



SUPPLY CHAIN , ADVANCED PLANNING

- Let us now reconsider the underlying premises behind what has been discussed. First, a company is never going to leave Level 2 if it is still pursuing a *push* mentality.
- The culture must move to a *pull* mentality, where everyone thinks in terms of “Let’s make what we sell.” (or what the customer wants), and not “You better sell what we make.” The latter orientation only leads to excess inventories, most of which are disposed of at discounted prices, and include high carrying costs.
- The former brings the supply chain in synchronization with what is happening in the marketplace. Second, the firm needs an integrated planning and execution suite to match demand planning as closely as possible with forecasting, and then move to an available-to-promise (ATP) condition supporting the pull environment, followed by a capable-to-promise (CTP) functionality that relies on dependent material availability.

- At the time the firm is capable of supporting APS, inventory is under control, production capabilities are fine tuned to the market, and capacity is committed to orders as they are taken, thus providing for the most agility and responsiveness for a given infrastructure. With the correct suite installed and operating at the end of Level 2, the company will have a faster and more accurate planning engine that is real time and accessible online.
- Planning and execution will be synchronized across the internal supply chain resulting in the right deliveries at the right time to the point of need. During the final stages, sophisticated and imbedded optimization algorithms will become part of the planning suite with the capacity to do real-time analyses of various scenarios and even some fundamental simulations.
- Third, this stage of development will position the firm to connect with suppliers and customers and share information over what becomes the communication extranet in Level 3. Then the firm gets into position to participate in joint trading partner functionalities, such as vendor-managed inventory (VMI) and customer relationship processing (CRP). As firms, particularly large ones, proceed with their planning and delivery process improvement, many move into an ERP planning system.







