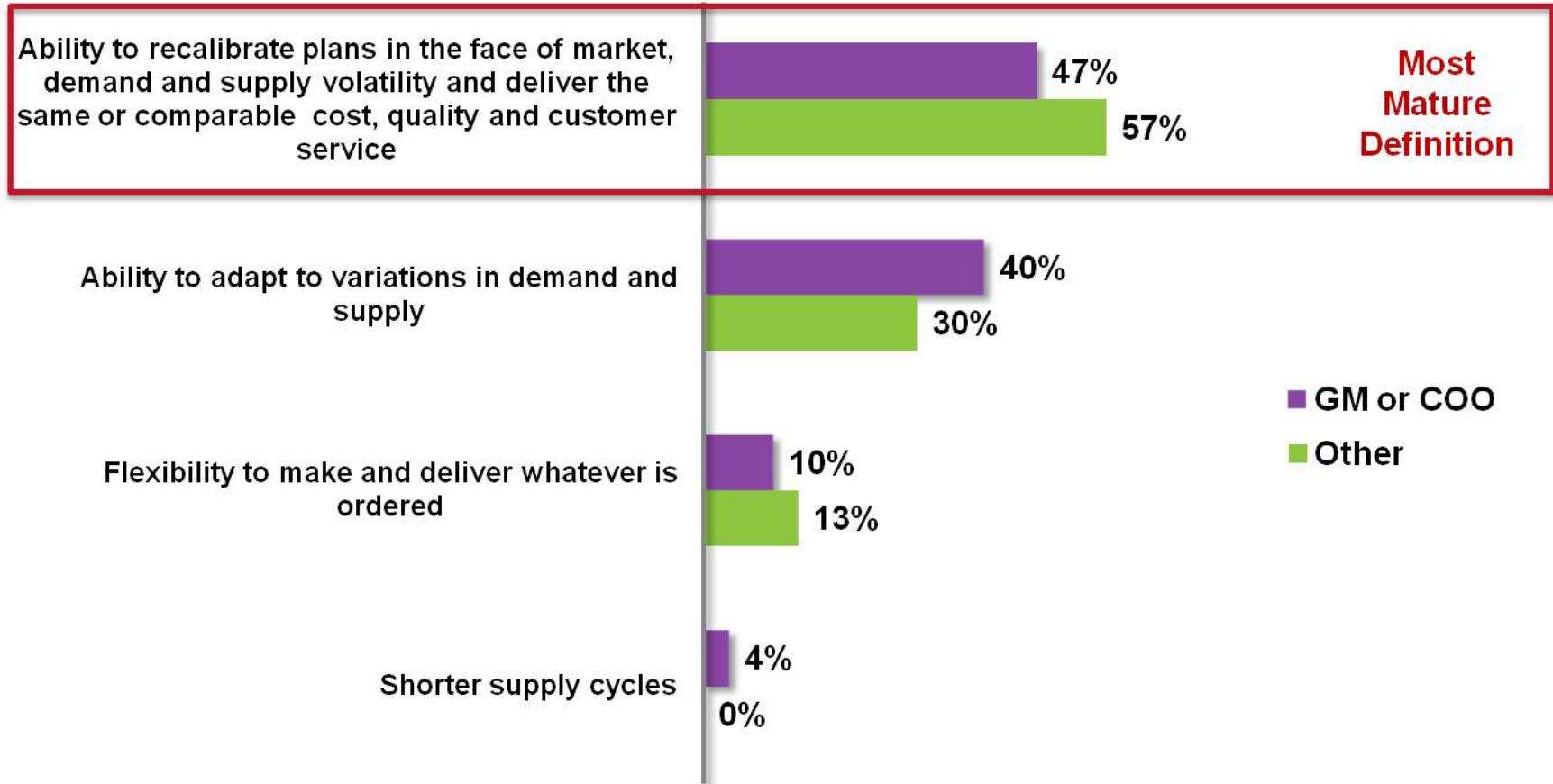
Supply Chain Insights, LLC – Agility 2012

Base: Total Sample (117); Q11. How would you define what it means for your company's supply chain to be "agile"? Please select the one that fits best.



# What is Agility? By Supply Chain Leader

## Agility Definition by Supply Chain Leader



Supply Chain Insights, LLC – Agility 2012

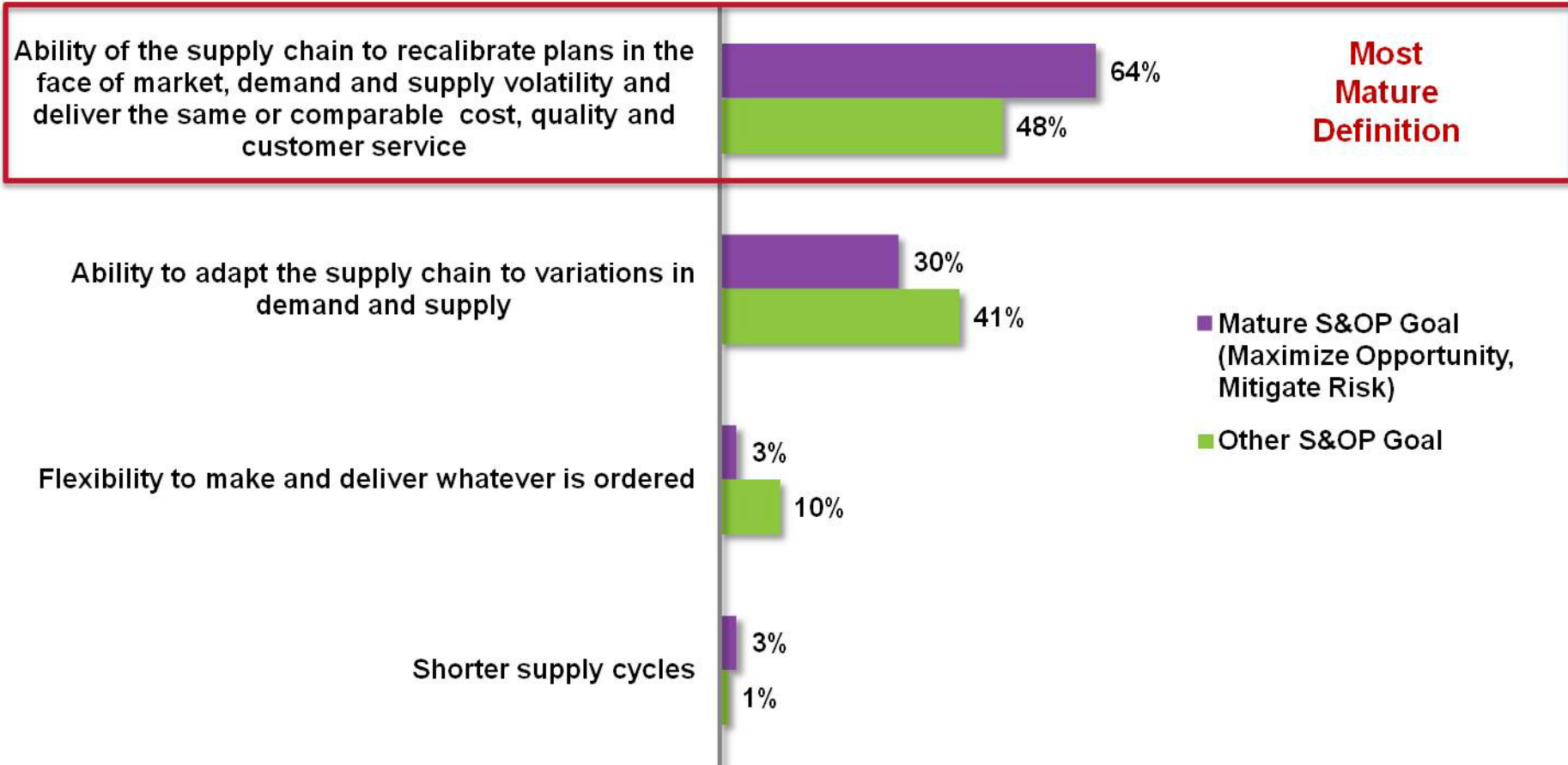
Base: Supply Chain Leader is GM or COO (81), Other (30)

