



Nexview Consulting

8 Levers for S&OP/IBP Success – Webinar

April 10th

Eric J. Tinker

Managing Principal

Our objectives and Agenda for today are to

- Provide a framework for key items to consider when implementing S&OP or revitalizing an existing process
- Share some best practices
- Answer some questions

Please use the chat box to ask questions as any time and we'll address as many as we can at the end of the webinar.

Agenda

- | | |
|------------------------------------|---------------|
| ➤ Objectives & intro | 12:00 – 12:05 |
| ➤ The 8 Levers for S&OP Excellence | 12:05 – 12:50 |
| ➤ Q&A | 12:50 – 01:00 |

Nexview Consulting helps clients achieve alignment within their organizations to improve performance and results



Services

- Sales & Operations Planning/Integrated Business Planning and Supply Chain consulting
 - Implement or revitalize existing processes
 - Information Systems evaluation, selection, and implementation
 - Organizational design & change
 - Customer & product profitability management
 - Change management
- Training & Coaching

Differentiators

- Boutique firm specializing in S&OP
- Recently expanded the S&OP process to upstream oil & gas
- Holistic approach – emphasize performance improvement, results management, behavior change, leadership development
- Low overhead model accommodates mid-market firms; Global network of highly-experienced consultants accommodates multi-geography projects

Eric J. Tinker – Mng Principal



- 18 years in management consulting leading complex change in the US and internationally
 - Projects have delivered over \$500MM in benefits
 - Client experience ranges from start-ups to leadership of large, complex, multi-geography business transformation for global corporations
- Prior leadership roles at Celerant Consulting, Deloitte Consulting, Plan4Demand, Hughes Aircraft
- Qualifications
 - MBA – University of Southern California - Finance & Entrepreneurship
 - MS – Mechanical Engineering, California State University - Northridge
 - BS – Aerospace Engineering, Syracuse University
 - Certified Public Accountant



Nexview's S&OP Definition and Flow

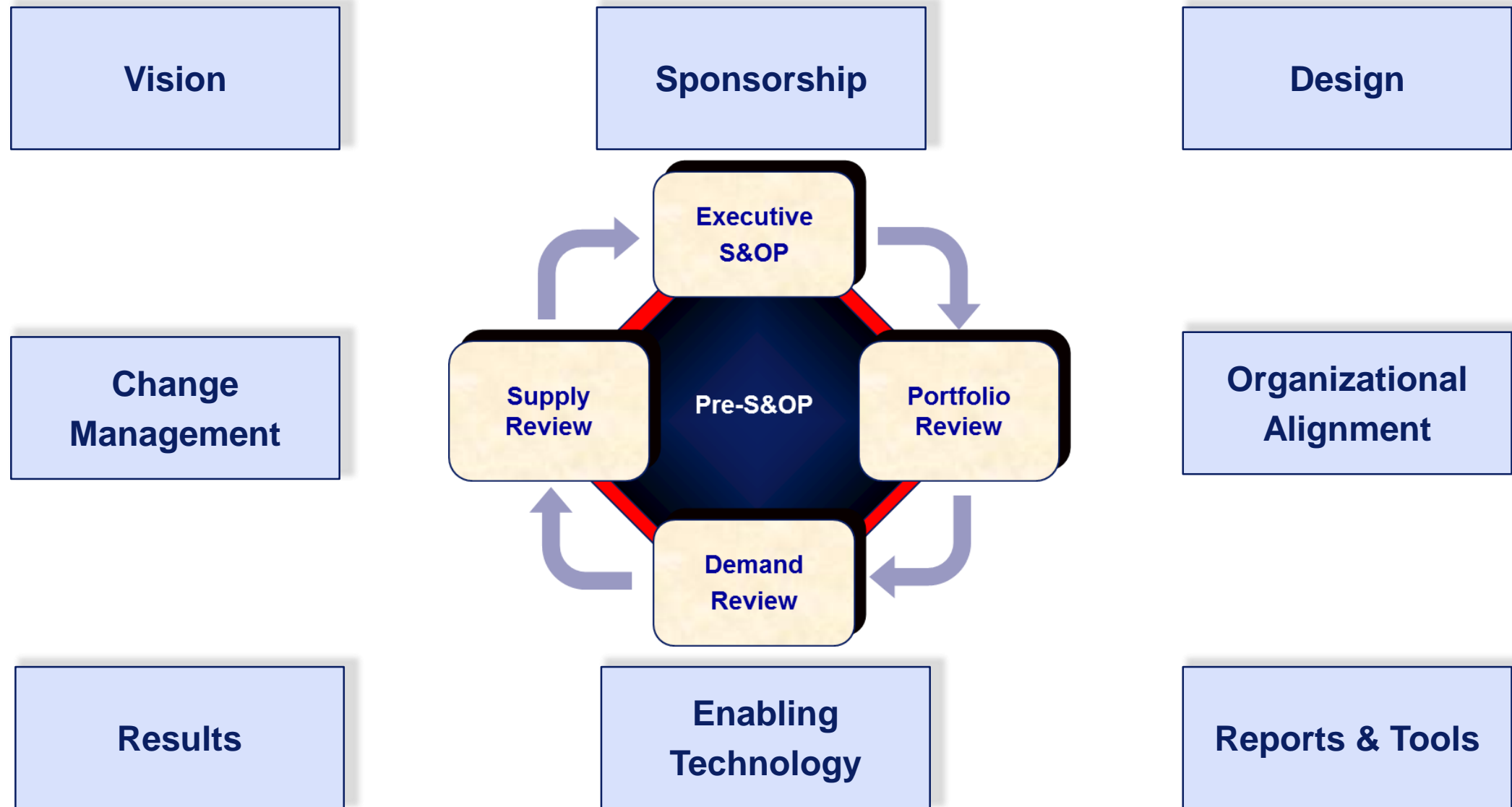
Typical components shown, but designs are company specific

