The “miles ahead” vision of integrated supply chain planning and response management
MILES ahead
An E-Book of the best of the best blog posts by Trevor Miles, VP Thought Leadership, Kinaxis
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So What’s My Vision?

One of the greatest fallacies when talking about planning is the belief that each part of the planning process is unique and therefore can be adequately performed in isolation. I don’t believe that was ever really true, but it certainly isn’t so in today’s complex and volatile world.

In reality, planning is a continuum, and each stage should be feeding the next and being informed by the previous. And with the volatility in today’s business environment, the planning process should be a continuous one, no longer only performed on a fixed schedule. This is particularly pertinent when it comes to the demand and supply chain operations of a company.

The dimensions (such as the time horizon you are looking at and the depth of operational detail you require) will depend on the planning process being carried out, but at the foundation should be the same data. And that data must be all inclusive. Piecemeal information will only provide a look into a fraction of the business. For global performance management, one needs global visibility and coordination.

At all times, any plans (or changes to plan) made at the more aggregate levels should be immediately visible to anyone working at a more detailed or tactical level. Similarly, any changes made at the more detailed or tactical level should be aggregated up. All players across the continuum – external or internal to the organization – should be brought together as collaborative teams making the judgment calls and trade-offs that will optimize the entire value chain, not just one part of it.

Only when the entire continuum of planning is taken into consideration and supported from a single and central system can true and continuous alignment be achieved. This view of planning and response will distinguish the most successful enterprises of tomorrow.

On the following pages you will find excerpts and links to resources and content that I have contributed over time on many relevant sub-themes supporting this vision of integrated supply chain planning and response management.

I invite you to read the highlights and dive deep on any particular topics of interest. And of course, please provide feedback — good and bad. Here’s where to find me: http://blog.kinaxis.com/authors/miles/ and on Twitter at @milesahead.

Enjoy!

Trevor Miles
**S&OP Needs to Evolve**

- S&OP is but one step in the planning continuum.
- It needs to be:
  1. Inclusive
     i. External partners (CM, supplier etc...)
     ii. Demand and supply
     iii. Operations and finance
  2. A continuous event-driven process
  3. Facilitated by deep and collaborative scenario capabilities
  4. Done at both the volume and mix level simultaneously

Excerpt from: *S&OP needs to evolve – I’m frustrated with traditional thinking!*

“... It’s time to think of the planning process as a continuum across time, product, and functional dimensions. S&OP is the process to drive this ‘unified theory’ of planning. The five-step S&OP process being advocated by many process consultants only provides for monthly cross-functional collaboration in ‘consensus’ meetings. No, no, no.

How can Marketing decide on a promotion plan without close consultation with Finance, Sales, and Manufacturing early on in the process? What if the drop in revenue for a particular product line being observed by Marketing is due to a capacity shortage leading to customer service issues and consequently a drop in market share? Yet Marketing makes a decision to run a promotion because they don’t have ready access to all the information, and they have no way of discussing and evaluating the impact of their decisions in a timely and cross-functional manner. Doing so in a monthly consensus meeting is both ineffective and inefficient, and way too slow for most industries, particularly the high-tech/electronics industry where prices can drop as much as 5 percent over a month, new products are introduced every 3-6 months, most of the supply chain is external to the brand owner, and supply lead times have been extended because of off-shoring and outsourcing. Let us use the advances in technology, particularly the Internet, to redefine the S&OP process to be more collaborative, more consensual, more timely, more dynamic.”
Responding vs. Planning

- Focusing on better planning isn’t going to reduce demand and supply volatility.
- The pace of change dictates that exceptions are the norm, so embrace volatility by improving the response process, rather than the forecasting processes.

Excerpt from: *I am adamant that an accurate forecast does not reduce demand volatility*

“Let’s be honest, any lead time that is put into an ERP system is an average (at best) or an estimate (at worst). The same is true of production rates and scrap rates. Yet we spend enormous amounts of time and energy fine tuning MRP and APS systems to provide better results, to the point that the results are more accurate than the input data. (I know that is a contradiction.) But how many times have we heard ‘garbage in, garbage out’ when referring to ERP systems, or other planning systems, and the underlying input data. Well, hello! We’re trying to fix the wrong problem.

