

ARTICLE

S&OP Data For Finance: How To Prevent Midyear Budget Surprises

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SEP.23.26

Key Takeaways:

- Connect S&OP to the budget early. Bring Finance into the S&OP process before assumptions on volume, mix, capacity and working capital are locked into the annual plan.
- Pressure-test revenue against operational reality. Compare commercial projections with rolling demand, capacity constraints and forecast accuracy to expose potential margin and cash-flow risks before they become variances.
- Build scenarios into the planning process. Quantify the P&L, working capital and service impact of likely disruptions—and establish decision triggers before the budget is approved.

Supply Chain – S&OP

Most CFOs walk into budget season with two sets of numbers: last year's actuals and this year's commercial projections. What they rarely have is an operationally grounded view of whether the 2027 plan is achievable — at the margin, in the mix, at the volume. That view exists in S&OP. Most CFOs don't know they should be demanding it.

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The Blind Spot Built Into Every Budget Process

Here is what typically happens in Q3. The commercial team submits a revenue number. Finance reconciles it against last year's actuals and adjusts for known market factors. Operations gets handed a volume target. Nobody pulls up the S&OP rolling demand projection to ask whether those assumptions hold — or whether the supply chain can deliver that plan at the margin the model implies.

The data that would answer those questions exists. It lives in your S&OP process. The problem is that finance and S&OP have been running as parallel processes for so long — separate cadences, separate owners, separate outputs — that most CFOs have never been in the room when S&OP runs, and most S&OP teams have never been asked to produce a financial brief for the budget build.

That disconnect has a cost. It shows up as working capital surprises in Q1, margin erosion from reactive decisions in Q2, and a mid-year variance conversation no one saw coming.

The first four articles in this series established:

- [Why S&OP is your strategy execution engine](#)
- [Where your process sits on the maturity curve](#)
- [How to stress-test your revenue assumptions](#)
- [Why forecast input quality determines decision quality.](#)

This article is the synthesis for the finance leader: the specific data package a CFO should be pulling from S&OP right now, before 2027 planning locks in.

Why the Window Closes in Q3

Budget assumptions are not revisited after they're set. By the time the annual operating plan reaches final draft, operational assumptions are locked: volume, mix, inventory targets, capacity commitments, working capital projections. The S&OP data that could have challenged those assumptions is still sitting in a supply chain review deck that finance never saw.

The window to use S&OP data for finance credibly in the budget build is Q2 to early Q3. Engage before then and you shape the plan. Engage after and you're validating a plan that was built without you — then explaining the variance six months later.

This is not a supply chain problem. It is a governance problem. Finance and S&OP need a formal handoff moment in the planning calendar — a defined point where S&OP outputs become budget inputs. Most organizations don't have one. The CFO is the person with the authority to create it.

“The window to use S&OP data credibly to build the budget closes in Q3. Miss it and you're validating the plan after the fact, therefore, not building it from the right foundation.”

Five Data Sets a CFO Should Pull From S&OP

These are not reports the supply chain team produces for internal use. They are financial inputs that belong in the budget build. If your S&OP process is functioning at Level 3 or above, it is already generating this data. The question is whether finance is consuming it. Here are the five data sets CFO should be requesting from S&OP:

1. THE ROLLING DEMAND PROJECTION VS. THE COMMERCIAL REVENUE ASSUMPTION

Your S&OP process produces a forward-looking 12–18 month demand view built on customer signals, historical patterns, and market intelligence. Your budget process produces a revenue number built on commercial intent and strategic targets. These two views are almost never the same.

Where they diverge is where your budget risk lives and the gaps are rarely small:

- A product family the revenue plan is growing 15% that S&OP is projecting flat.
- A channel the budget assumes accelerating that POS data shows softening.
- A new program ramp the commercial team has modeled at 100% that operations know will take two quarters to reach capacity.

Reconciling these two views before the budget is approved is not pessimism. It is the most valuable 90 minutes the CFO and supply chain leader can spend in Q3. The divergences that surface in that conversation are the ones that would have become variance explanations in April.

2. THE CAPACITY CONSTRAINT MAP

Every plant has a ceiling. Every supplier has a limit. Every logistics network has a point where throughput cost curves sharply upward. A revenue plan that doesn't account for those constraints doesn't just miss its margin target — it triggers a predictable cost cascade: expediting, unplanned overtime, customer service failures, and reactive capital decisions made under pressure instead of with lead time.

S&OP, at a functioning maturity level, maintains a clear picture of which assets are operating near ceiling and what the proposed demand plan implies about their utilization over the next 12–18 months. The CFO who sees that map before the budget is built can model the true cost of the proposed revenue plan — not just the top-line aspiration.

Ask the question: If the 2027 volume plan materializes as proposed, which three constraints will we hit first — and what is the P&L cost of hitting them unplanned versus managing them now?