By S&OP, we are referring to the management-level cross-functional planning and decision making process.

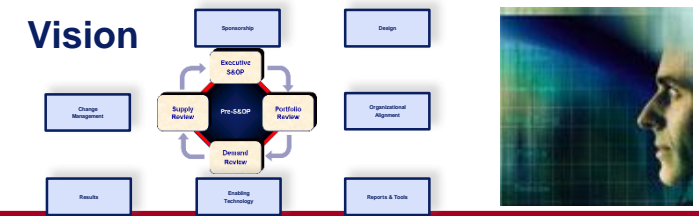
S&OP is the vehicle for communication, performance management, and decision making related to integrating financial, demand, and supply planning to meet company objectives.



Nexview's experience shows there are 8 Key levers to focus on for S&OP success

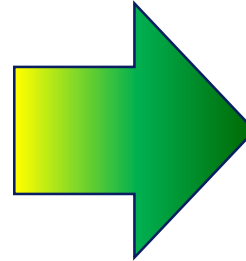


First, define your Vision for S&OP



Key Questions to Ask

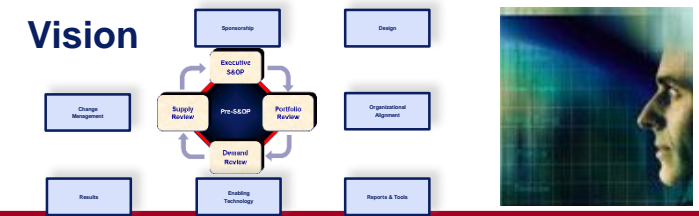
- How did you/should you define S&OP ?
 - What it is and what it is not
- What should it accomplish, how will it help the business?
- What results will be impacted by S&OP
- What should happen by when? (Roll-out, process standardization, technology support, business results)



Next Steps

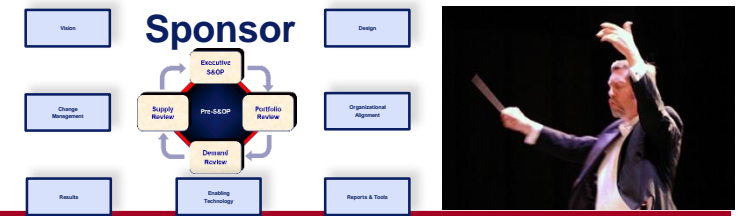
- “Core Team” agrees on the particulars
- Sponsor approves
- Write it down (Vision, Communication Package)
- Review it with stakeholders
- Communicate it again periodically

