Supply chain planning is becoming increasingly integrated, requiring the ability to balance multiple needs, such as efficiency, cost, service, contractual requirements, and responsiveness.

How Do You Know If You Have a Good Supply Chain Plan?

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Introduction

Sure, you are planning your supply chain. But are you planning the right things? And how would you know?

> "*What gets measured gets managed.*"

Countless MBA candidates and executives have heard or uttered the famous Peter Drucker phrase. Not as many are familiar with the rest of the quote.

> " *… even when it's pointless to measure and manage it, and even if it harms the purpose of the organization to do so.*"

It Takes More than Just Planning

Consider a restaurant whose capacity is limited by the number of tables available for seating. A manager may decide to measure time-bound metrics, such as how long it takes to serve customers and how quickly tables are turned over for new guests, to improve efficiency and maximize revenue. Focusing on these metrics could cause staff to hurry diners through their meal. In the case of a fast-food restaurant, this may suit the business; however, what about fine dining? What if customers have come to pay for an experience, ambiance, or the status of dining at an exclusive location? Hurrying them along would damage the brand of the restaurant and harm the exclusivity of the location by serving more guests.

Another example involves two manufacturers collaborating to produce a finished product. A parts/materials supplier could decide to prioritize inventory efficiency as its primary strategic aim. Inventory is often the highest-cost item and the most impactful to cash flows for many operations. But what if the finished goods manufacturer is in an industry requiring extremely high fulfillment rates and responsiveness? What happens if the finished goods manufacturer needs more products that the supplier can't fulfill because of a lack of inventory? Both companies could be harmed, and the finished goods manufacturer may seek another partner. The aim of inventory efficiency is vital to many companies, as it directly impacts cash flows, profit and loss, and customer satisfaction. The ability to balance multiple needs — such as efficiency, cost, service, contractual requirements, and responsiveness — is a must in supply chain planning.

AT A GLANCE

KEY TAKEAWAYS

The top 3 collaboration opportunities for supply chain improvement are:

» Within the business (i.e., among supply chain, marketing, engineering, research and development, service, or sales)

» Product design flexibility (sourcing options)

» Upstream with suppliers (i.e., buy-side business-to-business [B2B] collaboration) and downstream with customers (B2B and business-to-consumer collaboration)

If a new leader joined these companies and measured consumer satisfaction, they might see many complaints of those who couldn't get the product, lead their teams to produce more, and later find margins eroded and inventories built up while reducing the brand heat of their products. They could lead their organization to increase consumer satisfaction, only to find out that they aimed at the wrong target.

The Need to Integrate Vertically and Horizontally

Achieving maturity in end-to-end operations and enterprise planning can be challenging for organizations. Even when the right targets are identified, the right data gathered, the right tools implemented, and the right intelligence developed, there is still the matter of organizational readiness. The best tools and processes will not attain their potential value without transitioning, training, and transforming the organization and the people who manage the day-to-day business operations. To achieve maturity in end-to-end operations and enterprise planning, organizations require strong executive support and commitment.

Organizations with advanced supply chain planning and sales and operations planning (S&OP) or integrated business planning (IBP) capabilities also have their challenges. These companies can find that somewhere between an executive-aligned cross-functional plan and fine-tuned subfunctional execution (e.g., production scheduling), there is a soft middle where data, plans, and communications can alter the outcome. For several years, IDC has asked supply chain executives about collaboration opportunities in their supply chain. A group of 1,513 of these executives identified collaboration within their business and their supply chain as being among the top opportunities in our 2023 survey, which is consistent with survey data from 2022 (see Figure 1).