There is so much uncertainty related to so many variables in the supply chain that simply having a more accurate representation of the average value of an input variable doesn’t really solve the problem.

So the question is where should one spend time and effort. In making the plan as accurate as possible...or in accepting that there is a lot of uncertainty in the supply chain and devising ways to respond quickly and effectively to change?”
SCM and Financial Performance

- There needs to be a direct tie to how supply chain decisions affect financial performance.
- Everyone in the organization should be focused on making the most profitable (or least costly) decisions for the company as a whole.
- This requires an explicit way to measure the financial consequences of decisions before one makes them.

Excerpt from: *The supply chain is the life blood of money management*

“[An Industry Week article] highlights the need to focus on a ‘profitable’ order. This can only be done by having all the data at hand and being able to compare and contrast different alternative methods of satisfying the demand in a fast and effective manner. In today’s multi-tier supply chains, this means having operational data – routings, bills of material, inventories, lead times, ... – and costs – purchase price, transportations costs, inventory holding costs, ... – available in a single system so that the full consequences of decisions made somewhere in the supply chain can be evaluated throughout the supply chain in a fast and effective manner. The consequences need to be measured in the form of both operational and financial key performance indicators (KPIs). Operational KPIs include inventory turns, capacity utilization, customer service. Financial KPIs include revenue, gross margin, cash-to-cash cycle. Of these, gross margin is the most reliable measure of profit, whereas cash-to-cash cycle is the most reliable measure of cash flow.”
Incorporating Human Judgment into the Decision-making Process

- Black box optimization can only take you so far. Optimizing plans that are sure to be out of date or inaccurate offers only limited value.
- Humans are better at nuance, uncertainty and risks – they have unique skills and insight that simply cannot be modeled in systems’ algorithms (despite how sophisticated they can be).
- Machines should be used for data processing, not decision-making.
- Ultimately, technology should enable the person, not replace them.

Excerpt from: Human intelligence and machine stupidity: Supply chains are about effectiveness, not only efficiency

“I am one of those people who believe that humans have unique skills that no machine is able to match currently, particularly the ability to evaluate nuance, uncertainty, and risk. Computers and programs, on the other hand, are capable of processing huge amounts of data far more quickly than humans, but they always assume that the data they are fed and the algorithms/heuristics they are using to analyze the data are absolutely correct. In other words, computers are hopeless at evaluating nuance, uncertainty, and risk.

All too often, we don’t put processes in place that couple the human ability to evaluate nuance ‘intelligently’ with the machine ability to evaluate vast amounts of data ‘dumbly.’ All too often we confuse efficiency with effectiveness, and pursue efficiency over effectiveness, exemplified by the use of the term ‘machine intelligence.’”

Read More Links

- Blog post: Human intelligence and machine stupidity: Supply chains are about effectiveness, not only efficiency
- Blog post: Supply chain risk: a moving and continuous target
New Organizational Structures

- Brand owners have become “virtual” enterprises with demand and supply networks comprising of contract manufacturers, suppliers, third party logistics providers, and ultimately the customer.
- Thus, there is an urgent need to collapse the operational and technology silos to forge better integration and collaboration across functions and processes.
- The goal (and the benefit) is to create agility and flexibility across the organization, and at all levels.
- For that to happen, senior management needs to leverage technology better.

Excerpt from: *Old-school organizational power structures thwart business performance: The old dogs need to learn new tricks*

“I am staggered at how many mid-tier managers, let alone senior managers, still receive paper-based reports, scribble all over them, and then send the scribbled notes back to an underling who is supposed to act on the scribbled notes. This is all about power and has little to do with effectiveness. They could have just as easily made changes to values in a system and annotated these with some comments. This information would be available immediately to anyone who had to take action or make further decisions based upon the inputs from the senior manager.