We recommend a set of bullet points to convey a thorough, but concise message



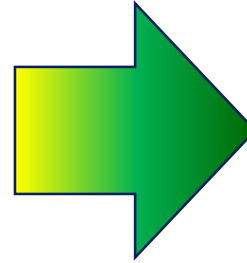
- We understand that S&OP is the aggregate and coordinated planning layer above the detailed supply chain planning processes; we'll identify several gaps in the underlying processes, but won't address all of them as part of this project.
- All business units will participate in S&OP.
- We have agreed that a consistent process and set of tools will be used.
- We have a viable and sustainable way to aggregate data at the product family 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 8% 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

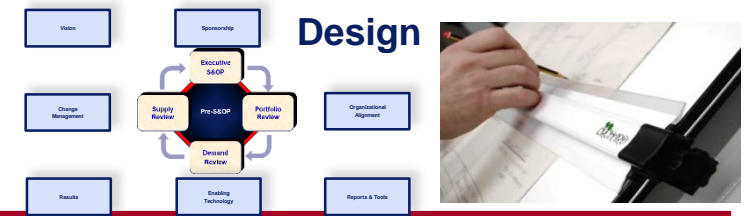


Who Should Be The Sponsor?

- 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.

Design – Overall Design Guidelines



- 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
- Be realistic about your ability to provide the infrastructure to support your design
- Awkward design structure/unclear component sponsor may point to a need to review the org structure

The S&OP design should align with, or help align these 3 legs



- Number and type of each S&OP component meeting
 - Align with org structure (e.g. P&L responsibility/financial reporting structure)
 - Align with asset structure
 - IT infrastructure to roll-up reporting
- Number of parallel S&OP processes
 - Division and/or Company level (Regional vs. Global)

