OPERATING MODEL & DECISIONS

Why Most Supply Chains Are Run by Escalation, Not by Design

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Opening

Most production networks are not run like systems, they are run like escalation machines. If you cannot compare sites with the same standards, you cannot steer a production network, you can only firefight. This article is about **Supply Chain Operating Discipline**, the operating foundation that makes execution controllable at scale.

Why COOs should care

This is not an AI article. It is a supply chain engineering article for leaders who want predictable service, cost, and working capital at network scale.

Most networks do not lack technology, they lack a controllable operating system.

Plans change daily, capacity is “known” but not credible, inventory becomes an insurance policy, and Excel plus escalation becomes the real operating model. In that environment, analytics turns into theatre, automation becomes brittle, and any advanced logic amplifies noise.

This is why the current AI hype is misguided.

AI does not take a big bucket of messy data and broken process logic and magically produce disciplined decisions. It learns from, and amplifies, the system you already run. If your operating system is inconsistent, AI will scale inconsistency.

Put differently, AI does not fix broken operating systems, it industrializes them. This matters for how AI models are trained and used.

Large language models can interpret unstructured text. Production networks, however, are steered through signals, events, and closed loop routines. If your operating system does not generate consistent commits, change events, reason codes, and outcome feedback, you do not have training data, you have noise.

Operating discipline therefore defines the disciplines and behaviours, supported by rules and checks, that make continuous improvement possible. Those routines generate the events, feedback loops, and learning signals that serious analytics or automation needs to work reliably over time.

Operating discipline is the fastest way out, because it establishes comparability, one language for plans, data, metrics, and routines, across the entire production network.

The storyline in 30 seconds

Networks are not managed by planning concepts, they are managed by operating systems. Operating discipline makes sites comparable, commitments credible, and deviations measurable. Discipline is the platform, not the destination. Once the basics hold, you evolve beyond classic forecast and MRP II reflexes, with explicit buffers, decoupling, and closed loop parameter management.

What “operating discipline” actually means

Operating discipline is the set of disciplines and behaviours, translated into rules, metrics, roles, and routines, that turns a collection of sites into a manageable system.

At a minimum, it enforces:

One valid plan, with a clear commitment rhythm One operating reality in the ERP, inventory, routings, work centers, BOM, as execution truth Lead time anchored planning horizons, with explicit change control and decision rights Standard KPI definitions, one cadence, and reason codes so misses become categories

This is not bureaucracy. It is the minimum structure needed to run a network at scale.

The real unlock, comparability at network scale

Comparability is the capability most global manufacturing networks are missing.

If each site measures performance differently, uses different planning rules, and applies different workarounds, the network is not steerable, it is a portfolio of local realities.

Operating discipline creates comparability by enforcing the same definitions, the same measurement cadence, and the same decision routines across nodes.

Once sites are comparable, you can do what COOs actually need, distinguish stable nodes from volatility generators, target interventions, replicate what works, and run fact based trade offs across capacity, service, and inventory.

This is also the moment where analytics becomes real, because you are finally comparing like with like, and the data reflects operating behavior, not local interpretation.

If that sounds abstract, the following examples show what comparability looks like in day to day operating reality, without theory or buzzwords.

If you do not have comparability yet, what Supply Chain should do

Without comparability, Supply Chain Management cannot truly steer a network. It can only coordinate, escalate, and negotiate between local realities.

That has three implications.

Stop pretending the network is steerable. Act as the architect of minimal comparability. Protect flow while comparability is being built.

The point is not theory, here are three examples that show how this works

If you read only one part, read these, they make “operating discipline” tangible.

Example 0, the site operating contract

Network steering starts with one documented supply model per site. Make strategies, lead times, customer lead time promises, and the planning horizons that protect execution. If you anchor horizons in cumulative lead time, you stop re planning your way into chaos. A simple expression is three lead time anchored horizons:

Frozen execution horizon, stability is non negotiable. Commit horizon, trade offs are allowed, but only through clear decision rights and a weekly commitment cycle. Tactical horizon, the plan can still evolve, within agreed rules and capacity reality.

This is step 1 because it is fast to implement, and it reduces noise immediately. But it must not be the endpoint.

Example 1, MPS discipline, and the real release signal

Most Master Production Schedules are forecast driven schedules.

Forecast and orders are translated into a time phased plan, every deviation triggers re planning, and in constrained systems this creates schedule nervousness.

That nervousness is not a planning problem, it becomes variability in execution. This is why MPS discipline is still valuable as a first step, especially in complex networks where the basics are missing. It creates standards, forces a shared language, and makes sites comparable.