Q11. How would you define what it means for your company's supply chain to be "agile"? Please select the one that fits best.



# What is Agility? By S&OP Goal

## Agility Definition by S&OP Goal



Supply Chain Insights, LLC – Agility 2012

Base: S&OP Goal = Maximize Opportunity/Mitigate Risk (33), Other (69)

Q11. How would you define what it means for your company's supply chain to be "agile"? Please select the one that fits best.





# Agenda



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Demographics



Agility Definitions



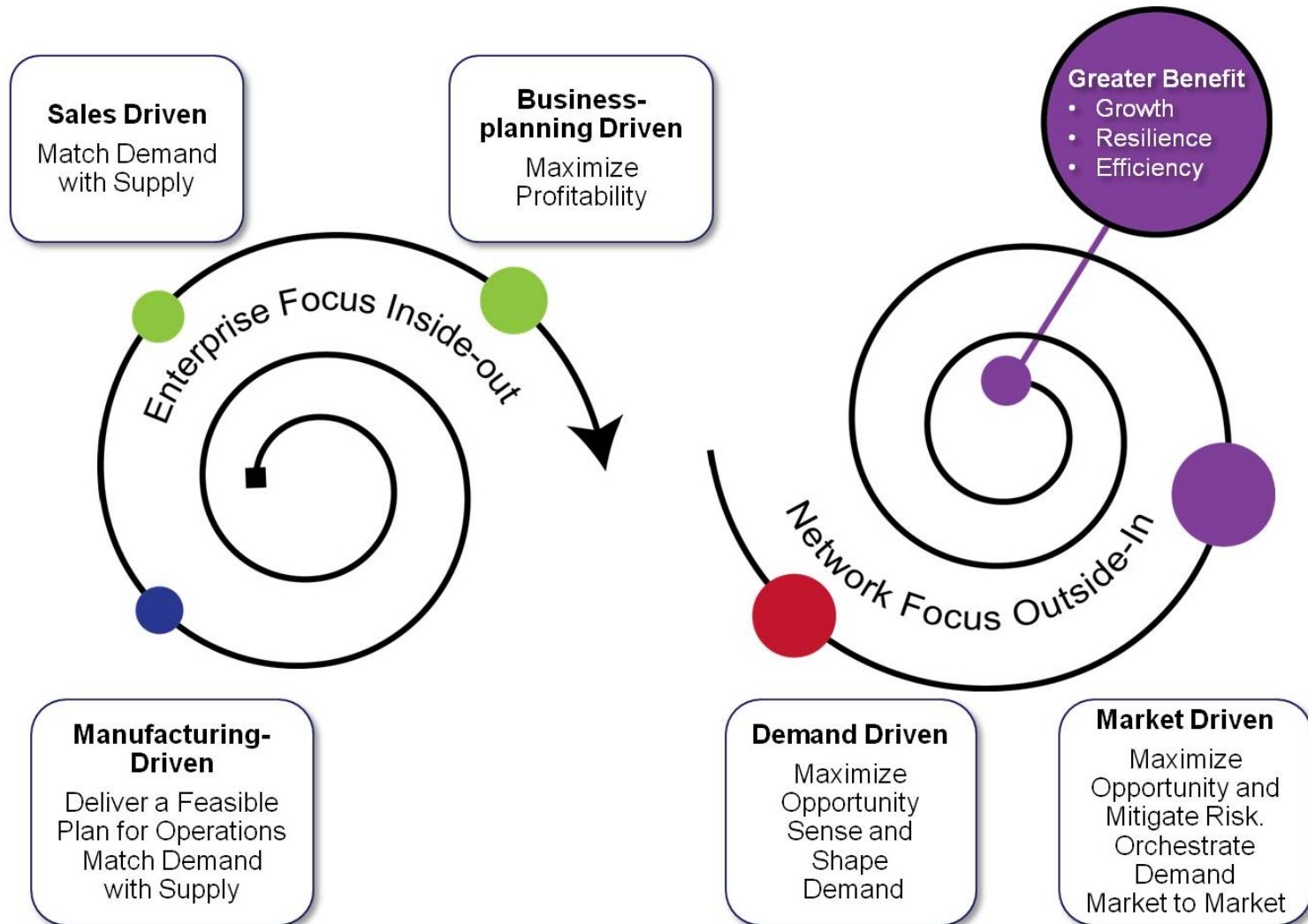
**S&OP Process**



Agility Performance



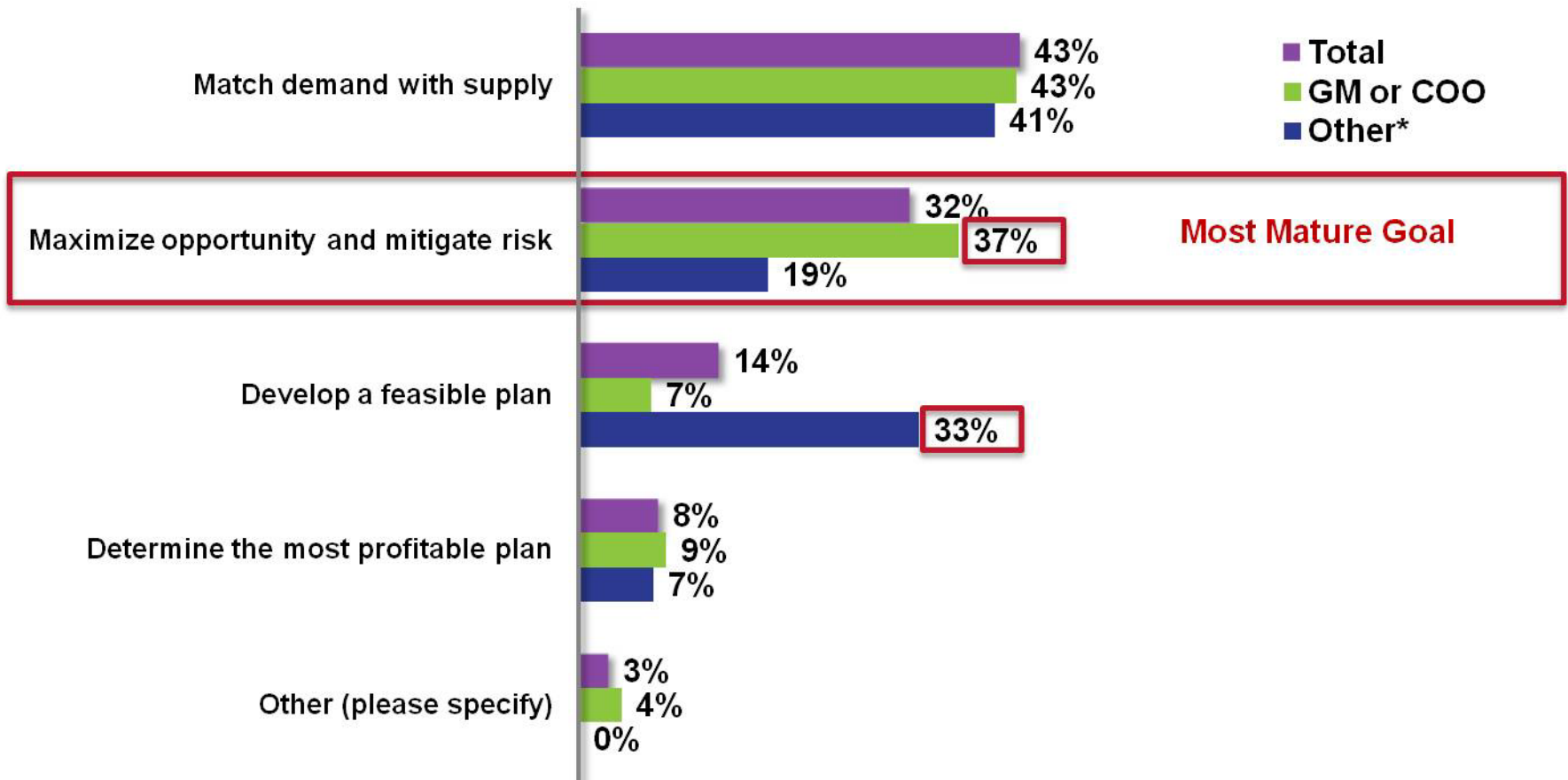
# S&OP Evolution





# S&OP Goal By Supply Chain Leader

## S&OP Goal by Supply Chain Leader



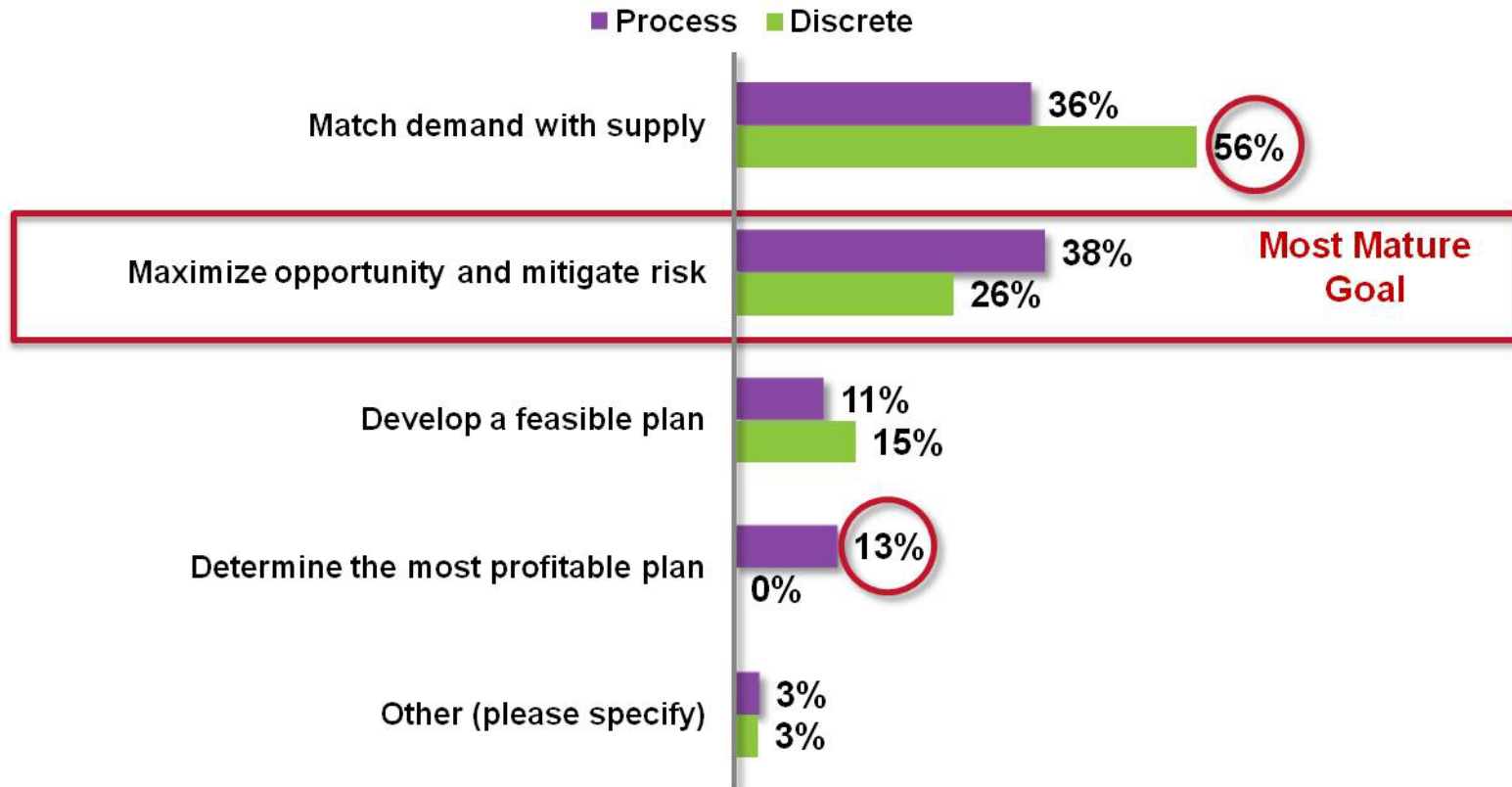
Supply Chain Insights, LLC – Agility 2012

Base: Have a S&OP process -- Total (102), Supply Chain Leader is GM or COO (70), Other (27) – \*CAUTION: SMALL BASE SIZE  
Q18. Which one of the following best defines the goal of your current S&OP process?