The scope of your design may involve regional and global considerations

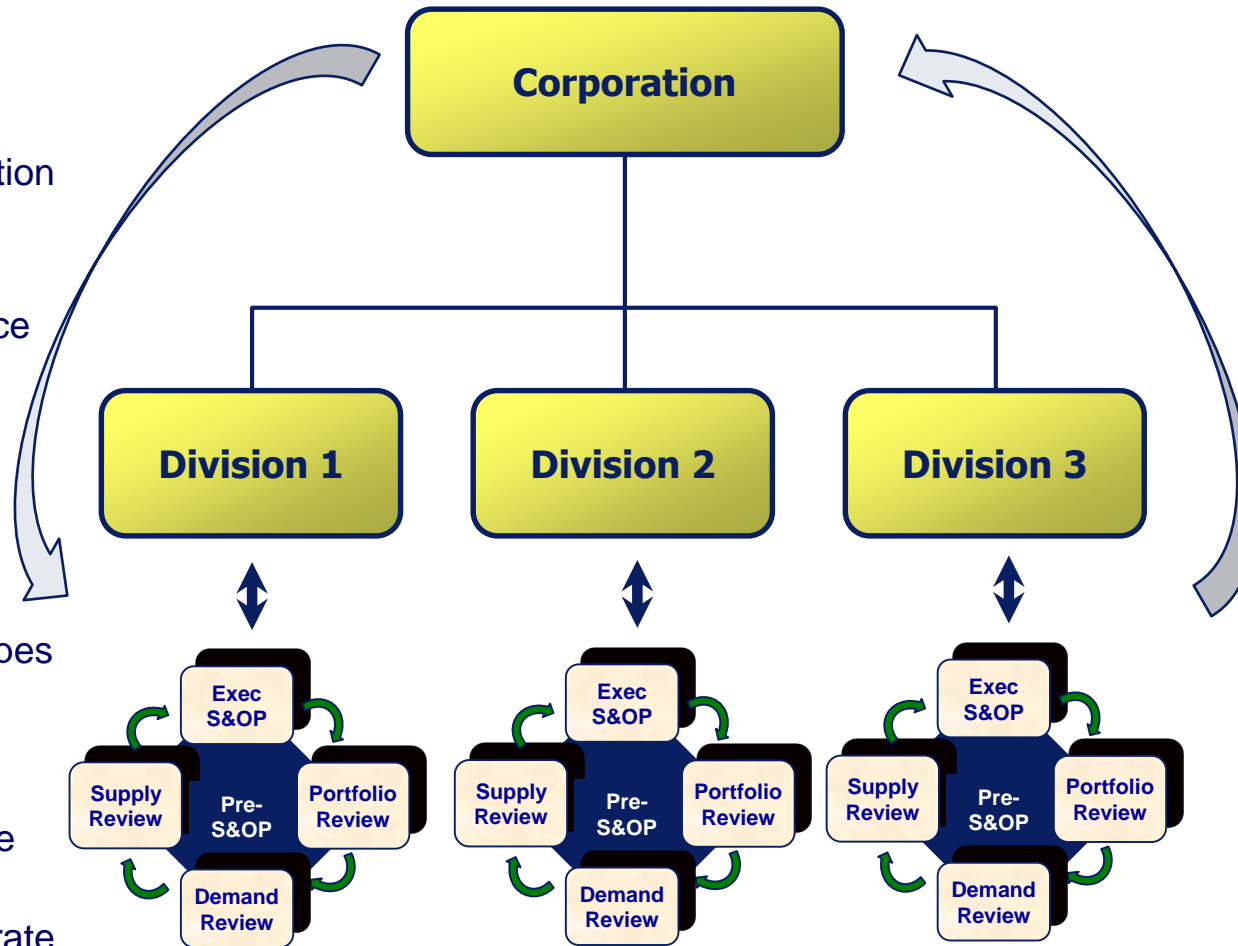


Corporate Priorities

- Enterprise level priorities
- Financial consolidation
- Cross asset capital allocation
- Allocation of centralized functional personnel
- Roll-up of Key Performance Indicators and plans

Division Priorities

- Division/BU scope
- Accommodate different types of supply chains, markets, strategies, etc.
- Prepares the GM to participate at the corporate level
- Do we have parallel separate processes or are some S&OP components shared?



Commercial & Product Elements

- Align design to how you face the market (e.g. sales organization, how products serve markets)

Supply Elements

- Align design to how supply assets and planning processes support demand (e.g. Single asset supports single market/region -> separate Supply Review at asset level; Multiple assets support single market -> multiple asset participation in Supply Review)

Pre S&OP & Executive S&OP

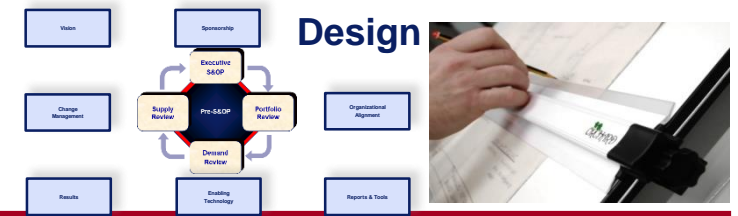
- Align design financial reporting structure
- Align design to how cross-functional decisions are made
- Align design to how cross-business units decisions are made

Design – Summary Checklist



Item	Design Points	Dependencies
Overall Parameters	<ul style="list-style-type: none"> ■ Planning time horizon ■ Frequency of the process/planning interval (e.g. monthly or quarterly) ■ Time fence (frozen period) ■ Business drivers that interact with one another (i.e. what goes on reports) ■ What level in the planning hierarchy is appropriate for reporting, planning, and discussion? 	<ul style="list-style-type: none"> ■ Adequate for financial planning ■ Covers longest lead time items ■ Period that schedules won't change ■ How often do items come-up in the business that affect interfacing functions or next level down planning? ■ How often should this process change next level down planning outside of the time fence? ■ Discussion level should provide a view appropriate for intermediate planning
S&OP Components	<ul style="list-style-type: none"> ■ Component meetings of the S&OP flow ■ The component meetings typically are the capstone to an underlying sub-process confirming the plan associated with that sub-process ■ How many of each component ■ How the components integrate with shorter term tactical meetings and the executive meeting structure 	<ul style="list-style-type: none"> ■ Which functions need to have a “pre meeting” to prep themselves for a cross-functional meeting ■ Which underlying sub-processes need a plan confirming meeting? ■ Components need to align with the organization and financial reporting structure

Design – Summary Checklist (Cont'd)




