Supply Chain Planning Is Dead, Part 1

Editor's Note: Progress Software recently released its 10 predictions for the global supply chain in 2012. The company's press release immediately follows. In order to get a better grasp on some of the topics mentioned within, Manufacturing.net *spoke with Guy Courtin, a Progress Software employee. Our conversation follows in the second part of the series.*

Bedford, MA — Progress Software Corporation [1], a software provider that enables companies to be operationally responsive [2], predicts that, faced with increasing pressures in 2012, supply chains will look to technology to enable greater flexibility, and the ability to quickly understand and respond to changing circumstances.

Henry Hicks, the industry vice president of supply chain at Progress Software, said: "In 2012, supply chains will continue to drive cost out as the quest to be ever leaner will dominate strategy. This will only increase the risk exposure to unplanned events of all shapes and sizes. In order to not only survive, but achieve success in this chaotic environment, supply chains will need to gain real-time visibility, understand the impact of these events and finally have the capability to react within a short time horizon."

Progress Software's supply chain [3] predictions for 2012, include:

1. **Planning is dead.** Long live planning. Even with the sophisticated planning tools available today, the best supply chain plans yield less than 50 percent accuracy. While the advances in planning brought the industry some remarkable promises, it also proved how difficult it was to predict the future by simply relying on historical data. However, without going through the planning exercise, businesses and their supply chains cannot determine an end goal and path to get them there. So planning is not dead, but organizations should use it for the purpose it serves — setting the end goals and determining the direction in which to head.
2. **Bi-directional elasticity is a must.** For many years, the supply chain world has been "flat," and materials are sourced from all corners of the world as organizations chase low-cost manufacturing. However, some sacrifice lower costs to be closer to their customers and reduce time to market. To accommodate these changes, supply chains will have to demonstrate a level of bi-directional elasticity to address both the wide reach of production, as well as the growing mix of customers.
3. **Floods, earthquakes and war force companies to rethink their supplier strategy, but at what cost?** The Thai floods and tsunami in Japan have made organizations recognize the sensitivity and level of risk exposure supply chains have when reliant on a small number of vendors, especially those located in volatile environments. Organizations will attempt

to avert risk by on-boarding [4] new suppliers. However, this will be a challenge as relationships and business trust are not developed overnight.

4. **Predictive time horizons will shorten.** With leaner supply chains, being able to understand and react to changing circumstances quickly is vital. Organizations will try to add short-window predictive analytics for real-time event processing [5]. Business intelligence solutions promise the ability to take data, analyze it, understand correlations, and provide the user with a deeper understanding of the cause and effect within the business. All that is important, however, the speed at which it is done is additionally crucial.
5. **Businesses will desperately seek centralized command and control.** The ability to have a seamless view of what is happening across the entire supply chain network will determine the success of organizations, and in 2012, supply chains will continue to seek a centralized system of command and control. Although technology is evolving to make a single view of the supply chain possible, the challenge of disparate parts and siloed systems remains.
6. **Successful companies will build a “touch-less” supply chain.** Rather than actually touch the product, large brands will simply orchestrate all the moving parts that comprise their supply chain. Apple is a great example — the company manages all the moving parts of its supply chain without actually “touching” the product at every stage. Companies will continue to gravitate towards this model, with some even outsourcing the management of the supply chain itself.
7. **Logistics providers will evolve into information and management hubs.** As supply chain managers continue to feel the pressure of a leaner supply chain, they will rely on logistics firms to do more with the information they hold. Logistics providers will be seen as the perfect outsourcer for the supply chain, as they are able to see the movement of inventory at every stage of the supply chain.
8. **Finance will become increasingly involved in the supply chain.** With the uncertain economic climate, it is no surprise that the CFO’s office will become increasingly interested in the day-to-day activities of the supply chain function, and interactions between these departments will intensify. Supply chains, at their core, are manipulating and managing inventory, or better said — working capital. In many cases, they have their foot on the accelerator, and the brake, that controls the velocity of free cash flows.
9. **Discrete manufacturers will tackle the service side of the supply chain.** Parties in the supply chain network will continue to clear out carrying costs and leverage service as a competitive advantage. More and more companies, especially high-technology manufacturers, are recognizing the importance of better managing their services. Organizations will maximize the opportunity by managing inventory and human capital, while orchestrating the service-level agreements held with the client base. Smart companies will continue to push the knowledge they gain from this end of their supply chain all the way back to the beginning — and enable better forethought and planning.
10. **Businesses will be able to tackle the “C-A” in “P-D-C-A.”** The success of enterprises and their partners across an extended supply chain will depend even more on a manager’s ability to gain greater visibility [6] across

their supply chain. In the iterative four-step plan-do-check-act (PDCA) management process used in business for the control and continuous improvement of process [7] and products, this enhanced visibility is only useful if these managers can act instantly on events as they occur. The ability to tackle the checking — both on the events themselves and the correlating impact these events have across the supply chain — and to act almost simultaneously on these events will become even more important in 2012.

Please tune into the Chemical Equipment Daily *for part two of this two-part series. What's your take? Please feel free to comment below! For more information, please visit www.progress.com [8].*

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