# S&OP Goal By Industry

## S&OP Goal by Industry



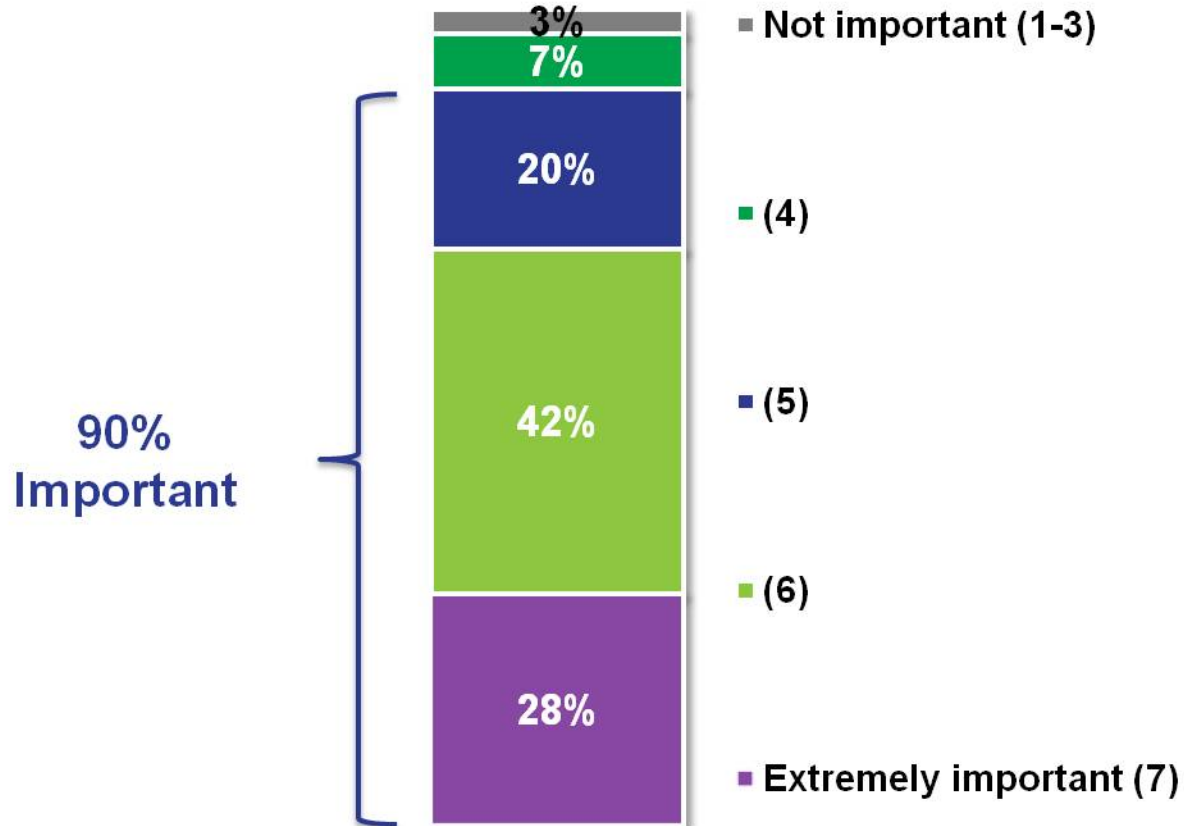
Supply Chain Insights, LLC – Agility 2012

Base: Have a S&OP process; Process Industry (64), Discrete Industry (34)  
Q18. Which one of the following best defines the goal of your current S&OP process?



# Importance of S&OP Process for Agility

## Importance of S&OP Process to Agility



Supply Chain Insights, LLC – Agility 2012

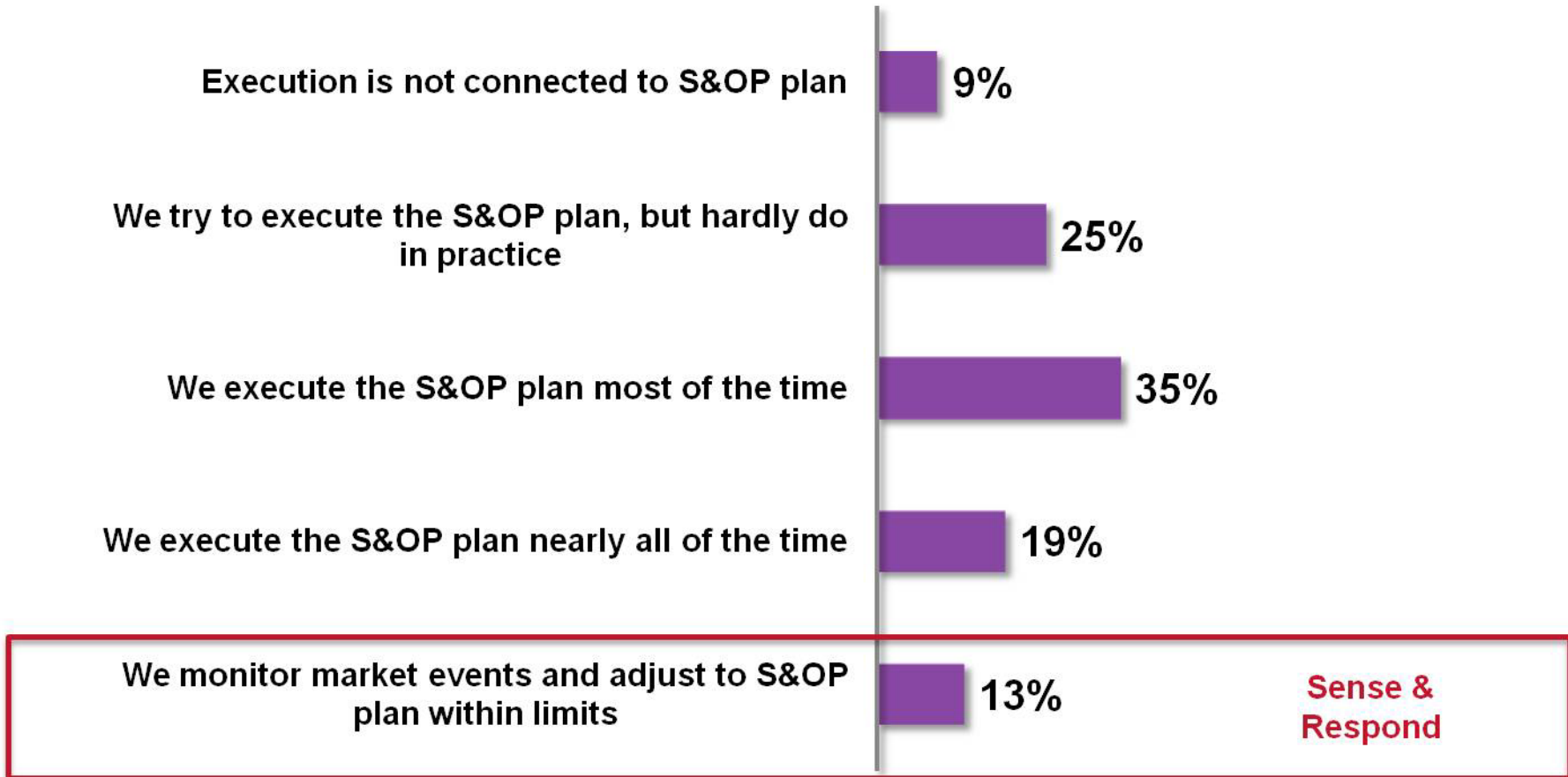
Base: Have a S&OP process (102)

Q22. How important do you think your S&OP process is to improving the agility of your supply chain?