Item	Design Points	Dependencies
Schedule	<ul style="list-style-type: none"> ■ Sequence of the S&OP components ■ Time required between the component meetings 	<ul style="list-style-type: none"> ■ How does / should sub-process information flow between functions ■ When are last month's financials available? ■ Are there constraints fitting the executive meeting with executive meeting structure ■ How much time is required at the sub-process level between meetings? ■ How much time is required to prepare reporting for each meeting?
For Each Component	<ul style="list-style-type: none"> ■ Report format and planning drivers to show ■ Sponsor - Sr. Leader accountable for scope being addressed in each component meeting ■ Facilitator ■ Participants ■ Inputs ■ Outputs ■ Typical agenda 	<ul style="list-style-type: none"> ■ Operating and financial accountability for the scope of the meeting, senior decision maker ■ Next level down leader who facilitates the preparation and meeting

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- ## Meeting Charter
- Defines our meeting design
 - Objectives
 - Participants
 - Typical Agenda

Meeting Effectiveness

- Exception based
- S&OP best practices
- Gap management
- Preparedness
- Decisions
- KPI Review
- Actions

[illegible]

- ## Action Log
- Actions
 - Accountabilities
 - Dates
 - Decisions

Pre S&OP Meeting Management Report

Date

KPI

Demand Plan

1 Bill of Material

2 Sales Order

KPI Scorecard

- KPIs in the right meeting at the right level, reviewed by the right people
- KPIs focus on underlying levers to reduce variances, exception based
- Baselines & targets

- ## KPI Scorecard
- KPIs in the right meeting at the right level, reviewed by the right people
 - KPIs focus on underlying levers to reduce variances, exception based
 - Baselines & targets

The diagram illustrates the hierarchy of planning documents. At the top is the 'Executive S&OP Plan, Mar'. An arrow points down to the 'S&OP Plan', which is a large yellow box. From the 'S&OP Plan', an arrow points down to the 'Detailed S&OP Plan, Mar', which is a large green box. To the left of the 'S&OP Plan' box is a vertical list of planning components: 'Capture 2EC (for net or NA)', 'Last Year Actual', 'Budget', 'Demand Plan - Last', 'Statistical Forecast', 'Sales Input', 'Marketing Programs**', 'New Products/Samples**', 'Market Factors**', 'TOTAL DEMAND', 'Next Formulation', 'Last Year Actual', and 'Budget'. The 'S&OP Plan' box is positioned between the 'Executive S&OP Plan' and the 'Detailed S&OP Plan', acting as a central hub for the planning process.

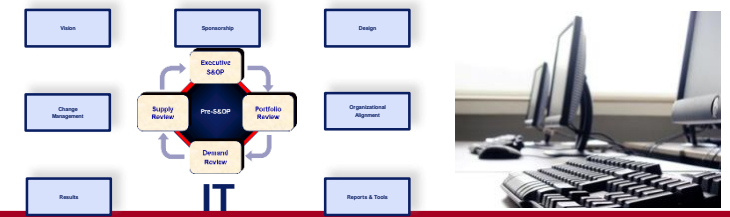
- ## S&OP Plan
- Reference plan used for exception analysis
 - Historical and 12-24 month forward look
 - Plan of record (i.e. “The Plan”)
 - Volume and \$ versions

Exceptions Report

■ Analyzes Plan to automatically

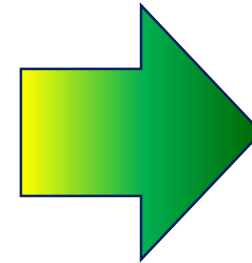
- ## Exceptions Report
- Analyzes Plan to automatically identify exceptions to plan
 - Variance analysis measures
 - Focuses discussion

IT tools are improving to support basic S&OP requirements as well as advanced functionality



Basic IT Requirements

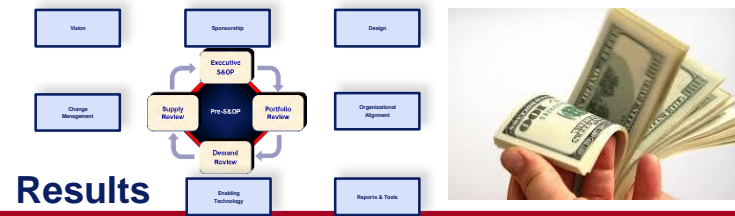
- Data people trust
- Report at any level in the product hierarchy with views to match your S&OP design
- Generate reports in an automated fashion such as not to require significant manual effort
- Report historical actuals with go forward plans on monthly rolling basis
- Exception highlighting or reporting
- Ability to monetize volume plans
- Make changes and have changes cascade throughout business systems
- KPI reporting



