

S&OP Is Not a Forecasting Meeting. It's Your Strategy Execution Engine.

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Key Takeaways:

- S&OP is a strategy execution engine, not a forecasting meeting. Use it as a rolling steering mechanism that continuously aligns demand, supply, and margin against the annual budget — driving decisions before they become crises.
- The financial cost of getting it wrong is measurable. Weak S&OP shows up directly on the P&L: 20–40% excess inventory, margin erosion from expediting and unplanned overtime, and capital misallocated to decisions made outside the process.
- The most common failure is organizational, not technical. S&OP breaks down without executive ownership, a closed loop to the strategic plan, and a culture of decisions over data debates.

Aligning Sales and Operations Planning (S&OP) with Strategy

Too often, manufacturers run Sales and Operations Planning (S&OP) as a backward-looking scorecard—reconciling last month's numbers to budget instead of using it to anticipate and shape performance in the months ahead. The ones creating real financial value run it as the connective tissue between their three-year strategy and what happens on the shop floor every week. The gap between those two approaches costs more than most executives realize.

The Budget Is Already Wrong

By the time your annual operating plan gets board approval, the demand assumptions baked into it are already stale. Markets shift. A key customer delays a program. A supplier constraint you didn't model materializes in February. In an environment where manufacturing leaders are expected to hit margin targets regardless, that gap between the plan and reality is where EBITDA quietly bleeds out.

Sales and Operations Planning (S&OP)—done right—is how you close that gap. Not once a year, but at the very least, every month. Effective S&OP serves two core objectives: align demand, supply, and finance to execute the strategy while meeting budget commitments, and drive cross-functional decisions that optimize service, margin, capacity, and working capital over a rolling 12–18 months horizon.

The problem is that most manufacturers aren't doing it right. S&OP has become a calendar event rather than a management system. And when that happens, the strategic plan and the annual budget become artifacts that operations work around rather than toward.

The Financial Cost of Getting This Wrong

When S&OP doesn't function as a strategy-execution tool, the financial consequences are predictable—even if they're not always diagnosed correctly.

- 1 **Working capital bloat.** Without effective S&OP, companies often carry 20–40% more inventory than they need—tying up cash, reducing turns, and still missing demand because inventory sits in the wrong location or isn't configured for the right customer.
- 2 **Margin erosion from reactive decisions.** Expediting, unplanned overtime, customer fines, and spot purchasing happen when the plan doesn't reflect reality. Each one is a direct hit to gross margin that a better-functioning S&OP process would have avoided.
- 3 **Missed strategic investment windows.** When S&OP isn't providing structured scenario analysis on major strategic questions — a new program launch, reshoring, a capacity expansion — those decisions get made outside the process on incomplete data. Capital gets committed at the wrong time or to the wrong priority.
- 4 **Execution gap between the boardroom and the plant floor.** Even when S&OP decisions are made at the executive level, they frequently don't flow into production schedules, purchasing plans, and logistics execution. The plan exists in the meeting but never hits the floor.



CLIENT SPOTLIGHT

Pharmaceutical Manufacturing

A leading pharmaceutical manufacturer engaged TBM to install an integrated S&OP process designed to bring demand visibility and production scheduling into true alignment. By connecting commercial demand signals directly to line scheduling and throughput planning, the company eliminated the reactive firefighting that had been driving excess cost across its operations.

The result: \$9 million in annual cost savings.

What S&OP Is Actually Supposed to Do

Think of the Sales and Operations Planning process as a rolling 12-month mini budgeting process that continuously updates the demand and supply view against the static annual budget. The budget is your financial target. S&OP is your steering mechanism.

In a well-functioning process, S&OP delivers three main objectives while answering who should be involved and how often it should run:



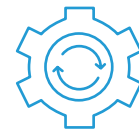
It informs strategy.

During Q2–Q3, a forward-looking 12–18 month view of demand, mix, and capacity gives finance and the executive team the real operational assumptions they need to build a credible plan for the following year.



It stress-tests the budget.

As the annual operating plan is built, S&OP validates whether proposed volume, mix, and inventory targets are feasible. A budget that ignores capacity constraints is a fiction.



It drives in-year execution.

Once the budget is approved, S&OP compares the latest demand and supply projections to fixed targets monthly—surfacing decisions on overtime, inventory builds, commercial actions, or supplier escalations before they become crises.

S&OP should run on a monthly cadence with a disciplined pre-meeting cycle (demand, supply, and financial reconciliation). The executive S&OP meeting should include the CEO/GM (or delegate), COO/operations leader, CFO/finance, head of sales/commercial, supply chain leader, and, as needed, product, HR, and procurement. Data is reconciled before the meeting so the forum focuses on decisions, not debate.

S&OP scenarios also shape strategic choices that get codified in the annual plan: capital investment timing, insource vs. outsource decisions, footprint changes, and working capital targets. Done well, S&OP is where the organization tests strategic hypotheses with real operational data before committing to them in the budget.