FIGURE 1: *Top Opportunities for Supply Chain Improvement*

Q *From a business collaboration perspective, where is the biggest opportunity for your supply chain?*
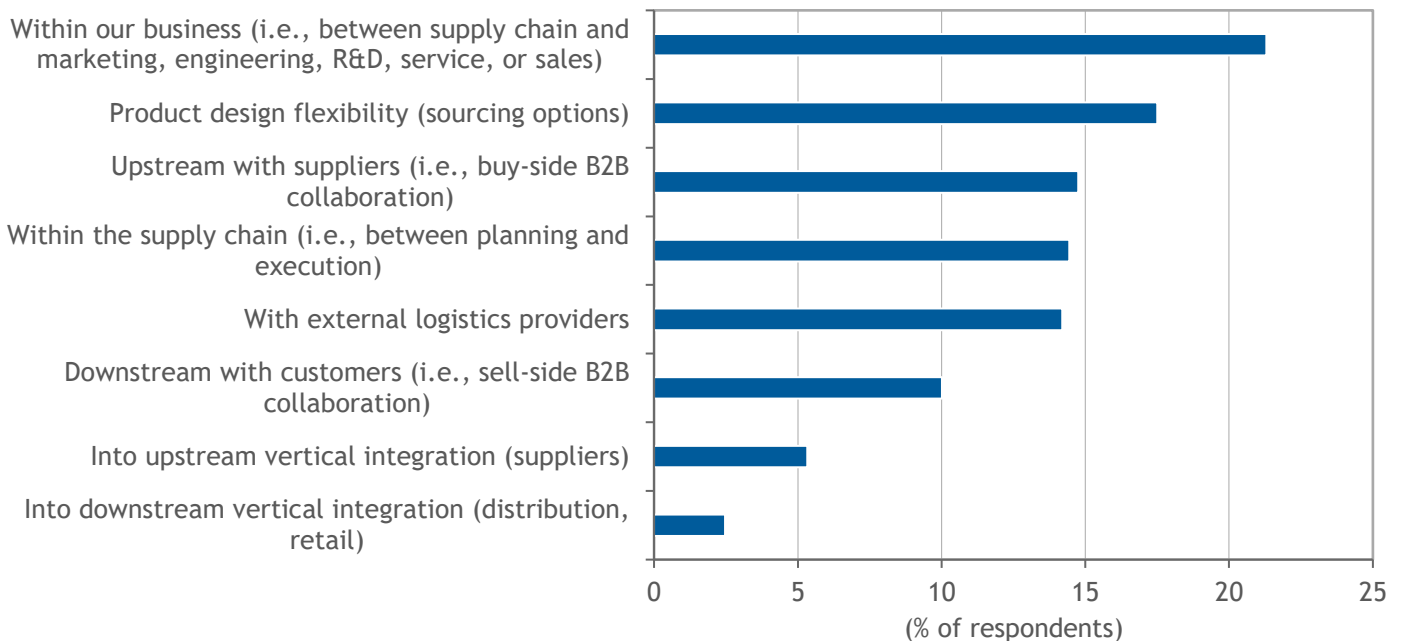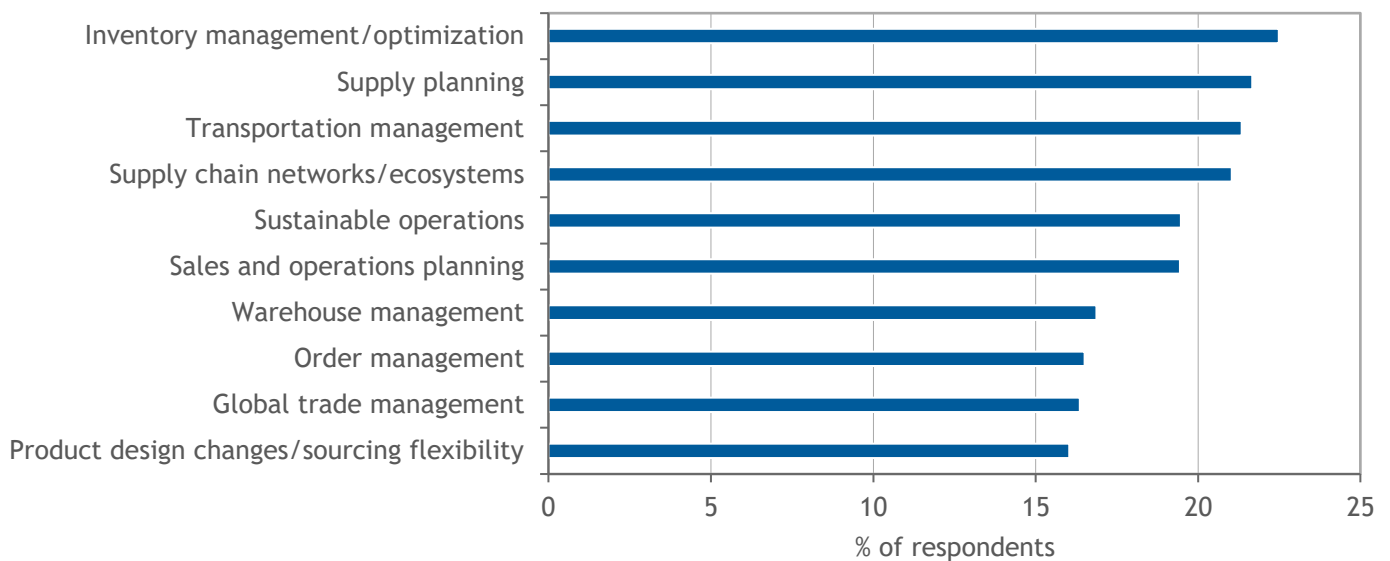

n = 1,513

Source: IDC's Worldwide Supply Chain Survey, 2023

One might think, considering the heightened level of disruption over the past several years, that these executives should have identified collaboration with external partners — suppliers, providers, and customers — as a higher priority. The fact that they did not is further evidence of the need for enterprises to integrate for optimal planning and execution, according to IDC. As businesses continue to invest in data and systems integration, ensuring the integration of their enterprise functions remains a priority. This is true both vertically by aligning the executive, management, and execution layers and horizontally by aligning all functions and subfunctions.

