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WHITE PAPER · SUPPLY CHAIN PLANNING

Sales & Operations Planning: The Margin Engine Hiding in Plain Sight

When it works, S&OP is one of the most practical and effective ways your organization can protect and improve margin.

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Executive summary

Sales and operations planning (S&OP) does not usually get people excited. For many, it suggests long meetings, competing spreadsheets, and conversations that feel productive but do not change anything. That reputation is not an accident, and a lot of S&OP efforts deserve it.

But when it works, S&OP is one of the most practical and effective ways your organization can protect and improve margin.

Companies that consistently improve margin get there by aligning Sales, Supply Chain, and Finance around the same view of demand, supply, and risk, and then making decisions together from that shared view. Isolated optimizations and heroic efforts in one function rarely hold up for long. That alignment is what S&OP is meant to deliver.

The problem is that too many organizations get so focused on running the process that they never put it to work. Most S&OP failures fall into three familiar categories: data that no one trusts, meetings that avoid decisions, and a lack of real executive ownership.

01

Data

Data that no one trusts

02

Decisions

Meetings that avoid decisions

03

Sponsorship

A lack of real executive ownership

All three can be solved, and none of the fixes requires another template or new technology. Below, we walk through each challenge and the practices that help you avoid the pitfalls and get more from your S&OP process.

Failing on data: If no one trusts the numbers, nothing else matters

Most S&OP processes fail because the data does not hold up under pressure.

When teams do not trust the numbers, meetings quickly turn into debates. Sales projects a new, game-changing deal, Marketing assumes inventory is flexible, and Supply flags constraints that feel theoretical in the moment. The group ends up arguing about whose number is right when it should be working through the trade-offs.

Volatility has made this harder. Demand spikes driven by influencers, viral products, or sudden changes in consumer behavior (think "Barbie-level" events) can drain inventory faster than a traditional planning cycle can react. Years ago, you could plan a demand ramp with reasonable confidence. Today, patterns form faster, and organizations that are not close to the source of demand often see the impact too late.

Teams that get data right tend to follow a few practices.

01 Aim for data everyone understands. S&OP can run on imperfect numbers as long as the team is explicit about where they come from, how current they are, how they are built, what they do and do not represent, and which measures drive decisions.

02 Pair a technically capable data owner with a business owner who understands why the data behaves the way it does. The initial data assembly can happen outside the S&OP team, and that is fine. Agree on the basis of each measure. For example, know when demand reflects orders and when it reflects shipments, and how that choice changes the story.

03 Outline the decisions the process must support, then define the questions, key performance indicators (KPIs), and data you need to answer them.

04 Favor understood, directional data over false precision. An exchange rate that is off by a penny may be acceptable if the team understands the limitation and can still make the decision.

05 Make data orientation part of S&OP onboarding. Teach what each metric is, where it comes from, how it is calculated, and how other functions use it. Measures such as mean absolute percentage error (MAPE), forecast bias, on-time in-full (OTIF), and safety stock should make sense to people outside the teams that own them.

If demand spikes are a consistent problem, get closer to the source of demand. Point-of-sale or receipt-level data, or a sales forecasting process tied more tightly to demand planning, can help you spot patterns before inventory runs out.

Knowing which measures drive decisions also makes red herrings easier to recognize. A side debate about why a sales representative still uses an outdated customer relationship management (CRM) dashboard may be valid, but if it does not change the demand, supply, or financial choice in front of the group, it is a distraction. Capture it, assign it to someone outside the meeting, and return to the decision.

THE TAKEAWAY

When everyone understands the inputs, the meeting can use its time to solve problems and move forward together.

Failing on decisions: When meetings replace accountability

Another common issue is mistaking discussion for decision-making.

Plenty of S&OP meetings are well prepared, cross-functional, and collaborative, and still end without a single decision. Too many organizations operate in a culture of deference once a conversation crosses department lines, so people discuss the issue but no one feels empowered to close it.

S&OP is the forum where trade-offs get made, so it cannot run like a status update or a retrospective. Teaching people to make decisions, and giving them the authority to do so, is a critical part of setting up an effective process. Those decisions start with a few basic questions:

- What demand do we believe?
- What supply risks are we willing to carry, and which should we mitigate?
- What are we explicitly choosing not to pursue?

Set decision rights and risk boundaries

Some of the most important S&OP work happens before the first cycle begins, when you define the organization's risk appetite, decision boundaries, and escalation thresholds. Those boundaries create consistency and make clear which decisions each review can make on its own, which require scenarios, and which go to executive S&OP.

Keep the boundaries practical. You might express them through service exposure, margin impact, working-capital impact, capacity utilization, customer commitments, or another measure the organization already uses. The goal is to keep routine choices moving and save executive time for risks that exceed the agreed range, with as little added governance as possible.

With the boundaries in place, three practices keep decisions moving:

01 S&OP and business leadership should clearly define who owns each decision throughout the cycle, using a responsible, accountable, consulted, and informed (RACI) matrix as the formal framework. Push authority to the right level at each stage of the process so decisions move faster. For example, functional leaders can own decisions within the demand and supply reviews, while executives take on enterprise-level trade-offs.

02 An effective S&OP leader makes sure the loudest voice in the room does not dominate. That means bringing the right stakeholders into the conversation and drawing out different perspectives so every relevant viewpoint contributes to the decision.

03 High-performing S&OP teams know the difference between a discussion and a decision. Saying out loud that the conversation is moving from debate to a decision point is a simple way to end circular discussion and bring it to a close. Document the decision so the owners can execute with confidence.

