OPERATING MODEL & DECISIONS

We've Talked About S&OP for 20 Years, Why Are We Still Escalating

Christian Kroschl · 23 February 2026

Article on kroschl.com · Read on LinkedIn

For two decades we have been talking about S&OP. Yet in many companies the day to day operating model still looks the same: Excel plus escalation, the loudest voice wins, inventory pays the bill.

That gap is not theoretical. It shows up in working capital, service volatility, and burned out teams.

The CEO moment

I recently heard a CEO say something that was brutally clear.

The business drives growth, the market expects product, our network must deliver, Supply Chain orchestrates. S&OP is now in everyone's objectives.

From a CEO lens this is not a planning statement. It is a leadership move.

It says: we stop renegotiating execution every week, we decide trade-offs upfront, and we run the company with intent, not with escalation.

I believe that ambition is right.

But it will fail in a predictable way, unless it is translated into simple rules, and into a language that Sales and Affiliates accept, and are held accountable for.

Why S&OP maturity is still low

If S&OP has been around for so long, why is maturity still weak? Because many companies tried to install a process without changing the mechanics that create escalation. The patterns are consistent.
1. Incentives reward heroics, not commitments
Sales is rewarded for closing deals, not for demand stability. Operations is penalized for misses, so it builds buffers. Supply Chain ends up coordinating exceptions instead of steering the system. **As long as incentives remain asymmetric, the system drifts toward shouting, not committing.**

2. Supply chain dynamics are not explained in plain language Many organizations treat supply chain as an expert topic, full of jargon. Sales hears "constraints" and translates it into "operations blocking growth". Operations hears "urgency" and translates it into "sales is unrealistic".

Without a shared mental model, people default to politics. A simple model is enough: lead time creates delay, delay creates risk, and late changes create cost. **3. Commercial power is real, but it is not translated into explicit commercial rules** Affiliates and business units own the customer relationship.

That is fine. The problem starts when commercial power is expressed through pressure, instead of through transparent priority rules.

If priorities are implicit, they will be decided by relationships and escalation. In mature systems, commercial power is preserved, but translated into explicit rules that make trade-offs transparent.

4. S&OP exists, but S&OE is missing Many companies build a monthly S&OP rhythm, then wonder why execution ignores it. Without an execution control loop, decisions decay. Daily reality will always win, unless you define guardrails for how reality is handled.

5. Data and parameters are not governed If lead times, MOQ, safety stocks, and master data drift,

your plan becomes fiction. Then people stop trusting the plan, and trust escalation instead.

The calendar trap

When a CEO puts S&OP into objectives, organizations react fast. They add meetings, decks, templates, and KPIs. What they often do not add is the one thing that changes outcomes: **rules.**

If the rules are missing, S&OP becomes a monthly ritual, while daily execution returns to side conversations and firefighting.

The CEO sees governance, the system behaves like a nervous organism. This is the gap between market promise and operational truth.

The missing piece, a communication strategy that makes Sales buy in

If you want Sales and Affiliates to respect S&OP, you must make it meaningful in their world. Not by asking for compliance. By explaining cause and effect in simple words, and by making priorities explicit. A plain language explanation works:

The supply chain is a lead time system. What you change late, you pay for. Every late change is paid in one of three ways: expediting cost, inventory, or missed service. S&OP is where leaders decide the trade-off before execution is forced to improvise.

What you change late, you pay for.

That is the core story, everyone can understand it. Affiliates do not lose commercial power through S&OP, they gain clarity, but they also gain accountability for demand quality, forecast stability, and the cost of late change.

Then translate it into concrete mechanisms.

The commercial priority ladder

Define a small set of priority classes that reflect what the company values, customer criticality, new product introduction/ launch, strategic growth, contractual obligations, and only then revenue and margin.

Make scarcity decisions based on that ladder, not based on relationships. Review the ladder, and the exceptions, regularly, so priorities remain credible.

The what can I still change rule

Sales does not need more theory, Sales needs clarity. What changes are allowed within which horizon. What is negotiable, what is frozen. What requires executive approval.

When that rule is clear, shouting becomes less useful.

