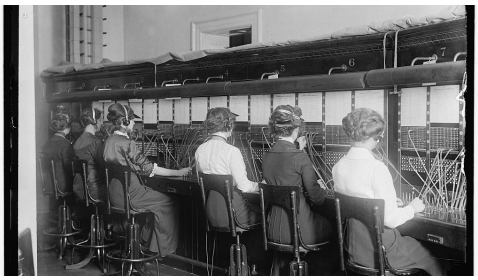
OPERATING MODEL & DECISIONS

Who Actually Runs the Supply Chain?

Christian Kroschl · Editorial edition · 18 November 2026 · original date unconfirmed

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Sales promises a delivery date. The factory decides what it will make. When the two don't line up, Supply Chain gets the call.

Harris & Ewing, Telephone Operators, between 1914 and 1917. Library of Congress, LC-DIG-hec-04117. No known restrictions on publication.

When the job was to move goods from A to B, logistics could start once the plant had made them. Giving the customer a date meant connecting the order, the production schedule and the shipment. Then the customer wanted delivery by Friday. The product took six weeks to make, and a competitor could deliver that week. We had to decide what to make before the order came in.

What do we expect the customer to buy? Do we make the finished product in advance, hold a common intermediate or keep capacity free? Each choice costs money. In S&OP we have to agree what we can promise and what we're prepared to spend to deliver it.

That agreement goes all the way to the shop floor. It determines which orders to release, in what sequence and which ones have to wait. Keep every machine busy and you can make the customer wait longer if the work all queues at the same bottleneck.

What P&G built over time

P&G brings demand planning, production planning, materials supply and distribution together in its European planning centre. What interests me is how the company built the ability to make those decisions together. P&G's Europe Supply Network Hub

A 2011 study of P&G's inventory work follows Fabric & Home Care in Western Europe over ten years. The business cut inventory by 36% and reached its 99.5% case fill-rate target. It used two generations of single-stage inventory models. P&G also trained planners to work through the trade-offs between capacity, inventory and service. The study describes multi-echelon optimisation in a separate, more complex network. Farasyn et al., Inventory Optimization at Procter & Gamble

See Figure 1 · page 4

In many companies, the remit of Supply Chain has grown faster than its authority. Sales can change the commitment. The plant can change what it runs. Supply Chain can influence inventory and then has to explain why there's too much of one product and too little of another. That's what I mean by logistics plus.

What it takes to make the decisions

If I'm going to challenge a delivery date, I need to know what's already on the line, what moving another order would cost and when the material will be available. In a network with several ERPs, the sending plant may have posted the shipment while the receiving plant still can't use the stock. Each plant runs MRP with its own dates and lot sizes. Change a date at one site and the next run can change what another site is asked to make, even though the customer order hasn't changed.

Take an order for ten tonnes. The plan gives it eight hours. The available line can run five tonnes at a time. Two four-hour batches and a ninety-minute clean take nine and a half hours. If the scheduler can't find the extra time, Customer Service has to move the date.

See Figure 2 · page 5

Open the plan the scheduler received. If the approved process calls for two batches and a clean but ERP still plans one batch, start with the production master data. If ERP is right, check which production version the planning run picked and whether it included the cleaning time.

If both systems show the order won't fit, ask Sales, the plant and Supply Chain which order should move.

Compare that order with a similar one that ran as planned. If the extra time went into waiting at the bottleneck, increasing the planned lead time can release orders earlier and make the queue worse. Find out where the time went before you change the number.

This is the work that tends to go missing when we buy a transformation. A strategy firm draws the target operating model. IT procurement hires the integrator. Who gets Sales, the plants and IT to agree on the rules the integrator should build? Who checks those rules still work after go-live? You need people who can follow a customer commitment down to a production order and back through the systems.

I've seen software programmes given two to five years to build what the business has put off for fifteen. Now the platform is supposed to do it faster because it's AI-native. AI can flag a shortage earlier. Someone still has to decide which customer waits and make sure the plant runs to the new sequence.

Walk the information flow

Pick one product that runs on shared equipment. Start the gemba walk with the approved budget and the released forecast. Check which forecast version Supply Planning used, then follow the planned order into the plant ERP. Trace the MES and warehouse confirmations back into the plan.