# S&OP Plan Execution

## S&OP Plan Execution



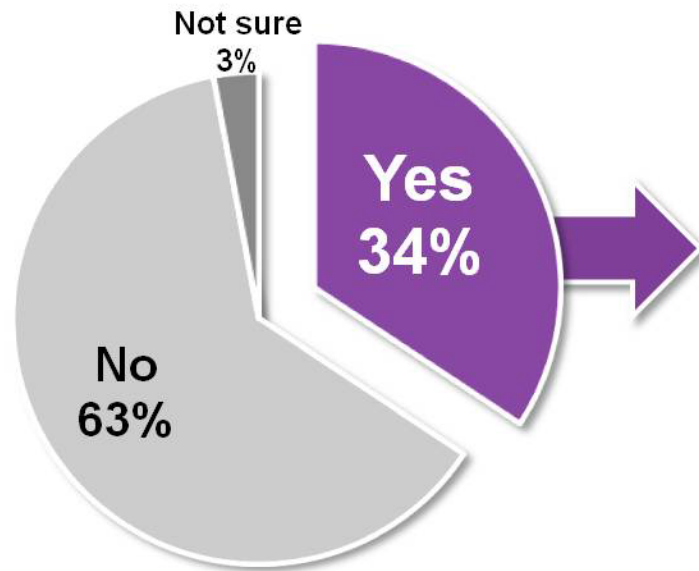
Supply Chain Insights, LLC – Agility 2012

Base: Have a S&OP process (102); Q25. After your S&OP plan is generated, how is it executed? Please pick the one that describes it best.

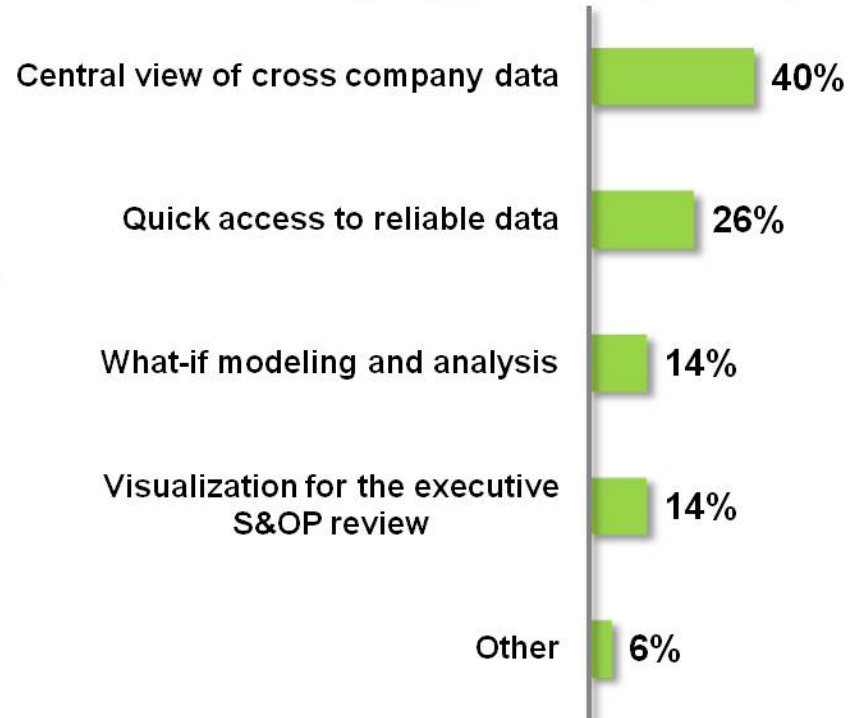


# S&OP Technology Existence & Functions

## Have S&OP Planning Technology



## How S&OP Technology Supports Supply Chain Agility (Most Important)



Supply Chain Insights, LLC – Agility 2012

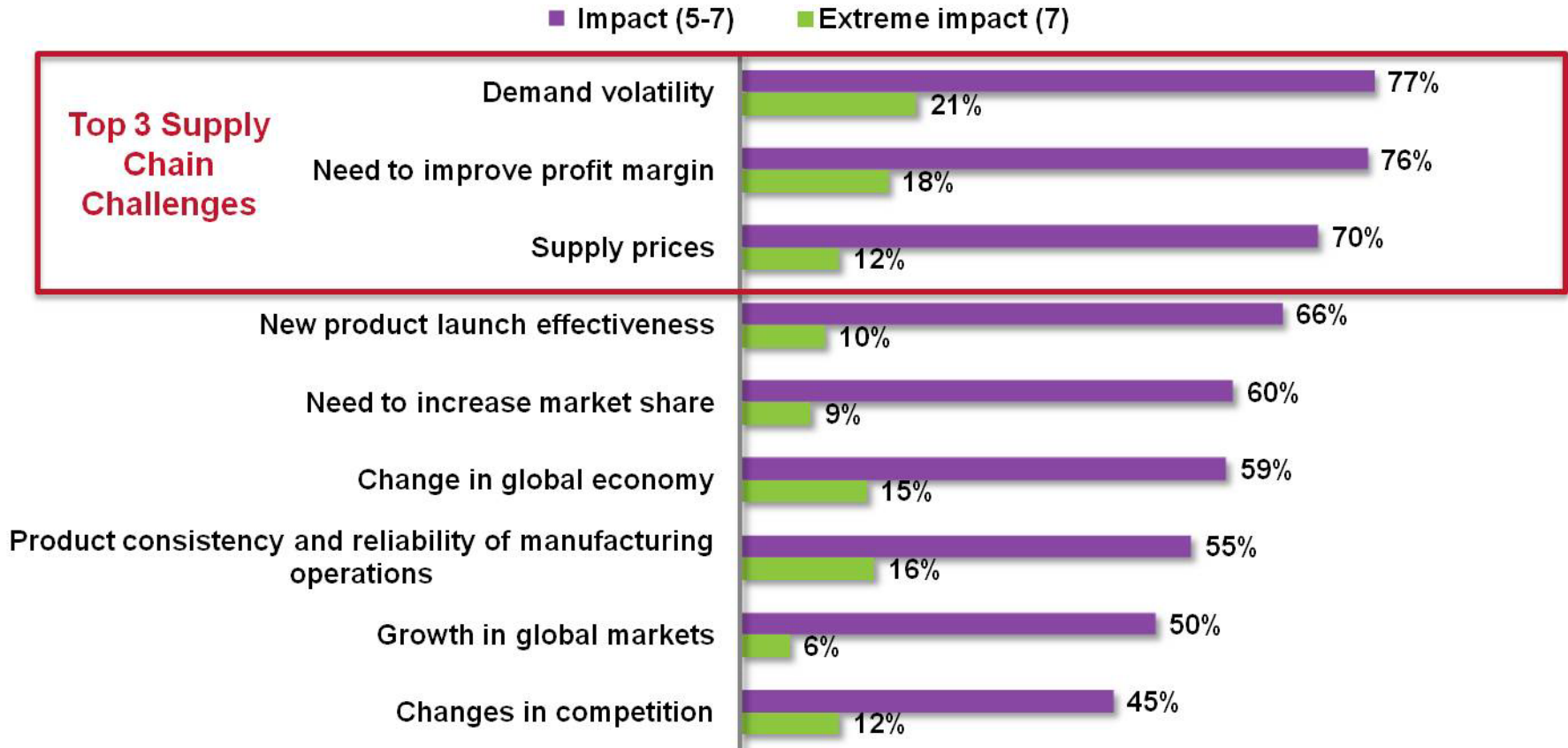
Base: Have a S&OP process (102); Q20. Does your organization have S&OP technology?

