

Gartner for Supply Chain

# How to Assess Risks and Opportunities Through S&OP

Fact sheet and five steps



## Summary

The traditional sales & operations planning (S&OP) goal of discussing one number is becoming increasingly obsolete due to rapid disruptions. Supply chain planning leaders need to plan for a range of future circumstances by creating a culture that explores risks and opportunities and presenting scenarios to drive action.

## Key Challenges

- Supply chains are experiencing more disruptions than ever with COVID-19, preceded by changes in regulations and the trade war between the U.S. and China. The traditional approach of using S&OP to achieve cross-functional alignment behind one forecast number does not reflect the complexity of business situations. And this will not end soon — according to the Gartner Opportunity After the Crisis Survey, 64% of organizations anticipate customers' unexpected demand variation will increase over the next five years.
- Supply chain leaders are not sure where to start developing their scenario planning capabilities. Only 18% of companies rate their performance at using S&OP for running multiple scenarios to understand trade-offs as excellent.
- The companies that do have scenario planning capabilities tend to lack a standardized approach for assessing risks and opportunities to then influence decision making. What's more, these companies fail to foster a culture that explores risks and opportunities. Without alignment, commercial teams may provide different forecast numbers to supply and financial planning when asked to provide a forecast for supply planning or for financial planning.

## How Gartner Can Help

Supply chain planning delivers business benefits of improved profit, revenue, cash flow and customer service through multiple processes that span portfolio & inventory management, demand & supply planning and S&OP. Maximize these business benefits with Gartner: Learn more at [gartner.com](https://gartner.com).

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## Recommendations for Supply Chain Leaders

Mature organizations use S&OP to uncover risks and opportunities. This leads to scenario planning and helps the organization prepare for a range of future circumstances. Supply chain planning leaders aiming to develop scenario planning capabilities in their S&OP should:

- Start with identifying risks and opportunities that might impact the demand or supply plan by validating key assumptions as well as a range of internal and external drivers. Internal drivers include cost, growth, issues/ideas/insights and complexity. External drivers include politics/socioeconomic issues, disruptive innovation, competition and regulatory changes.
- Develop the culture of identifying risks and opportunities and challenging the plan by engaging finance teams and using a common language. By linking the S&OP and the financial planning processes, commercial teams cannot provide different inputs to planning and finance, which will drive the right behaviors.
- Use risks and opportunities to drive decision making by moving them through the S&OP process. The figure below outlines five steps for assessing risks and opportunities through S&OP. Risks and opportunities can be identified at any step, but an agreed-on way of handing over information to the following step is essential. This ensures that the impact of risks and opportunities can be assessed and alternatives on how the organization could respond are identified. The final step — the executive S&OP — requires teams to think about sharing not only the risk or opportunity but also the impact, the possible actions and the expected results. In this way, the executive team can shape the future of the business.

### Assessing Risks and Opportunities Through S&OP