Open the records in every ERP the order crosses. If someone bridges two steps with an Excel file or a phone call, put it on the map. Lean Enterprise Institute on mapping material and information flows

See Figure 3 · page 6

At each handover, compare what went out with what the next system used. Is it working with the requested date or the confirmed one? Can you still link both batches to the original order? Can the next plant use the stock, or is it still on quality hold? An interface can run green while the receiver is planning against yesterday's date.

Go back to the ten-tonne order. Trace the lot-sizing rule to its approval, then check which production version was valid on that date and which routing the scheduler received. If you change the record, replay the order and check the quantity, date and resource the system proposes.

See Figure 4 · page 7

The full system value stream is included as Figures 3 and 4.

The shared line is where I'd slow down. Show me the capacity calendar and the load from every product using it. The plant owns the available hours and defines what can physically run. I'd give Network Planning the mandate to allocate those hours within the priorities agreed in S&OP. The site scheduler sets the sequence. Once it's firm, who can move an order?

Say Sales promises extra volume and the line is full. Taking the order may mean breaking a campaign, adding a clean and moving a batch for another market. Show me who made that call last

time, which batch lost its slot and when the next plant and Customer Service saw the change. Then follow the actual output and release status back to the person who confirms the customer date.

If we keep making the same trade-off, bring the cost to S&OP. Compare what we spend on cleaning, overtime and freight with the cost of reserving a shift, holding a common intermediate or quoting a longer lead time. If the plan counted on capacity the plant never had, correct that assumption at source and check the next run.

I'd put this walk into the programme scope. Follow a real order during design and do it again once the new process is running. For every break, name who can fix it and check what the next system received after the fix.

Before rollout, ask a second site to do the same on its own equipment and systems. The campaign sizes and buffers can differ. Both sites have to show how they plan the order, who can change the plan and how the revised delivery date reaches the customer.