Use these guidelines to decide who owns which decisions at each level of the process:

Product management review	Incorporate new product launches, the promotional calendar, and major customer events into the demand forecast. Use forecast history from past launches and promotions to check that new forecasts are reasonable.
Demand review	Resolve meaningful differences between the sales forecast and the demand plan. Because S&OP is forward-looking, do not artificially constrain demand simply because a supplier or manufacturing limit is already known. Preserve the unconstrained view so everyone can see the size of the gap.

Supply review	Make the largest set of operational decisions, including production and warehouse capacity choices, supplier responses, and safety stock trade-offs.
Safety stock	Build the planner-owned target into the plan. If supplier-held stock falls short, escalate a one-time risk exception or reconsider the overall risk boundary. When risk changes significantly, address it with a scenario plan and the right level of leadership.
Transportation	Weigh the cost of expedited shipping against the consequence of inaction, such as a line shutdown, a missed customer service commitment, or a new product launch left without support.

Plan for risks

Supply-side risks rarely come with certainty. Quality issues, labor shortages, transportation problems, strikes, seasonality, and geopolitical disruption usually give enough warning to plan around, and patterns and trends can tell you when you are *approaching* a problem. Watch the direction of each KPI and look for repeat problems in addition to the current value. Stay informed, too, and give each relevant headline real thought by working through questions like these:

- What does this mean for customer demand?
- Will lead times change?
- Could inventory levels become a risk?
- Could shipping costs, service levels, or supply availability change?

In August 2026, for example, the Panama Canal Authority announced it would cut average daily transits from 36 to 32 starting in mid-September because rainfall in the watershed came in below expectations, even though the rainy season had already begun. The authority also warned that conditions were changing faster than anticipated and that future adjustments could come with little notice. How would a cut like that affect your lead times, inventory, and transportation plans?

Risks can paralyze employees who do not feel empowered to act on them. Even when you cannot solve a risk yourself, thinking through alternatives gives you a productive way to bring it to leadership, because you arrive with a potential solution along with the problem.

Today's planning software makes it easier to evaluate options, and S&OP gives you a forum to work through them. Explore possibilities before a disruption hits and bring those options to leadership so it can make a faster, better-informed decision.

Over time, effective S&OP moves the focus from fixing one-off issues to recognizing patterns. A disciplined issue log turns recurring issue types into trends you can see. If labor repeatedly falls short and constrains production, what is the long-term plan: automation, contract labor, or moving capacity elsewhere? If supply is fragile, would your second source hold up in a disruption, or was it chosen mainly because it was geographically convenient?

THE TAKEAWAY

If everyone agrees the meeting was "good" but nothing changes afterward, S&OP is not working, and the fix is to devote less of the meeting to talking and more of it to deciding.

Failing on sponsorship: Alignment cannot be optional

Many organizations treat S&OP as a supply chain initiative. That framing may be convenient, but it is inaccurate, and it is usually where things start to break.

When sponsorship is unclear, politics, personalities, and competing agendas end up shaping behavior.

The right sponsor is the leader who cares most about solving business problems and has the authority to reinforce cross-functional decisions. That person puts cross-functional alignment ahead of any single department's results and can explain how the work done in S&OP improves margin.

Where that leader works, whether in Finance, Supply Chain, or another function, will influence the process, though the mandate matters most. Sponsorship must be visible, focused on outcomes, and connected to the decisions S&OP is expected to improve. Measure success by the business results that improve because the team identified risks earlier, evaluated options, and made decisions before events forced its hand.

Without real executive sponsorship, S&OP becomes optional, and optional processes rarely survive quarter-end pressure, urgent escalations, or crowded calendars. When decisions get difficult, teams fall back on functional priorities.

Strong S&OP requires leaders who expect alignment and reinforce it. Those leaders are usually the same people focused on margin, revenue, and working capital, which makes the value case clearer than many teams realize.

That is why the internal message matters. Leaders respond to outcomes, so frame S&OP around the results it delivers: measurable margin improvement, faster response after contract signature because governance does not slow execution, and fewer surprises because the team acknowledged risks and planned for them, even directionally.

THE TAKEAWAY

When executives push teams to align, hold them accountable, and tie S&OP outcomes to how they measure performance, the process stops feeling theoretical and becomes part of how the organization makes decisions.

Conclusion: Alignment is still the hard part

S&OP does not have to be perfect to work. Most organizations launch it more than once, learn what does not stick, and adjust along the way.

Technology will keep improving. Most organizations already have the data collection and repositories they need, software makes trends and gaps easier to spot, and AI will speed up insights and improve scenario modeling. Getting Sales, Supply Chain, and Finance aligned is still a human problem, and it remains the hardest part of the work.

As long as your functions need to align, S&OP will matter, because a misaligned organization leaks margin.

With clear data, real decisions, and visible sponsorship, S&OP earns its place by protecting margin, and the skepticism around it tends to fade once the results show up.

About the authors



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Lori began in automotive supply chain before moving into enterprise software via a large ERP transformation. With 20+ years in quality, project management, and ERP systems, she brings a customer-first, client-driven approach to solving complex challenges. Lori partners with clients to uncover their toughest supply chain problems and leverages emerging technologies to create smarter, more connected solutions. A seasoned speaker, she inspires audiences with practical insights and a visionary view of how AI and technology can reshape the future of supply chain.



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Caroline Tan is an Experienced Manager in Grant Thornton's Operations Practice, where she focuses on Sales & Operations Planning (S&OP) and Integrated Business Planning (IBP) transformation, supply chain strategy, and operating model design. She has led and supported transformational engagements focused on S&OP/IBP operating models and the demand and supply planning processes that enable them, helping clients bring new planning processes to life through stakeholder education, cross-functional facilitation, and change management. Caroline holds a bachelor's degree in supply chain management from Penn State University and two APICS certifications: Certified Supply Chain Professional (CSCP) and Certified in Production and Inventory Management (CPIM). She also leads the Women in Supply Chain group at Grant Thornton.