



"Plans are nothing; Planning is everything" – Dwight D. Eisenhower

How to implement a lightweight Sales and Operations Planning (S&OP) for small and medium-sized enterprises

A quote from former American president Dwight D. Eisenhower well describes the essence of planning in any company or operation. Oftentimes, people think of individual plans as the result (which they may well be), but more important is a systematic and continuous planning of business operations. Big companies have well-adapted the best practices in planning, but planning is equally important for companies of all sizes.

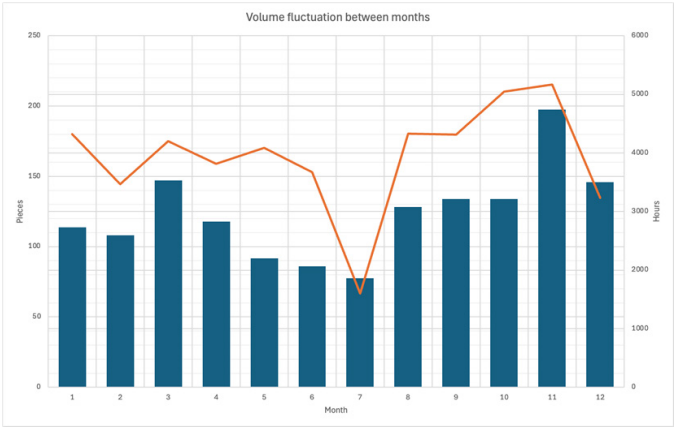
Sales and Operations Planning (S&OP) is a widely used term for the strategic planning process that companies usually follow. It provides a systematic approach to a continuous planning process that combines all the critical functions. S&OP starts with data gathering and demand forecasting, adds material and production planning, and ends with a reconciliation of all the plans, providing a comprehensive end-to-end plan for the entire company, including financial planning.

The S&OP process itself can be quite a heavy exercise, and considering the complex data requirements and IT challenges, it could be an overwhelming exercise for a smaller company to implement a full S&OP process with monthly and weekly updates. Still, there are ways to ease the planning process. This document describes some concepts for a lightweight S&OP implementation. However, the most important lesson is to start planning regardless of the chosen method. First steps can be modest, but the focus is to get started with planning. Without the first steps, the benefits of a systematic and continuous planning process will never be realised.

What is S&OP

Sales and Operations Planning (S&OP) is a strategic business process that helps organisations align their sales, marketing, production, inventory, and financial goals to ensure efficient supply and demand.

In a nutshell, you could describe S&OP as a monthly cross-functional process where key functions (like sales, operations, finance, and supply chain) come together to forecast demand, assess supply capabilities, identify opportunities, risks and gaps in demand and supply, make aligned decisions on production, inventory, and resource planning, and create a unified plan that supports the company's overall strategy



Picture 1. Fluctuating demand requires balancing of volumes between months

Why it matters:

S&OP improves customer service by ensuring the right products are available at the right time. It reduces costs by avoiding overproduction, stockouts, and excess inventory in the event of fluctuating demand (Figure 1). Further, it supports better financial planning and performance. In short, S&OP connects all business plans with operational execution.

Elements of S&OP

S&OP is a continuous cycle. It typically runs monthly (or even weekly) and feeds into longer-term strategic planning as well as short-term execution plans like Master Production Scheduling (MPS). The S&OP process progresses step by step in a monthly cycle, and the results of the previous steps will be utilised in the latter steps of the process.

Below are the typical steps of a monthly S&OP process:

1. Data gathering

Purpose: Collect accurate and timely data on sales, inventory, production, supply, demand, and financials.

Includes: Sales history, current inventories (ideally both internal and external), open orders, forecasts, capacity data, and constraints.

2. Demand planning

Purpose: Develop a consensus forecast of customer demand.

Involves: Sales, marketing, and product managers.

Output: A demand forecast (often statistical and collaborative input) for future periods.