Sources and image credit

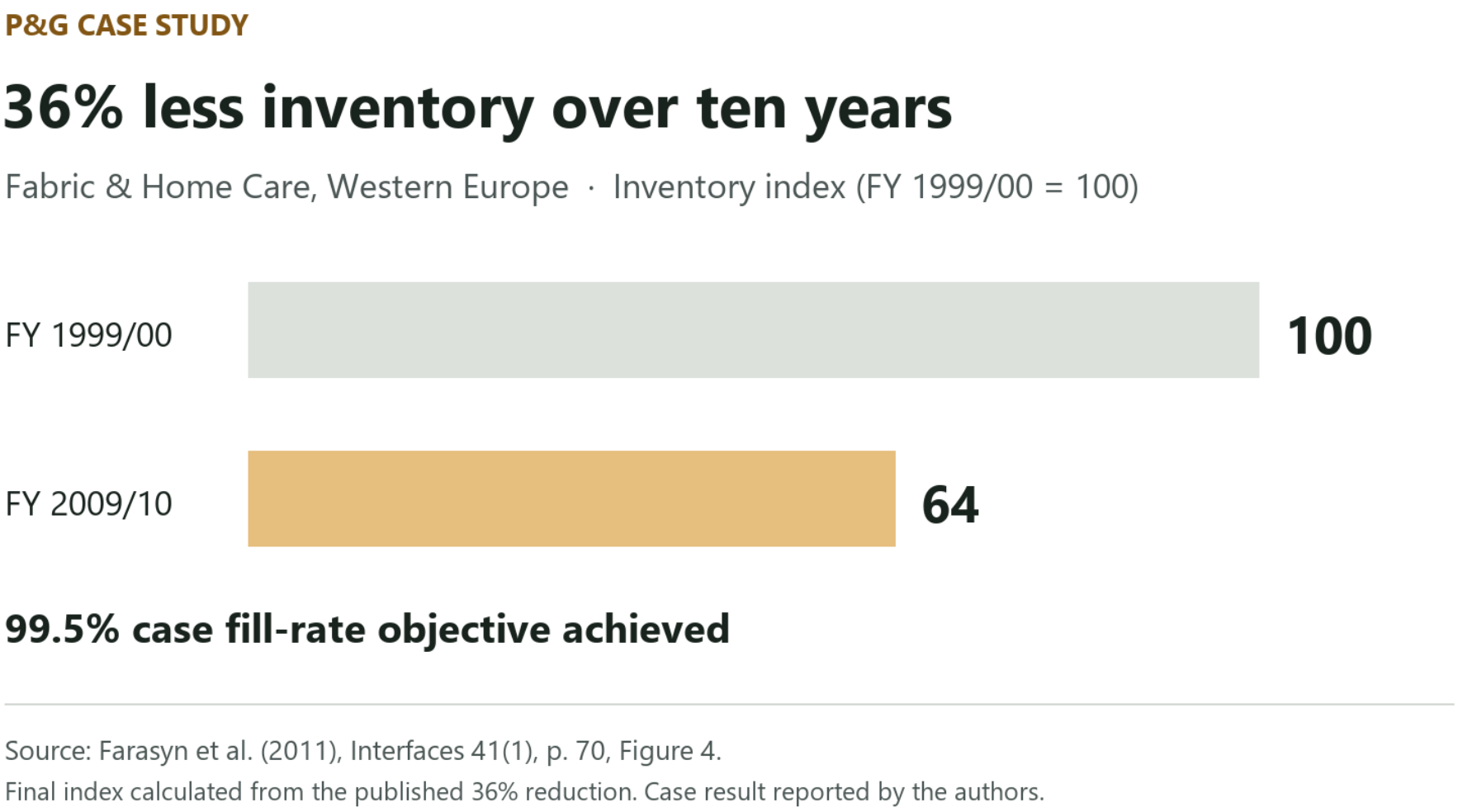
P&G's Europe Supply Network Hub

Farasyn et al., Inventory Optimization at Procter & Gamble

Lean Enterprise Institute on mapping material and information flows

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Figure 1 · P&G Western Europe inventory case



Source: Farasyn et al. (2011), Interfaces 41(1), p. 70, Figure 4.
Final index calculated from the published 36% reduction. Case result reported by the authors.

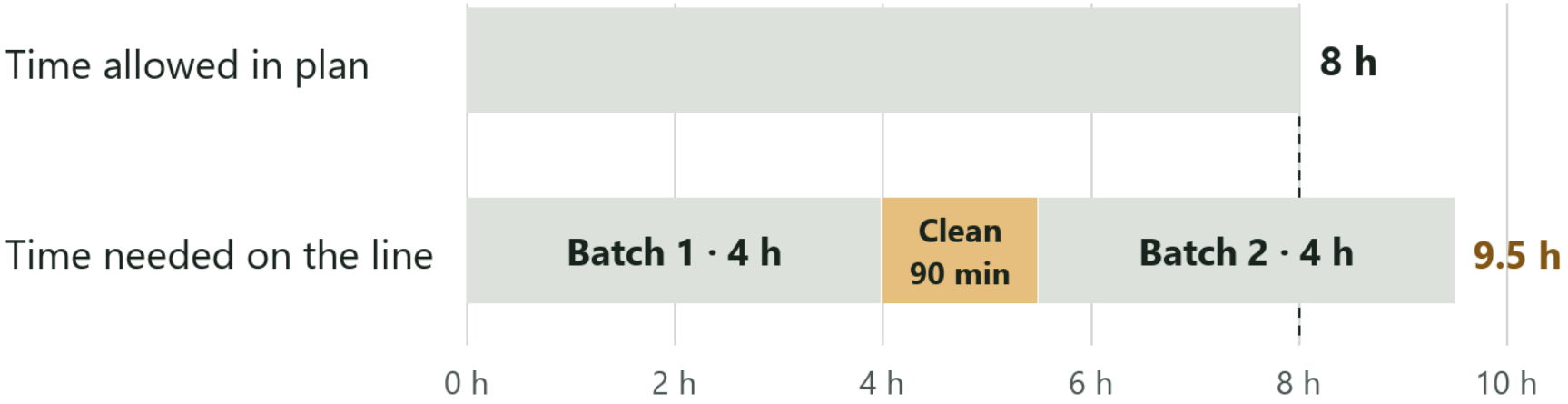
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Figure 2 · Ten-tonne order: 8 hours planned, 9.5 needed

ILLUSTRATIVE PRODUCTION ORDER

Where the extra 90 minutes come from

Ten tonnes to make · The available line can run five tonnes at a time



Illustrative case. Both batches take four hours each. Cleaning is a separate activity.
The comparison excludes waiting and transfer time.