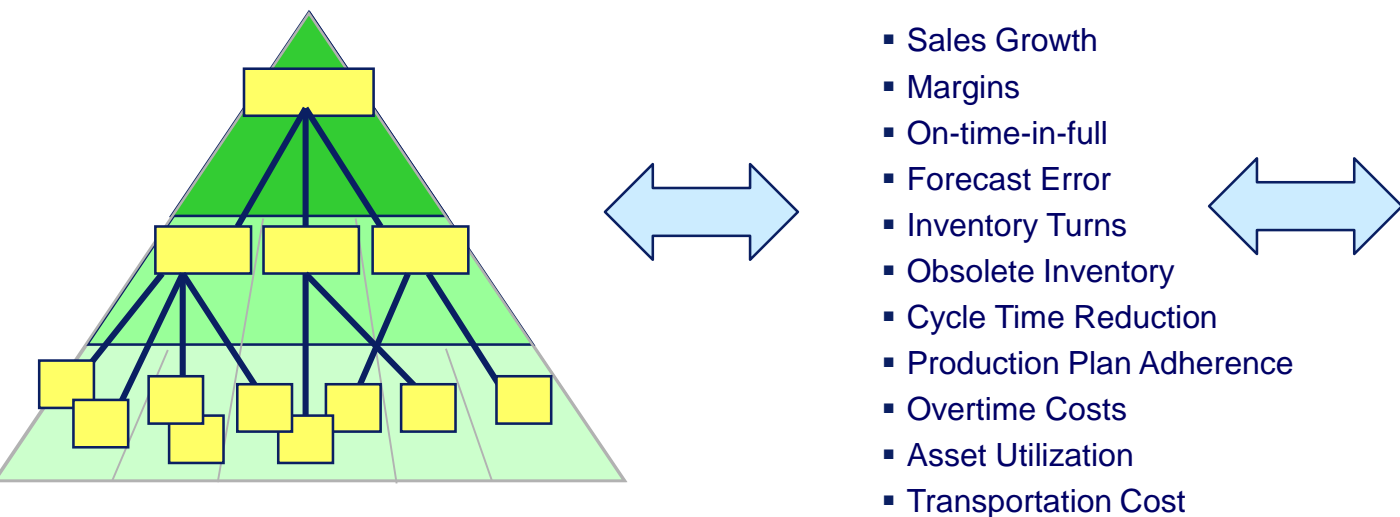
Advanced Functionality

- Access and summarize data from several systems
- Reporting with templates designed to support the meetings
- Capability to cut (roll-up) the data by different views
- Scenario modeling to aid in decision making & profitability analysis
- Electronic workflow
- Exception identification
- KPI/Dashboard reporting
- Detailed planning functionality