3. THE WORKING CAPITAL REQUIREMENT BY QUARTER

Revenue growth has a cash cost. A 15% revenue increase does not require a 15% increase in working capital — it may require 25% more in Q1 if seasonal demand builds require early inventory positioning, and almost nothing incremental in Q4. The shape of that requirement matters as much as the total.

S&OP produces the inventory positioning data that makes this calculation possible. The demand plan tells you what needs to be built and when. The supply plan tells you what raw material and WIP commitments that requires. Together, they produce a working capital requirement curve by quarter that should sit alongside the revenue and margin model in every budget review.

Most budget processes model working capital as a percentage of revenue applied annually. That is the wrong model for any business with seasonal demand, promotional cycles, or new product launches. The S&OP projection by quarter is the right model. The CFO who uses it builds a cash flow plan that actually reflects how the business moves.

4. THE FORECAST ACCURACY TREND BY PRODUCT FAMILY

The demand signal feeding your 2027 budget is only as reliable as the process that produces it. If your commercial forecast has a consistent pattern of over-projecting volume in a key product family — or under-projecting in a key channel — that bias is built into every budget assumption downstream of it.

Forecast accuracy by product family, trended over 12 months, is not a supply chain metric. It is a financial risk indicator. A sustained pattern of 20% over-forecast in a product family means your inventory investment assumptions, your capacity commitments, and your margin model for that family are all systematically wrong in the same direction.

The CFO who reviews trailing forecast accuracy before approving the demand assumptions in the budget is the one who knows where to apply a planning buffer — and where the commercial forecast can be trusted. That judgment is impossible without the data.

5. THE TOP THREE SCENARIO RISKS AND THEIR P&L IMPACT

- What happens to the 2027 P&L if the largest customer delays a program by a quarter?
- If a critical raw material constraint surfaces in March?
- If the new product launch ramps at 60% of the projected rate?

A mature S&OP process has already modeled these scenarios as a standing output of the monthly demand and supply review. The financial impact of each scenario — in margin, in working capital, in service cost — is quantified before it becomes a crisis.

The CFO should be asking for the top three scenario outputs before the budget is approved, not to build a pessimistic plan, but to build a contingency-ready one. A budget with defined decision triggers for the scenarios most likely to disrupt it is fundamentally more resilient than one that assumes the base case holds.



What It Means If You Can't Get This S&OP Data for Finance

If you asked your supply chain leader for these five data sets today and couldn't have them in a usable form within a week, that is a diagnostic. It tells you something specific about the state of your S&OP process — and about the gap between the planning process you have and the one your business needs.

Three things are likely missing:

- **Finance is not a participant in S&OP** — it is a downstream recipient. The financial translation of S&OP outputs never happens because no one owns it. The supply chain team produces operational metrics. Finance produces financial models. The two never meet until the variance review.
- **Demand and supply data live in disconnected systems.** There is no single version of truth that finance and operations are reading from the same source. When the

CFO asks for the S&OP demand projection, three different spreadsheets come back with three different numbers.

- **Scenario analysis is reactive, not standing.** Scenarios get modeled when a crisis forces them — not as a regular S&OP output. By the time the scenario is being analyzed, the window to act on it has already closed.

The fix is not a technology project. It is a governance decision. Finance joins the S&OP process as a core participant, not an audience. A defined handoff from S&OP to the budget build is established in the annual calendar. And scenario analysis becomes a standing agenda item, not an emergency exercise.

Companies that make this structural change consistently report a measurable reduction in mid-year budget variance — not because the market becomes more predictable, but because the plan was built on data that reflected operational reality from the start.

One Question to Bring Into Your Next Planning Meeting

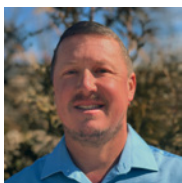
If you take nothing else from this series into your 2027 planning cycle, ask this question:

“Where our S&OP demand projection and our revenue plan diverge — and what it costs us operationally to close that gap.”

If no one in the room can answer it, you do not have an S&OP problem. You have a planning process that is not connected to operational reality — and you are about to build a 2027 budget on that foundation.

The CFO who asks this question in September avoids the margin conversation in April. The data to answer it exists in your business right now. The question is whether your process is structured to surface it — and whether you are in the room when it does.

Meet the Expert



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The Planning Process Your 2027 Budget Deserves

S&OP and finance should not be running parallel tracks that only intersect during the variance review. They should be feeding the same plan — one built on demand signals that reflect what customers will actually do, capacity data that reflects what the business can actually deliver, and working capital assumptions that reflect how cash actually moves through the cycle.

TBM works with manufacturing and distribution companies to build that connection — **creating the data bridge between S&OP and finance that turns budget season from a negotiation into a grounded planning process.** If your 2027 plan is being built without S&OP inputs, that is the right place to start the conversation.

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