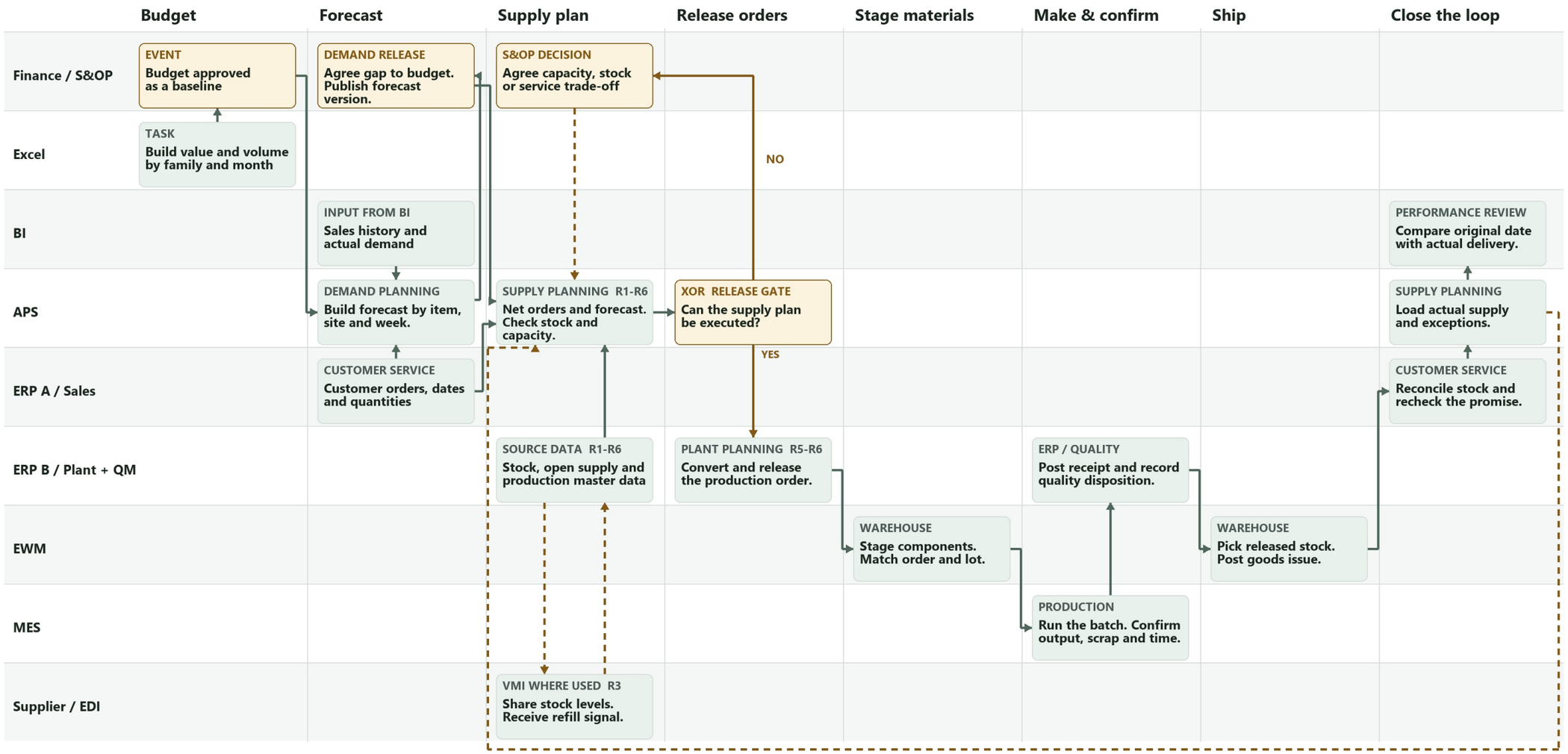
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Figure 3 · From budget to execution across systems

SYSTEM VALUE STREAM / 1 OF 2

From budget to execution across systems

One product through the planning and execution systems. Read the handovers in the direction of the arrows.



FEEDBACK Actual output, usable stock and goods issue feed the next APS run and the customer promise.

Finance sees the result in BI. A goods issue is evidence of shipment. Customer delivery needs its own confirmation.

At each handover Check order links, quantity and unit, version, requested and confirmed dates, status and receipt time.

R1-R6 link to the rules and master data on panel 2. Tasks and owners are illustrative. The exact system split varies by company.

