

A New Model of Supply Chain Planning Is Long Overdue: The “Triple I” Standard



While the traditional practice of silo-based supply chain planning appears to be a hard habit to break, there are encouraging signs of a shift towards a more integral approach. Dynamic planning entails continuous and real-time consideration of all aspects of the supply chain.

“Many companies still take a traditional approach to supply chain planning,” says Martin Verwijmeren, CEO and Co-Founder of MPO. “In fact, they often have completely separate ‘worlds’ with different processes, different systems and different people. Despite manufacturers in various industries – from healthcare to manufacturing – expressing so many good intentions to change, these organizational silos are still the reality in many cases.”

“On the systems side, which is our area of business, this means that we come across companies where different disciplines are using different systems, often with only a limited degree of integration. For example, sales makes the monthly forecast in consultation with production, and then the weekly planning for the warehouse and logistics is derived from that. The main reason that this approach is allowed to continue is because people are satisfied with the simplicity of it.”

Complexity

“However, it creates a false sense of security within each silo, because the lack of integration is no longer fit for the current market dynamics and results in higher costs, longer production lead times and lower fulfilment. That urgently calls for a new kind of supply chain planning.”

He explains that this new kind of supply chain planning is driven by curiosity about the complexity rather than satisfaction with

the existing situation: “After all, the supply chain is very complex with numerous degrees of freedom that you can use as the basis for optimization. In that case, the answer isn’t to simplify but to embrace the complexity.”

Systems

The right systems are needed to deal with that complexity, however. “In order to implement a successful systems strategy, organizations don’t only need to connect their planning and execution systems together, but must also add a system that serves as a ‘conductor’, i.e. an orchestration platform. That enables them to combine and converge planning and execution. And because typically companies work with external partners, it makes sense to put this in the cloud.”

“So, the biggest trend we’re seeing is a new kind of supply chain planning. We call it the ‘Triple I Standard’: Integral, Instant, Intelligent. One difference with the traditional planning method is that it really is Integral; the new ‘winners’ have organized their planning across the entire breadth of the company and its business network, including suppliers, warehouses and carriers. The second aspect, Instant, refers to how fast the ‘winners’ move – rather than planning just once for the month ahead, they are continuously adjusting the plan and optimizing things like demand, orders and production, both upstream and downstream, hour by hour, second by second.”

Intelligence

“The third aspect, Intelligent, means that organizations must really go deep when optimizing orders and forecasting: taking into account many factors simultaneously, such as inventory, capacity, warehousing and transportation. Traditionally, for example, orders in Europe or the US would be



Martin Verwijmeren, CEO of MPO: “The new ‘winners’ have organized their planning across the entire breadth of the company and its business network, including suppliers, warehouses and carriers.”

shipped from the same distribution center, as a standard, and with a fixed transportation service. With the Intelligent approach, smart business rules identify and compare all combinations of sourcing options (inventory availability) and routing options (transportation services) to determine the best micro supply chain for each and every order.”

“Technologies such as artificial intelligence and machine learning are being used, for instance to discover patterns as the basis for models, so that you can predict whether problems might occur. Deep learning even allows you to do that at multiple levels. In combination with analytics, which is still fairly descriptive, planning becomes a lot more predictive.”

“Ultimately, our message is: this new way of supply chain planning is the future. The weekly or monthly cycle based on different systems within different departments no longer works. The future is Integral, Instant and Intelligent,” states Verwijmeren, “so you need to plan broad, deep and fast!”