PLANNING FOUNDATIONS

What's Happening in Today's Supply Planning Models?

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End-to-end supply planning organizations and planning frameworks are very predominantly discussed nowadays accompanied by buzz words such as digital supply chains, connected supply chains, agile supply chains etc.

Interestingly enough many organizations already struggle even to get end-to-end visibility in order to manage their supply chain. Automating an end-to-end supply plan that is centrally controlled seems far away since the planning foundations are not adequately build and an organizations maturity level is not increased. Centrally controlled end-to-end supply plans without a local focus are determined to fail. The result is still what can be frequently observed:

- The Forrester effect induced by forecast error and MRP propagated demands along supplying nodes
- Operational protectionism to artificially enforce plan stability
- Increased inventories to protect service level targets
- Limited organizational capabilities and maturity levels to ensure that supply planning processes are connected and synchronized end-to-end
- Large technology investments not being effective to realize the initial business objectives

I would like to outline in a small series of posts what is actually happening in today's supply operating models, how this takes place and why. Finally, I would like to discuss what needs to be done to realize the opportunities of a new end-to-end supply planning model.

> ***Part I - What is happening in today's end-to-end supply planning models?***

See Figure 1 · page 3

Despite all the hype on digitalization, disruptive technologies, etc. we are still observing the very basics that are present for the last 40+ years. Too many functional and local silos, forecast error induced and unconstrained MRP propagated supply plans, misaligned supply parameters end-to-end, and lack of analytical truth.

This results in demand variabilities that are passed on node by node along the entire supply chain. Inventories are misaligned and either too low or too high resulting in negatively affected sales targets by stock outs or revenue losses. In addition conflicting priorities and misaligned performance measurement metrics are observed. In principle organizations struggle to gain something that nowadays seem to be very basic, end-to-end visibility of a supply chains true capability.

> ***Do you experience similar? Please let me know how variability affects your supply plans.***

In my nexts posts I will outline why today's supply planning frameworks struggle to be effective and what are the opportunities to transform to a new supply planning operating model. One that ensures that service levels are high while making sure the right inventories are in place safeguarding supply - ***Being able to control and configure end-to-end supply plans.***

Part II is available here: **"How do these inefficiencies take place in supply planning and why is this happening along the supply chain?"**

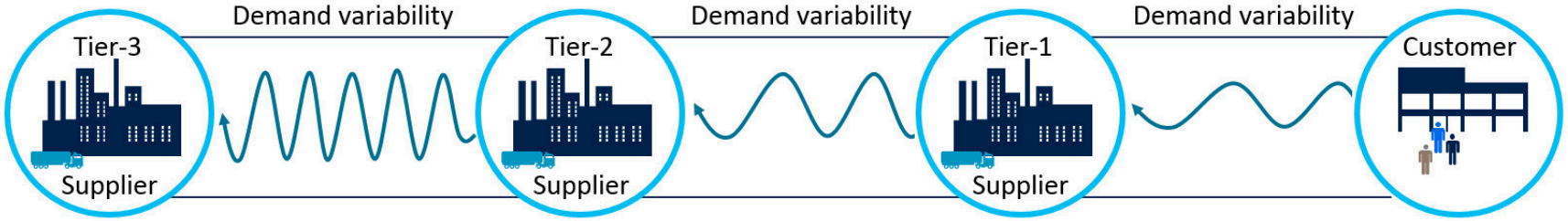
#SupplyPlanning, #MRP, #SupplyChain, #E2EPlanning, #Capacity, #Inventory, #DDMRP, #Variability, #Bullwhip

Figure 1

Today's reality

Today's reality in end-to-end supply chains is still characterized by MRP propagated plans often unconstrained along the supplying nodes

What is happening in today's end-to-end supply chains?



Demand variability is passed on

from one node to another along the entire supply chain

Inventories are misaligned resulting in material shortages and material write-offs

effecting raw materials, intermediates and finished goods

Sales targets are negatively affected

by stock outs and revenue losses

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