Base: Have S&OP technology (35); Q21. What is most important in terms of how the S&OP technology supports your supply chain agility?



# Impact of Supply Chain Challenges

## Impact of Supply Chain Challenges on Organization in 2011 (7-Point Scale)



Supply Chain Insights, LLC – Agility 2012

Base: Total Sample (117); Q16. How much impact did the following supply chain challenges have on your organization in 2011?





# Agenda



Overview



Demographics



Agility Definition



S&OP Process

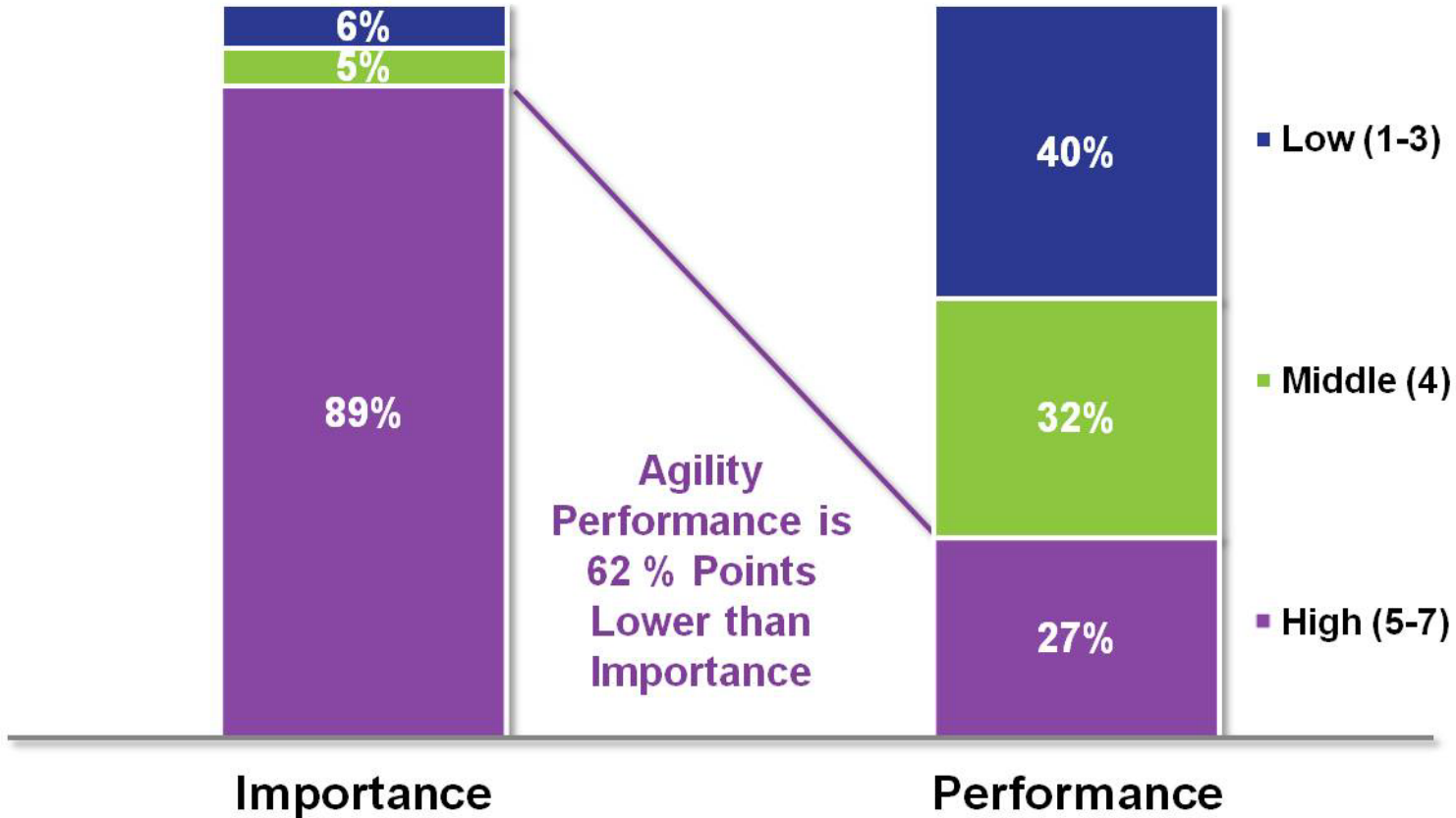


**Agility Performance**



# Agility Importance vs. Performance

**Agility Importance vs. Performance**  
(7-Point Scale)



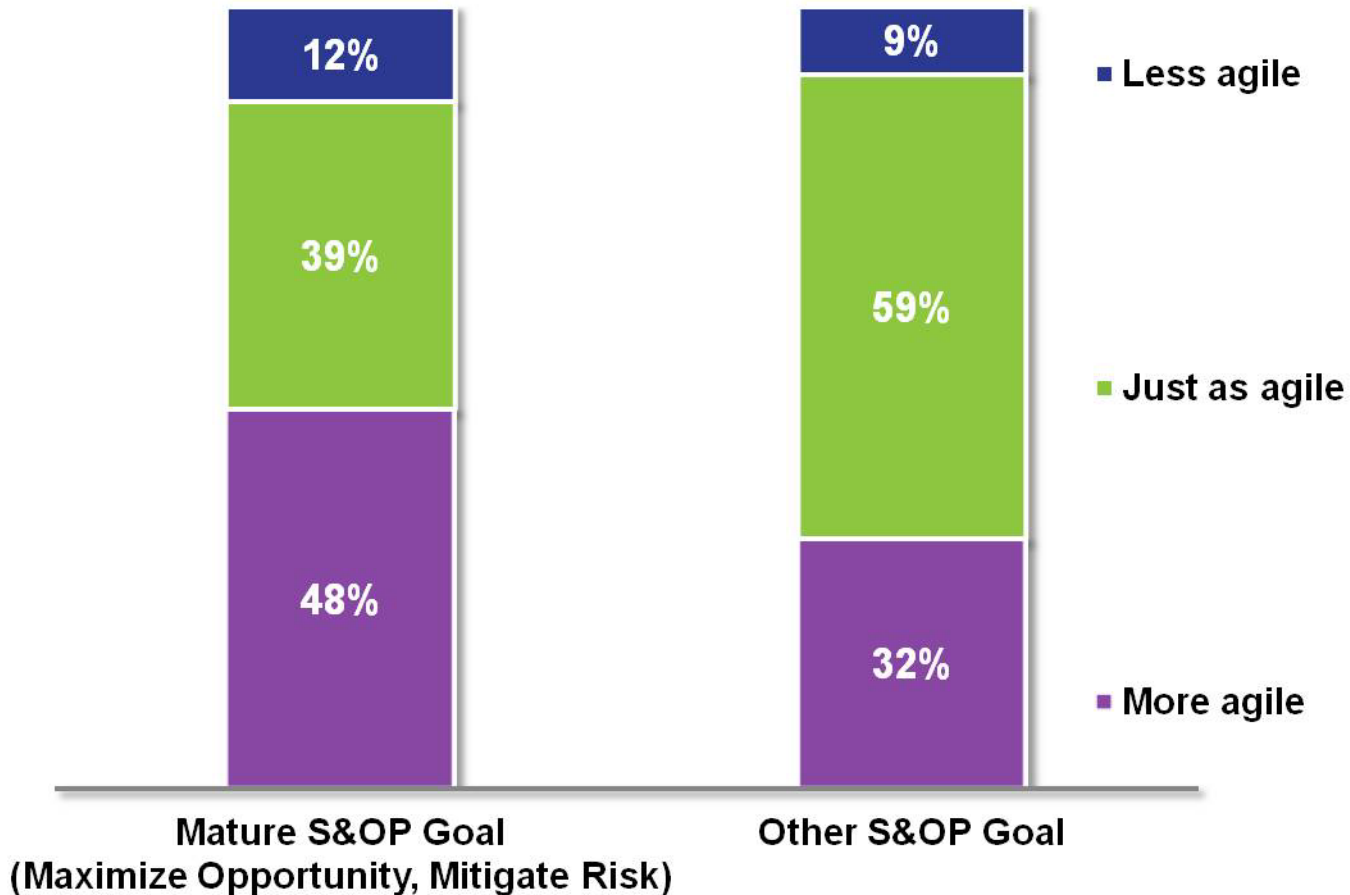
Supply Chain Insights, LLC – Agility 2012