Results must be quantified to demonstrate the impact of S&OP

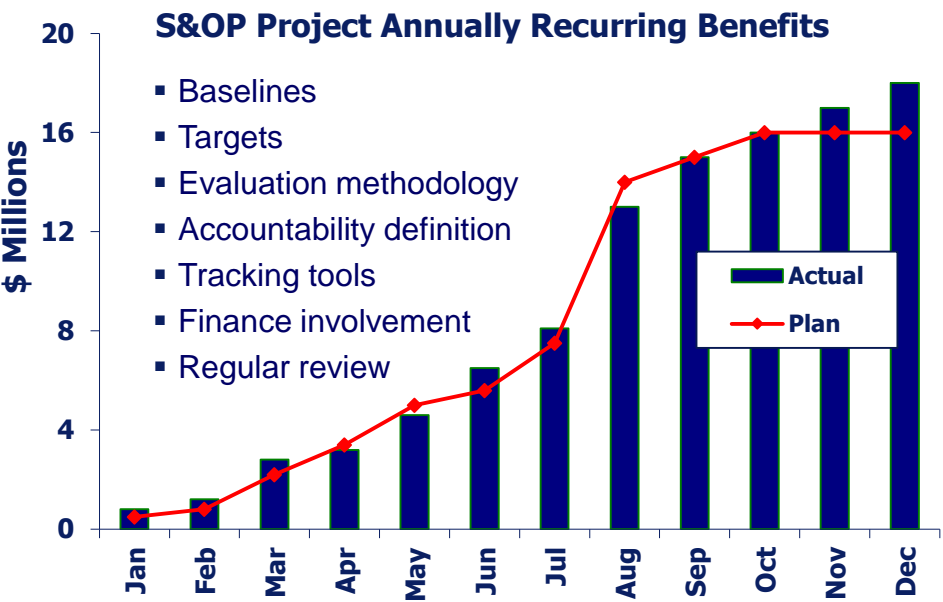


A layered system of KPIs throughout the S&OP hierarchy



A visible results measurement system

S&OP Project Annually Recurring Benefits

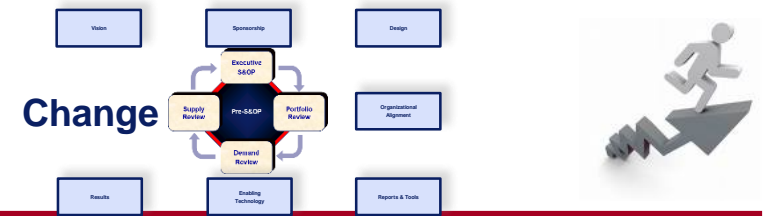


		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Portfolio Review	Plan	0	1	1	1	2	2	2	3	3	3	3	4
	Actual	0	0	1	1	1	2	2	3				
Demand Review	Plan	0	1	1	2	2	2	2	3	3			4
	Actual	0	0	1	1	1	2	2	3				
Supply Review	Plan	0	1	1	1								4
	Actual	0											
Pre-S&OP	Plan	0				1	1	2	2	3	3	3	4
	Actual	0				1	2	2	3				
Executive S&OP	Plan	0	0	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%

A defined S&OP process maturity tracking system

- Defined characteristics and best practices for each stage
- Expectations and timeline for improvement
- Tracked at the S&OP component level
- Data collected from surveys throughout the organization

Both tangible and intangible Change Management practices need to be tailored to the specific situation