APS = advanced planning system · QM = quality management · EWM = extended warehouse management · MES = manufacturing execution system

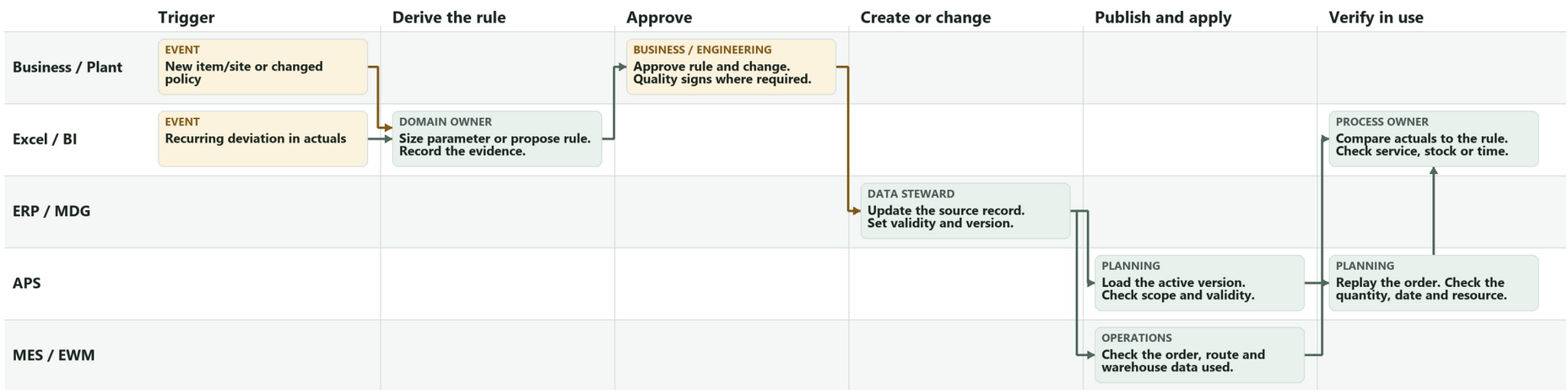
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Figure 4 · The rules that make the plan work

SYSTEM VALUE STREAM / 2 OF 2

The rules that make the plan work

For every item and site, trace the rule into the approved record the next system actually uses.



Use the designated source for each record. Some inventory policies originate in APS. Changes in actuals trigger the next review.

Rule	Decision	Record to create or maintain	Who agrees or owns it	Where to test it in panel 1
R1 Lot size	Balance setup, campaign, pack size and supplier MOQ against lead time and inventory.	Item/site lot-sizing rule, min/max and rounding. Keep eligible batch sizes in the production version too.	Planning + plant or buyer	ERP/MDG → APS or MRP. Check the proposed quantity and whether the line can run it.
R2 Safety stock	Set a service objective. Size protection against variability during replenishment lead time.	Versioned safety stock or coverage profile by item/site. Record the target and sizing assumptions.	Inventory policy owner + Planning	APS sizing → ERP/APS netting. Check the next refill and whether the same risk is being buffered twice.
R3 VMI	Agree who triggers replenishment, what the partner can see and the min/max or target to replenish against.	Partner/item/site link, target, calendar and inventory / open supply definitions.	Buyer + supplier	ERP ↔ EDI / supplier portal. Trace the signal, acknowledgement and incoming receipt.
R4 DDMRP	Choose a decoupling point and a buffer profile. Size zones from usage, decoupled lead time and relevant factors.	Item/site buffer profile, average daily usage, decoupled lead time, red / yellow / green and qualified demand rules.	Flow design + Planning	APS / ERP DDMRP. Trace the net flow position and the replenishment proposal it generates.
R5 Production version	Agree the authorised way to make the item, including the route and applicable batch range.	Approved BOM + recipe / routing, allowed resources, lot interval and validity dates.	Plant Engineering + Quality	ERP/MDG → APS / ERP / MES. Compare selected version, operation times and what actually ran.
R6 Shared capacity	Make every product consume the same physical hours. Agree who can change a firm sequence.	One resource calendar, rates, setup / cleaning matrix and campaign or time fence rules.	Resource owner + Network / Site Planning	Plant ERP → APS / scheduler → released order. Reconcile total load and trace any override back to its owner.

Decide the active replenishment signal per item/site.
VMI assigns who triggers replenishment. DDMRP defines buffer and net flow logic. Make their roles explicit where they meet.

MDG = master data governance · MOQ = minimum order quantity · BOM = bill of materials · VMI = vendor-managed inventory

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