Base: Total Sample (117); Q12. How important is it for your company's supply chain to be "agile" in 2012? Please base your answer on however your company defines agility. SCALE: 1=Not at all important, 7 = Extremely important; Q13. How would you currently rate your company's supply chain in terms of being "agile"? SCALE: 1=Not at all agile, 7 = Extremely agile



# Agility Today vs. Past By S&OP Goal

## Agility vs. 1 Year Ago by S&OP Goal



Supply Chain Insights, LLC – Agility 2012

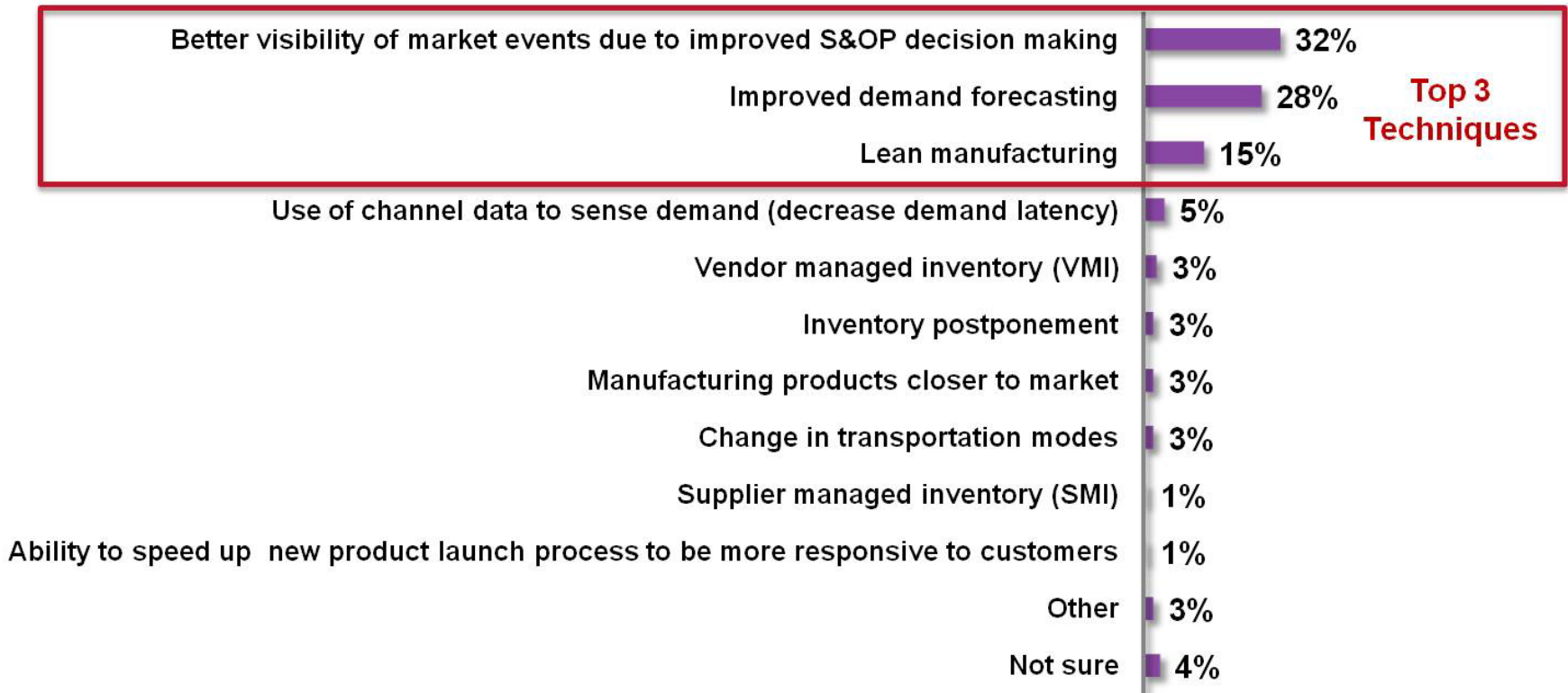
Base: Mature S&OP Goal (Maximize Opportunity, Mitigate Risk) (33), Other S&OP Goal (69)

Q14. How would you compare your supply chain's current agility to 1 year ago? How about compared to 5 years ago?