A simple metric like **Master Schedule Performance** answers one question, do we execute what

we committed to, on time. Track it at two checkpoints, production completion and QA release, because both determine when product is actually available.

Define what “on time” means with a small date window and a small quantity band, enforce it consistently across sites, and require a simple reason code for every miss.

Also track stability. A plan that is “on time” but changes every day is still volatile, and it will keep injecting variability into execution.

Now you can compare sites, and you can manage improvement, not as anecdotes, but as network level facts. But discipline cannot be the endgame. The engineering question that must follow is this.

> ***What is the true release signal to execute a production order.***

If the answer is “the forecast said so”, you will always chase variability with re planning. In engineered production systems, the more robust execution signal is consumption, withdrawals along the value chain.

Forecast still has a role, for longer horizons, materials, and capacity. But the closer you get to execution, the more you want release decisions to be driven by consumption and buffer status, not by forecast noise.

That requires explicit buffer policies and intentional decoupling points, so replenishment is triggered by buffer status, not by forecast swings.

Mini summary

MPS discipline stabilizes execution and makes sites comparable. The real maturity leap is shifting execution triggers away from forecast push toward consumption signals, supported by explicit buffers and decoupling.

Example 2, service is a contract, not a feeling

Operating discipline makes service explicit, and it separates two problems that are often mixed up. Reliability of your own commitments, versus the ability to satisfy customer wishes. A practical pattern is: OTIF based on the first confirmed date, commitment reliability OTIF based on the customer requested date, wish fulfilment

This distinction prevents endless blame loops, and creates levers you can actually manage. Think of this as a service contract between site and market affiliate, not a feeling.

Add a defined change handling process and structured reason codes, so “everyone screams” becomes “we have triggers, categories, and a response”.

Rapid proof points, the basics that make analytics real

These are the basics that make a production network comparable and steerable.

Data quality is an operating standard, not an IT initiative. Capacity is not a number, it is demonstrated performance. Inventory is a designed buffer, not a side effect.

Discipline is the foundation, not the endpoint

Operating discipline is a stabilizer. It makes sites comparable, it makes execution steerable, and it creates credible signals.

But it is not adaptability. The paradigm is simple.

> ***Operating discipline is the price of entry. Adaptability is the next layer.***

Build adaptability deliberately, through explicit buffers, decoupling, and closed loop parameter management, and shift execution triggers away from forecast push toward consumption signals where appropriate.

The uncomfortable part, discipline decays if you stop investing

Many companies underestimate this. Even if you manage to build a strong operating discipline once, it is not “installed”. It is maintained. When leadership attention moves on, budgets get cut, and key roles are removed or outsourced, three things typically happen.

Critical skills leave the organization, planners, schedulers, capacity and inventory engineers, process owners. Local workarounds return, because the standard is no longer enforced under pressure. Costs explode quietly, more expediting, more overtime, more inventory as insurance, and supply crises become a recurring pattern.

This is why operating discipline must be treated like an operating standard, with training, clear ownership, periodic re validation, and the explicit decision power to enforce rules, especially when the organization is under stress.

COO takeaway

If you want to run a production network like an operating system, not like a collection of sites, start with operating discipline.

Without it, you cannot compare sites, you cannot steer the network, and you cannot improve at scale. With it, analytics becomes real and automation becomes robust. Without it, every advanced method amplifies noise instead of stability.

Technology will not compensate for missing discipline. It will simply scale whatever behaviors and data quality your operating system produces.

Comment 1, mechanics for those who want the detail

For those who asked, here is the practical mechanics behind operating discipline.

What “good” looks like, as a minimum operating standard

Lead time anchored horizons are stability boundaries, not admin overhead. Define “on time” once, a small date window plus a quantity band, enforce it everywhere. Track both adherence and stability, otherwise re planning keeps creating volatility. Every miss gets a reason code, reviewed regularly, with actions attached. Changes inside the frozen window require explicit approval and a simple change log. A credible plan requires demonstrated capacity, not optimistic assumptions. Minimum standards create urgency, for example schedule adherence and stability above the mid 80s, and on time batch approval above the mid 90s, as illustrative targets.

Why this is operations science, not opinion

Variability is the default. Frequent re planning converts demand noise into execution volatility. Discipline increases signal to noise through valid measurement, protected horizons, and closed loop correction. Next step, reduce the need for re planning by designing buffers and decoupling, and by shifting release logic away from forecast push toward consumption signals where appropriate.

Discipline is enforced, not declared

Discipline does not emerge from communication. You need a managed standard with evidence. Use a checklist that tests whether the plan is credible, whether the ERP is used as the operating system, and whether behaviors meet the standard. Self assessments plus periodic re validation is what makes discipline durable under pressure.