3. Supply planning

Purpose: Assess supply capabilities and constraints to meet forecasted demand.

Involves: Operations, supply chain, procurement, and production planning.

Output: A supply plan detailing production, capacity, inventory, and logistics.

4. Reconciliation (aka Pre-S&OP)

Purpose: Align demand and supply plans, resolve gaps, and evaluate financial implications.

Involves: Mid-level managers from all functions (demand, supply, finance).

Output: Scenarios and recommendations for executive review.

5. Executive S&OP meeting (Sign-off)

Purpose: Review and approve the aligned demand-supply plan.

Involves: Senior leadership (e.g., CEO, CFO, COO, Sales, Supply Chain).

Output: Final decisions on trade-offs, resource allocation, and adjustments to the operating plan.

6. Performance monitoring

Purpose: Track KPIs and performance against the S&OP plan.

Includes: Forecast accuracy, service levels, inventory turns, capacity utilisation, and production efficiency.

Implementing a lightweight S&OP in an SME

As resources in SMEs are typically limited and people may have several roles, it is essential to implement a planning process that can be realistically executed. Too heavy processes can kill initiative and frustrate people who are already under pressure on multiple fronts. Therefore, it is essential to find a suitable model that provides results quickly while also being easy enough to implement and further develop.

Below are a couple of important steps in the journey towards better planning:

1. Ensure the sponsorship for the implementation from the CEO (or BoD).

As part of the strategic planning process, systematic S&OP will enhance visibility into the business outlook, thereby supporting improved business results. Therefore, the CEO (or even the Board of Directors) could be the initial sponsor for the implementation project.

2. Involve the leadership team to ensure commitment, support, and sponsorship for the implementation.

All key business functions must support the implementation of the S&OP process. Leaders of different functions in the leadership team will ultimately be responsible for providing plans and approving the final plans. Without buy-in from the sales function, for instance, it will be impossible to implement a meaningful S&OP process in the company.

3. Appoint a planning leader for S&OP and name key persons to contribute.

The implementation and process in S&OP should be led by a person with drive and sufficient time to manage this strategic process. Usually, a leader can come from operational functions like sales or supply chain, but it's also possible to appoint someone from the finance function. More important than the leader's organisational role is their willingness to drive the process toward results and maintain a systematic, persistent approach with the team. No one can implement the S&OP process alone; therefore, it's essential to assemble a capable, skilled team from various functions. For key talents, the project can also serve as an opportunity for growth and learning.

4. Start planning quickly - pilot 2-3 rounds

The planning process, design, and development are essential steps for the implementation, but they can be executed relatively fast and in an iterative way. More important is to start planning and learning while doing. Minimum requirements for the S&OP process to start are agreeing on the common planning calendar, governance model, and key forums for planning and decision making (with agenda, participants, and key inputs and outputs defined). As a process description, a simple SIPOC (Supplier-Input-Process-Output-Customer) model can be useful. When the basics are in place, piloting should start immediately. It is normal that the first planning rounds can be difficult and even somewhat chaotic. But there is no need to worry, the quality will improve over time: each planning round will improve the quality of the data and the process, and people will learn while doing. Typically, learning will take several planning rounds, but piloting of the new process can be done in 2-3 pilot rounds.

5. Instead of monthly, do heavy lifting quarterly – light updates monthly

Running a monthly S&OP process can be a major undertaking in SMEs, and even the changes in business over one month might be insignificant. Therefore, the solution may be to have a full S&OP round quarterly. In the months between, smaller adjustments to plans and numbers can be considered. Increasing complexity and more frequent updates over time are always an option.

As planning requires efforts from many functions and people to achieve results, it is also important to celebrate small victories during the implementation journey. Improvements in planning accuracy, inventory turns, and customer service are good reasons to celebrate.