# Agility Techniques

## Primary Technique to Improve Agility



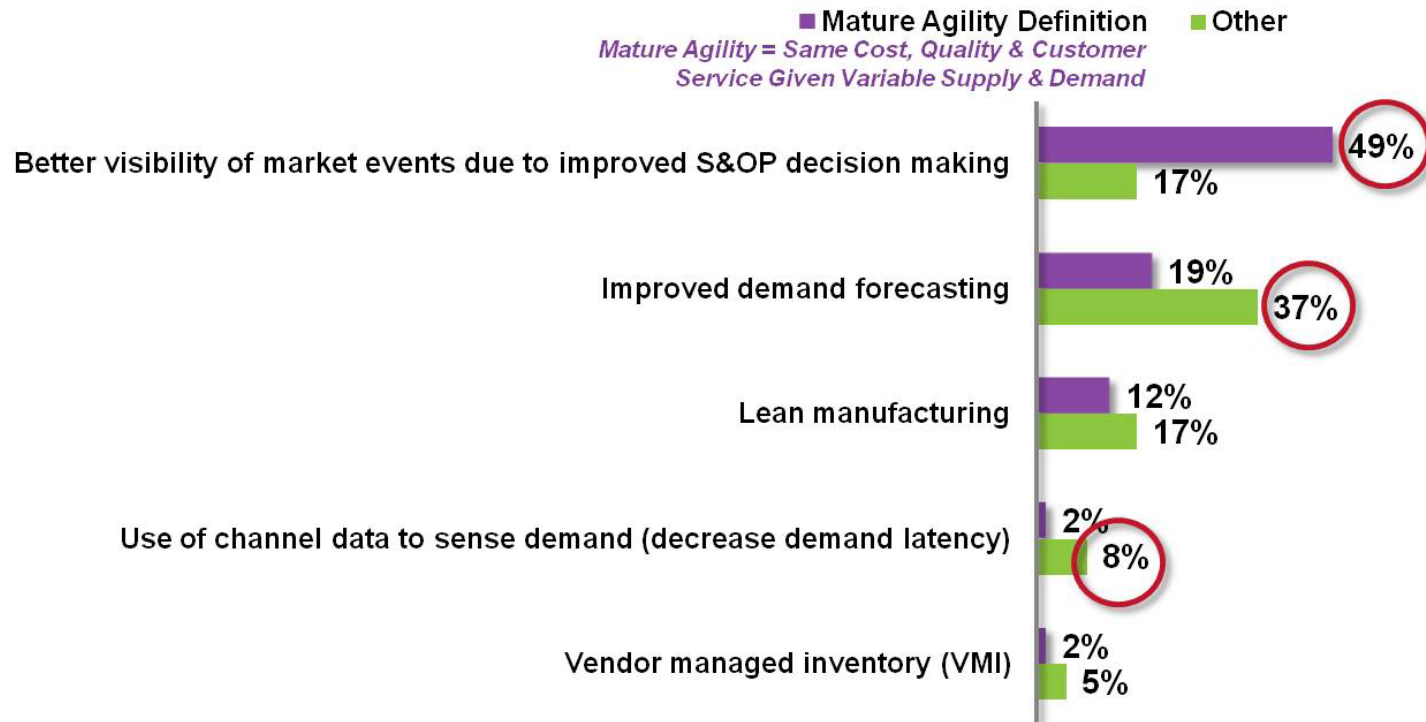
Supply Chain Insights, LLC – Agility 2012

Base: Total Sample (117); Q15. What is the primary technique your company currently uses to improve supply chain agility?



# Top 5 Agility Techniques By Agility Definition

## Top 5 Techniques to Improve Agility by Agility Definition



Supply Chain Insights, LLC – Agility 2012

Base: Mature Agility Definition (Same Cost, Quality & Customer Service Given Variable Supply & Demand) (57), Other Agility Definition (60)  
Q15. What is the primary technique your company currently uses to improve supply chain agility?



# Agility Challenges & Efforts

## Supply Chain Agility Challenges (Open-Ended Verbatim Responses)

### S&OP PROCESS

- S&OP does not report into the Supply Chain structure. It maintains an independent force for impartial influencing of Demand, supply and Finance
- S&OP is only happening in the markets and not on a global level. We are operating a federated organizational model. Therefore we have numerous processes in place today.
- Plan S&OP according to your best possible effort in line with your manufacturing capacity and logistic support
- We are new in S&OP
- We are new to this - need to understand best practices better
- I believe that creating a culture of S&OP, it would be an immediate solution
- We have currently put the S&OP process on hold due to implementing a new ERP process and most people do not physically have the time. However in the mean time we are in the process of re vamping the process to move up one more level.
- We are a telecommunications provider. We don't manufacture in a traditional sense, so supply chain (other than the procurement of mobile handsets and network equipment) doesn't occur. Matching supply to demand is not based on a linear one-to-one relationship between units sold matched to units consumed. The BOM is complex and statistical only. In saying that, we operate a robust S&OP process to try to match network and other resources to the products we sell. Questions about S&OP vs. agility are difficult to answer in our context.
- We're investigating new sales forecasting software for installation in 2013. Ours no longer meets our needs.
- The challenge in maturing a customer base/market to enable effective forecasting is a significant challenge in moving S&OP maturity - we are typically a second tier supplier

### COMPLEXITY & INDUSTRY ISSUES

- Each industry has its complexities. [Our company] has many complexities of fresh products should be considered in developing the S&OP, then it is a critical issue for our company.
- Paint industry, particularly decorative or retail segment, is very dynamic and therefore demand forecasting is to be dynamic. It's a very competitive market. Preparedness to sudden change in demand and supply of raw materials (3.) & prices are critical. Agility in supply of RM is very important.
- Market dynamic and challenge on distribution taking into consideration of market size, market complexity and country with more than 15,000 island

### TECHNOLOGY

- We are still trying to install the basic SAP system globally. We are striving to standardize and harmonize processes, we are trying to get global support
- We need to get more technology in the area and have it visible to all parts of the organization. Most of our products are vertically integrated and we need to plan all the way back to API availability.

### TALENT & SUPPLIERS

- One of the challenges we face is the turnover of key members of the S&OP team leading to a need for reorientation of new members and hence a slowing down/longer organizational learning curve.
- Assessing supplier flexibility continues to be a challenge to improve agility in responding to unforeseen demand changes
- Partnering with suppliers.

### OTHER

- Inventory optimization is critical.
- Raw materials procurement.

Supply Chain Insights, LLC – Agility 2012

Base: Total Sample (117); Q26. Is there anything else that you think we should know about your supply chain and your company's efforts to make it more agile? OPEN-ENDED



# Key Findings

- S&OP landscapes are more complex. The average company has five S&OP processes.
- There is a gap in supply chain agility performance.
- Companies that are the most mature in S&OP are more agile.
- 90% of companies believe that a mature S&OP improves agility.
- Only 13% of companies have effectively tied S&OP planning to execution.



# Who is Lora?



- Founder of **Supply Chain Insights**
- Partner at **Altimeter Group** (leader in open research)
- 7 years of Management Experience leading Analyst Teams at **Gartner** and **AMR Research**
- 8 years Experience in Marketing and Selling Supply Chain Software at **Descartes Systems Group** and **Manugistics** (now JDA)
- 15 Years Leading teams in Manufacturing and Distribution operations for **Clorox, Kraft/General Foods, Nestle/Dreyers Grand Ice Cream** and **Procter & Gamble.**





# Where do you find Lora?



**Contact Information:** [loracecere@gmail.com](mailto:loracecere@gmail.com)

**Blog:** [www.supplychainshaman.com](http://www.supplychainshaman.com)  
(3500 pageviews/month)

**Twitter:** Icecere 2900 followers. Rated as the top rated supply chain social network user.

**Linkedin:** [linkedin.com/pub/lora-cecere/0/196/573](http://linkedin.com/pub/lora-cecere/0/196/573) (2300 in the network)