Exacerbating the fact that much of senior management does not come from the ‘internet’ generation is the difficulty of using existing IT applications and systems. The fundamental drawback of existing supply chain systems specifically, but operations systems in general, which prevents their wide adoption by senior management is that they lack the ability for people (read senior management) to perform quick and effective ‘what-if’ analysis.”
Excerpt from: *Social networks and supply chains: It’s a question of maturity*

“Relying on phone/FAX/email to devise a response to an issue in the supply chain is simply too slow and too error prone, the greatest drawback being the lack of ability to evaluate the financial and operational consequences of any proposed changes in a timely and effective manner, let alone reach a consensus and compromise on the course of action. So much of the data transferred between trading partners has nuance and meaning that is lost in EDI, which is where the use of social networks/media can play a strong role. And not only can they serve as a replacement for phone/FAX/email, but also as a way of capturing the information for governance and corporate learning.

...One of the trickiest aspects that will need to be addressed in order to get a broader adoption of social network technologies in business processes is the concept of ‘responsibility’... I want to draw the distinction here between the people who need to know, which implies responsibility to take action, and the people who want to know, which implies an interest but not a responsibility. Existing social networks are principally about sharing or ‘pushing’ information ...and thus, address the want to know, but not the need to know aspect.”
So those are my thoughts. But let’s not leave it at that. What’s the point if it’s all preaching and no discussion? Come debate the issues with me. Here are some places you can find me:

- The 21st Century Supply Chain Blog
- @milesahead on Twitter
- by email at tmiles@kinaxis.com

And if you like what I’m saying, come see where it’s coming from. For more information, insight and research beyond that of my own, I invite you to visit www.kinaxis.com or contact us directly at: 1-877-KINAXIS or info@kinaxis.com.
Trevor Miles is a Kinaxis thought leader.

As vice president of Thought Leadership, Trevor
serves as an expert source for Kinaxis customers,
prospects, industry analysts and journalists. Known throughout the supply chain field, Trevor has
published numerous articles, presented at various industry events, is frequently featured as a top
influencer on LinkedIn, and is the primary contributor to the Kinaxis 21st Century Supply Chain blog.

Trevor has focused much of his Kinaxis career on seeking new market opportunities within the
company’s distinctive competence. As part of the product management and product marketing team,
Trevor is instrumental in the company’s competitive and market intelligence and is responsible for
identifying market trends and translating them into high-level functional and product requirements.
Additionally, he helps create and maintain the business case for RapidResponse.

Prior to joining Kinaxis, Trevor worked for i2 Technologies where he held a number of sales &
marketing roles and worked with global industry leaders such as Continental, Volkswagen, Nokia,
and Thomson. Previous to i2, he worked for Coopers & Lybrand performing several studies in supply
chain reengineering for companies such as Levi’s, Burmah Oil, TNT Logistics, AGA Gas, and Schneider
Electric, among others. Trevor has degrees in Chemical Engineering and Industrial Engineering.

Often provocative and always in-depth, Trevor’s industry commentaries exhibit his “miles-ahead”
thinking. A self-professed realist, Trevor provides a no-nonsense take on industry issues and gives an
honest view of the challenges and opportunities that lie ahead.
ABOUT KINAXIS

Kinaxis delivers a multi-enterprise planning and “what-if” simulation solution - RapidResponse Control Tower. Control Tower customers use this scalable, cloud solution for both longer term and real-time demand and supply balancing. Large manufacturing companies with complex supply chain networks and volatile business environments rely on RapidResponse for collaborative planning, continuous performance management, and coordinated response to plan variances across multiple areas of the business, including supply chain planning, demand management, S&OP, supplier collaboration, project management, workforce optimization and profitability management. Replacing disparate planning and performance management tools, Kinaxis customers are realizing significant operations performance breakthroughs, because from a single system, they can make decisions quickly, collaboratively, and in line with the shared business objectives of multiple stakeholders.

Learn more about Kinaxis at: www.kinaxis.com

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