6. Extend planning gradually to external stakeholders like suppliers, distributors, and other channel partners

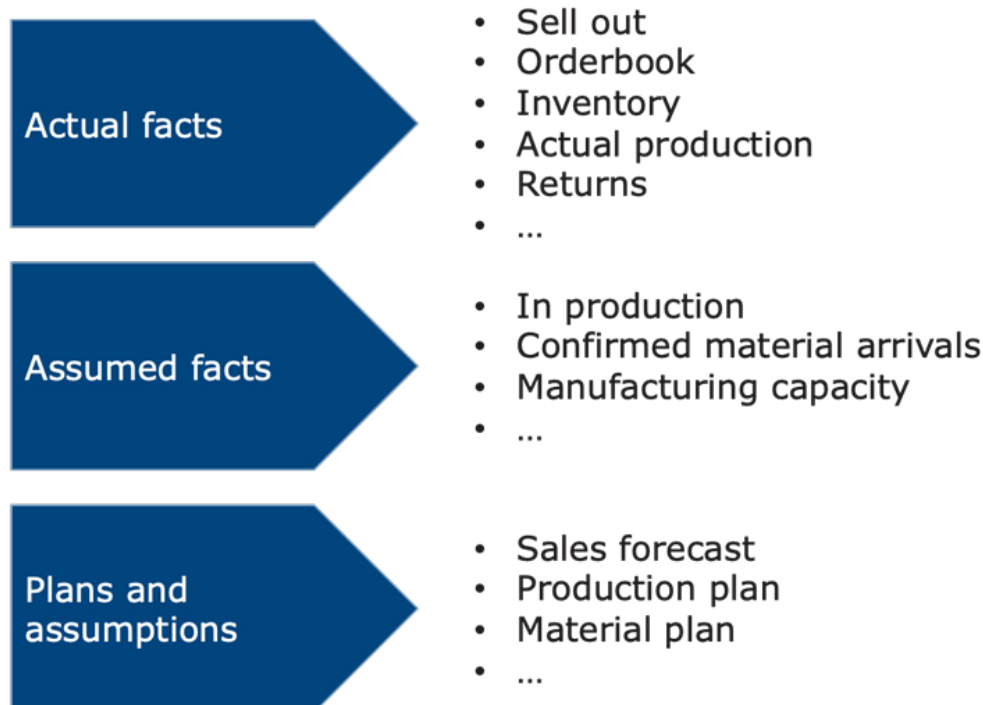
Start with internal functions like production, procurement, sales, and finance and improve their planning processes with S&OP. When the planning process is more stable, it can be extended to external partners: material inventories from suppliers, channel inventories from distributors, and sell-outs from retailers. Ensure the good quality of data in internal processes first and then start utilising the data with external partners.

7. Improve over time

Everything will not be ready immediately. Considerate takes several years to achieve an excellent level in the planning process. Continuous and gradual improvement will be the key to success. For a start, a fully manual process with spreadsheets and manual transactions will do; it can be later developed into a more automated process with dedicated planning apps and reporting systems. The quality of data will also need to be improved over time. High-quality data will ensure that the process provides high-quality results and enables the process to be further automated. It is also important to understand how different data is collected and how reliable it is (picture 2).

Conclusion

S&OP can provide significant benefits to businesses, from enterprises to SMEs. Realising the opportunity and starting to plan will be important. The first steps will be somewhat painful, but the results will follow. Implementing in smaller pieces will lower the effort and give an opportunity to learn while doing.



Picture 2. Types of data sources and their reliability

How can Midagon help to implement a meaningful S&OP process for your company?

Midagon is a truly independent transformation partner focused on tangible business benefits realisation. We combine extensive program and project management experience, business domain and technology expertise, with 100 % objectivity to help our clients succeed in business projects. Midagon's offering for the sales and operations planning is based on experience gained from delivering services across various industries and various sizes of companies. Midagon's key service areas ensure a successful transformation program from planning to execution.

Do you want to hear more? Do you want to learn more about how Midagon can help you with the planning transformation?

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