While the continued need for internal collaboration and alignment is evident, surveys continue to highlight persistent trends, as demonstrated by the fact that supply chain executives once again identified areas of planning, optimization, and supply chain orchestration among their top priorities (see Figure 2).

FIGURE 2: *Top Areas of Supply Chain Focus in the Next 12 Months*

Q *What are the areas you intend to focus on in the next 12 months?*

n = 1,513

Source: IDC's Worldwide Supply Chain Survey, 2023

In IDC's interactions with supply chain technology clients, they continue to highlight the need for integrated solutions to support end-to-end orchestration and visibility. In addition, clients emphasize the need for intelligence (e.g., optimization, AI, ML, and scenario planning). In fact, the integration and optimization of end-to-end supply chains are two topics that clients consistently cite as priorities. Integrated supply chain planning requires an integrated solution. Without shared visibility and a single "source of truth," it's challenging, if not impossible, to achieve high levels of success in planning.

If the aim of enterprise and supply chain leaders is both the optimization and integration of the entire enterprise, IDC suggests there are three key elements that would yield a suboptimal result if ignored. Consider the following elements when assessing both the organization (people and processes) and architecture (technologies):

» **Defined and aligned planning processes:** Is your organization planning the *right* things to deliver the best outcomes? This planning means driving the right key performance indicators (KPIs) throughout every level of the organization, whether at an executive S&OP/IBP level or down to the planning of each subfunction — and everything in between.

» **Technical architecture and tools that integrate data and then layer intelligence on that integrated data:** Does your organization have both the visibility and intelligence to optimize end-to-end data? Whether in core enterprise resource planning systems or "bolt on" applications, the dual requirements of integration and optimization are consistent.

» **Highly functioning and collaborative talent:** The best processes and tools in the world can be either undone or amplified by the people using them to make decisions every day. Minute by minute and transaction by transaction, plans are either improved or eroded by the people in the organization.

In response to the past several years of disruption — including the COVID-19 pandemic, wars, and resource and talent constraints — IDC notes that C-suite executives (source: IDC's *Worldwide C-Suite Tech Survey*, 2022) and supply chain executives (source: IDC's *Worldwide Supply Chain Survey,* 2023) are prioritizing supply chain investments. This priority seems to have persisted in spite of — or perhaps in part because of — global macroeconomic pressures.

Considering the large investments in digital transformations, integration initiatives, and intelligence (optimization and AI/ML), organizations must realize the value of these initiatives. To do so, they must ensure their talent transforms along with their tools. Prioritizing one without the other would be a critical mistake.

In light of labor challenges, macroeconomics, and global disruptions, senior leaders feel (and will feel) a sense of urgency to ensure their organizations are equipped with integration and optimization solutions and processes, as well as the talent to manage them.

Definition

» **S&OP versus IBP:** For the purposes of this paper, the difference between S&OP and IBP is the extent to which planning processes have moved beyond sales and operations and have been incorporated into the broader enterprise. The desire for the deeper integration of enterprises and the escalation of the supply chain as a priority have moved businesses to incorporate financial planning, strategic planning, and organizational planning into the definition of the end-to-end planning of supply chains. Whether executing traditional S&OP or moving to a broader definition of IBP, many executives share similar goals of integrating and optimizing enterprise plans.

Considering The Logic Factory

For over 15 years, The Logic Factory (TLF) has helped customers solve the most complex planning puzzles in the domains of manufacturing and supply chain, logistics, and workforce. The company has consistently focused on building long-term relationships with customers, partnering with them to deliver long-term value and drive business growth. TLF's success is

evidenced by strong customer service scores and a customer base that includes Fortune 500 companies and some of the world's best-known brands.

In recent years, TLF has grown from a traditional systems integrator to a full-fledged supply chain consultancy. This means customers now benefit from end-to-end planning advice and support, including consultancy and project implementation, optimization, and a full suite of post-go-live support services, such as hosting and managed services. With over 100 employees across four offices in the Netherlands, the United States, the United Kingdom, and India, The Logic Factory provides customers with 24 x 7 global coverage.

TLF provides planning solutions designed to fit well into customers' businesses. The company solves a wide spectrum of planning puzzles across all time horizons, from S&OP, demand planning, and macro (supply) planning to master production and scheduling, as well as workforce and logistics. TLF has experience in a broad range of industries, including food and beverage, retail logistics, agriculture and commodities, steel and metals, and ports and shipping.