Why Most Manufacturers Fall Short

The most common failure mode isn't technical — it's organizational. S&OP gets treated as an operational forecasting exercise rather than a strategy-execution process. And that mischaracterization flows downstream into everything else.

GOVERNANCE WITHOUT TEETH.

When the CEO, COO, and CFO aren't actively using S&OP to make tradeoff decisions, the process never becomes the primary forum for executing strategy. Ownership defaults to supply chain — real expertise, limited authority. Without executive accountability, S&OP is just a meeting.

MISALIGNED INCENTIVES.

Sales owns revenue. Operations owns efficiency. Supply chain owns cost. When those metrics conflict — and they always do — S&OP becomes a negotiation, not an alignment mechanism. Without shared targets tied to strategic outcomes, the process produces debate, not decisions.

NO CLOSED LOOP TO THE PLAN.

Most companies build their strategic plan once a year, then run S&OP monthly with no formal discipline to reconcile the two. When projections diverge from budget — and they always do — there's no mechanism to escalate or adjust. The strategic plan sits in a binder while operations adapts on the fly.

MEETINGS ABOUT DATA, NOT DECISIONS.

If the room is reconciling spreadsheets and debating whose demand number is right, that's pre-work — not S&OP. The executive meeting exists to make a small number of critical decisions on capacity, inventory, and customer commitments. SKU-level debate crowds those out until a crisis forces them.

DATA NO ONE TRUSTS.

When demand, supply, and margin data live in multiple systems and offline files, there's no single source of truth. Leaders revert to intuition. Attendance thins. Decisions migrate to hallways. The process loses credibility before it ever gains traction.

What a High-Performing S&OP Best Practice Looks Like

Manufacturers who use S&OP as a genuine strategy execution tool tend to share a set of structural commitments:

Executive ownership is non-negotiable.

The specific owner of the process may vary by business, but whoever leads it must be a credible, unbiased enterprise leader with the authority and confidence to challenge all functions equally. The CEO, COO, and CFO typically do not chair the process, but they must be actively engaged and fully committed — not reviewing outcomes after the fact, but helping shape decisions in real time.

The S&OP cycle is explicitly linked to the strategic plan and AOP.

There is a defined moment in the annual calendar — typically Q2–Q3 — where S&OP outputs formally feed the planning process. And there is a closed-loop mechanism to flag when monthly S&OP projections diverge materially from budget assumptions.

Structured scenario planning is a standard agenda item.

Not a fire drill reserved for crises. Major strategic questions — demand upside, constrained capacity, supplier risk, footprint changes — are modeled in advance so the executive team can make decisions, not just receive updates.

Decisions, not data, are the output.

The executive S&OP meeting is structured around a small number of critical decisions that need to be made. Data is pre-reconciled before the meeting. Prework is mandatory. The room is not a working session — it's a decision session.

Decisions flow to execution.

S&OP outputs translate directly into production schedules, purchasing plans, and commercial actions. If the decision made in the room doesn't show up on the plant floor within a defined time window, the process has an execution gap — and that gap is tracked.

Metrics are tied to strategy, not just operations

S&OP performance is measured against strategic levers: service differentiation, margin, working capital, and throughput — not just forecast accuracy or OTIF in isolation.

The Question Isn't Whether You Have S&OP. It's Whether It's Doing Anything.

Most manufacturers have something called S&OP. A monthly meeting. A demand review. An executive presentation. The harder question is whether any of it changes decisions that wouldn't have been made otherwise — and whether those decisions are moving the strategic plan forward or just managing the quarter.

The companies that treat S&OP as a strategy execution system — not a forecasting ritual — tend to carry less inventory, respond faster to market shifts, make better capital allocation decisions, and hit their budget targets more consistently. That's not a coincidence. It's what happens when planning and execution are actually connected.

TBM has built and rebuilt S&OP processes across manufacturing and distribution for decades. If your process isn't moving your strategic plan forward, we can show you what a better one looks like — and what it's worth. Start the conversation.

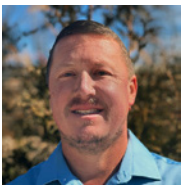
Your S&OP Process Has a Cost. Are You Measuring It?

The gap between a monthly forecasting meeting and a genuine strategy execution system shows up directly on your income statement — in working capital, margin, and budget attainment. TBM works with manufacturing leaders to close that gap: restructuring governance, closing the loop to the annual plan, and turning S&OP into the decision system it was designed to be.

Ready to find out where your process is leaving value on the table?

[Contact Us →](#)

Meet the Experts



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Speed wins every time.

TBM specializes in operations and supply chain consulting for manufacturers and distributors. We accelerate operational performance to make you more agile and help you accelerate business performance 3–5x faster than your peers.



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