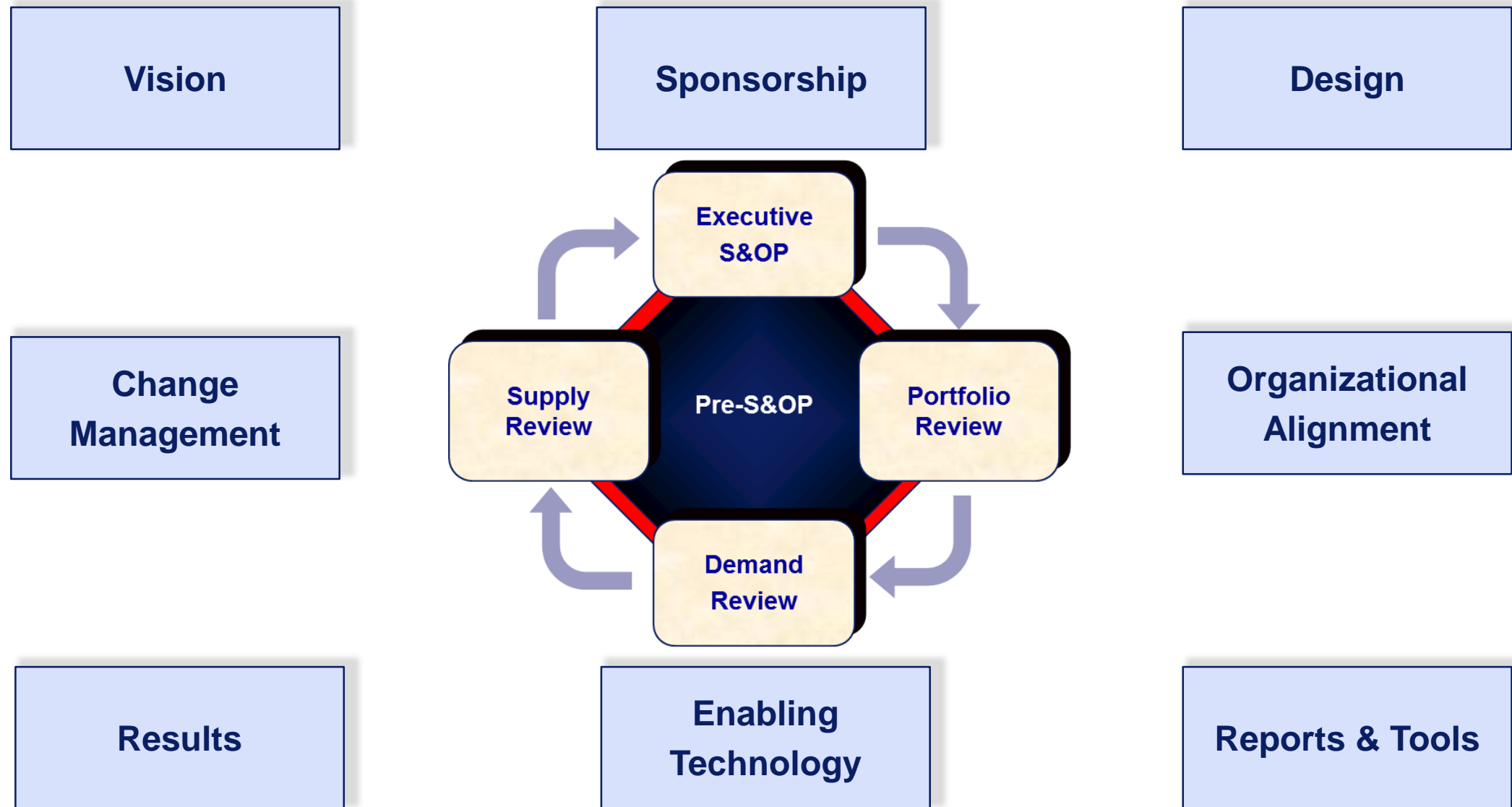
Methods for Leading and Managing Change

- Coaching at all levels – “WIFM”
- Celebrating wins, Root-causing missteps
- No surprises
- Communicating the Vision
- Communication Plans
- Stakeholder Analyses
- Defined Roles & Responsibilities
- Project Structure (e.g. Team Charters, Milestones, Project Plans)
- Project Reviews
- Results Management
- S&OP Meeting Effectiveness Reviews
- Action Logs
- Team Effectiveness Reviews
- Change Implementation Schedule

Desired Outcomes

- People are communicated to
- People are bought in
- People know what to do
- People got what they thought they were going to get
- People feel successful
- The “old way” disappears
- Results
- Sustainability
- Culture change

Attention to these 8 levers will put your team on the path to S&OP success!



We have scheduled dates and locations for a 1 day course – “S&OP for Performance Improvement” in the US

Overall

- Course is a mix of instruction, exercises, and a case study
- More in-depth information on the 8 Levers
- Practical techniques, outputs, and tools

Summary Agenda

- An Overview of S&OP, Key Considerations for Design, and Organizational Roles
- A Benchmarking Exercise of Your S&OP Process Against Best Practices Using Nexview Benchmarking Tools
- Identification of Planning Challenges In Your Organization and Potential Improvements
- S&OP Results Management, Key Performance Indicators and Using Them Effectively
- Technology Requirements and Systems for S&OP
- S&OP Report Formats
- Case Study
- Change Management and Implementing S&OP in Your Organization

Schedule (in-house training also available)

- Boston, May 20th
- Philadelphia, May 22nd
- Atlanta, June 3rd
- Houston, June 5th
- San Francisco, June 19th
- Chicago, August 7th

Cost

- \$495 with advance registration
- \$445 for registration within 30 days of course
- 15% discount for 2 or more participants from the same company



Questions – What's on your mind?



Thank You!

Instructor Contact Information:

Eric J. Tinker

Managing Principal, Nexview Consulting, LLC

Derry, New Hampshire, 03038 USA

+1.617.329.9362

ejt@nexviewconsulting.com

www.nexviewconsulting.com

I'm happy to connect with you on LinkedIn

Please don't ever hesitate to contact me with questions.