Unlike many software vendors, TLF's approach puts delivering customer value at the center of every engagement, with the first step in every customer journey being value discovery. Implementing supply chain planning and optimization is complex and impacts an organization on multiple levels. Therefore, first establishing the potential value to be unlocked so that the solution, technology, and business implementation deliver the expected ROI is critical. TLF will only engage if there is potential value.

With the core belief of "right first time," The Logic Factory applies this principle to all processes and engagements, from value discovery through implementation to continuous services. The principle drives TLF's quality process and is enforced in the company's pricing approach. TLF aims to provide long-lasting transformation through successful business (not just technical) implementation to deliver value for the customer.

TLF's strengths include:

» A team of highly qualified planning consultants with extensive knowledge and expertise in a broad range of industries

» A partnership approach based on honesty and mutual trust driven by TLF's ambition to deliver long-term value to customers

» Flexible, configurable solutions that perfectly align with the customers' business, with a particular focus on the most complex planning challenges

TLF seeks to differentiate itself through its experienced, knowledgeable, and highly qualified consultants who have extensive knowledge of planning and optimization. The company aims to be a partner that provides customers with solutions that meet all their needs — in effect acting as a one-stop shop (consultancy, implementation, and continuous services). TFL believes customers need a business implementation — one that is not focused purely on technical implementation — that includes data and change management. Value-driven organizations that understand planning is a business transformation (and for whom cost is not a priority) could be a good fit to partner with TLF.

Challenges

Organizations have long aimed to improve their end-to-end supply chain planning capabilities. The fact that this has remained a top priority throughout the years highlights the complex nature of achieving the desired levels of accuracy,

integration, predictiveness, and responsiveness in supply chain planning. Experiences in recent years have brought this topic to the forefront.

In addition to identifying value and optimization issues, current challenges in the marketplace include the following:

» **Advanced planning and analytics:** Though all data may be integrated, intelligent systems are required to analyze vast amounts of records, spot statistical patterns, suggest future plans, and add insights for analysis. Some businesses find this space may leave users feeling like a "black box" is building their plans. Alternatively, without enough advanced intelligence, those plans may not be as effective as desired.

» **Data integration:** Each subfunction's system must be aware of inputs and outputs from other functions to optimize all components of supply chain plans. Planning production without knowing the impact of delayed shipments, for example, proves challenging. This means that ensuring link accuracy, data quality, and data consistency is a foundational task.

» **Business implementation:** Project implementation of supply chain software is complex. Once the decision to invest is made, choosing the right partner is critical to ensure success not only in technical implementation but also in other areas. Choosing a trustworthy partner that an organization can work with in the long term will ensure the realization of the anticipated ROI.

» **User training and support:** A big value unlock for any advanced planning processes or tools is user training. Ensuring organizations are staffed with experts in planning, data modeling, scenario trade-offs, and advanced analytics will guarantee tools don't offer benefits that users are unable to tap into.

Assessing the capabilities of potential partners such as The Logic Factory in addressing these challenges is critical.

Conclusion

Enterprises will only realize the benefits of digital transformation by investing in the following:

» Defined and aligned planning processes

» Technology architecture that enables integration and intelligence across the enterprise

» Highly functioning, collaborative people

In addition, a single source of truth ensures that decisions are made for the greater good of the whole company, not just the team planning that specific part. Companies that ensure all levels and departments are planning the right things using the right KPIs will find that they make the best decisions to drive revenue. These are the businesses that will thrive and succeed.

> Considering the large investments in digital transformations, integration initiatives, and intelligence (optimization and AI/ML), organizations must realize the value of these initiatives. To do so, they must ensure their talent transforms along with their tools. Prioritizing one without the other would be a critical mistake.

About the Analyst

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As a research director, Eric Thompson is a member of the IDC Worldwide Supply Chain Strategies Program, responsible for providing research, analysis, and guidance on key business and IT issues pertaining to the manufacturing, retail, and healthcare supply chains. He currently leads the Worldwide Supply Chain Strategies: Planning and Multi-Enterprise Networks practice, providing fact-based research, analysis, and insight on best practices and the use of information technology to assist clients in improving their capabilities in these critical supply chain areas.

MESSAGE FROM THE SPONSOR

More About The Logic Factory

The Logic Factory (TLF) is a global supply chain planning and optimization consultancy whose mission is to help customers make lasting performance improvements and realize value within their operations. TLF offers high-quality planning, scheduling, and optimization solutions in the domains of manufacturing and supply chain, logistics, and workforce. A dedicated, highly qualified team of consultants provides ongoing, continuous services in the form of hosting, maintenance, and support. With a firm belief in building long-term relationships based on mutual trust, TLF works in partnership with customers to drive business growth, ensuring operational goals are met within the most cost-effective framework. TLF is headquartered in the Netherlands and has offices in India, the United States, and the United Kingdom, providing customers with global coverage.

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