The proof loop

Once per month, show the same simple picture. Which exceptions occurred, which priority class they belonged to, what the trade off was, and what it cost. **This turns S&OP into a commercial steering mechanism, not a planning concept.**

Outside-in signals so volatility becomes visible early

Escalation wins because the market moves faster than most S&OP rhythms.

Outside in mechanisms help by bringing real demand signals into the leadership conversation early, before the network is forced to improvise.

Lora Cecere has made this point for years: planning must be steered from market signals, not only from inside-out assumptions.

Keep it practical.

Use a small set of outside-in inputs that Sales and Supply Chain both trust, for example channel inventory, sell out signals, promotion calendars, and major event flags.

Then translate those signals into the same commercial priority ladder and change rules, otherwise you only create more noise.

Outside in adds value only when demand signals are curated and owned by the market organization, and when the system can commit, classify deviations, and learn.

Orchestration is a rule set, not a slide deck

Orchestration requires three ingredients: a decision process (S&OP), an execution control loop (S&OE), and operating discipline that connects both.

If you only strengthen the first ingredient, the others will still exist, just in the worst possible form: through escalation and inventory.

The operating backbone, five minimum rules that make Samp;OP real

If you want S&OP objectives to change outcomes, you need an operational backbone underneath. **Not more meetings, more rules.** Here are five that matter. **1. One valid plan, one commitment rhythm**

You need one shared plan that is realistic enough to be executed, and a clear commitment rhythm. **If the plan changes daily without control, you do not have orchestration, you have noise. 2. Service is a contract, not a feeling** Separate two concepts.

Commitment reliability: OTIF measured against the first confirmed date. Wish fulfilment: OTIF measured against the requested date. This reduces blame loops, and creates levers you can manage. **3. Lead time anchored horizons, with explicit change control**

Define time fences anchored in cumulative lead time:

A frozen execution horizon: stability is non negotiable. A commit horizon: trade offs are allowed, but only through clear decision rights. A tactical horizon: the plan can evolve, within agreed rules and credible capacity.

See Figure 1 · page 5

Changes inside the frozen horizon require explicit approval, and a simple change log. **4. Planning parameters are governed, not assumed** Someone must own planning relevant master data and parameters, lead times, MOQ, batch sizes, safety stock, and maximum stock. And there must be a defined process to change them.

This is operational leadership. 5. Steering instruments that show stability, not only service Service tells you what happened. Stability tells you whether you operate a controllable system.

Track demand stability, supply plan adherence, schedule adherence, and release performance, in addition to OTIF. **Without stability metrics, inventory becomes the silent compensator.**

S&OE, the execution twin that protects S&OP

S&OP sets direction and trade-offs. S&OE protects them. Not by daily replanning, but by daily control within guardrails.

A strong S&OE loop defines what can still change within the month, how abnormal demand is detected and handled, how supply deviations are communicated and classified, how exceptions are prioritized based on commercial rules, and when escalation is allowed, or explicitly not allowed. Affiliates participate in this loop not as escalators, but as owners of commercial trade-offs.

Without this, organizations quietly revert to an escalation operating model, even with perfect S&OP decks.

The CEO takeaway

Putting S&OP into leadership objectives is a powerful move. But objectives do not run operations. Rules do, and a communication strategy that makes those rules stick. If you want S&OP to become real orchestration, make sure three things happen next.

Define the rules of the game, service contracts, time fences, change control, and commercial priorities. **Stand up** S&OE as the execution twin, with exception handling and clear escalation paths. **Steer** the system with stability metrics, not only with OTIF, and do not reward heroics that are financed by inventory. S&OP is not new.

What is still rare is treating it like an operating standard, with rules, enforcement, and proof. **Market promise is easy to announce. Operational truth is what customers remember.**

I built a small interactive model that puts this decision in your hands. A market asks for thirty percent more, the product is six months out, and the same call reads as volume to Commercial, as capital to Finance, and as service risk to Supply Chain. Six acts, three minutes, a voice over if you would rather listen.

One decision, three bills — Open the original article for this interactive content

Figure 1



Back to text · page 3