



FROM REACTIVE TO PREDICTIVE PLANNING

A Practical Guide to Supply Chain Planning Maturity

With 25 years of experience, CCH® Tagetik Supply Chain Planning (formerly Vanguard Predictive Planning*) has helped organizations reach operational excellence and unprecedented growth by shifting business planning in a predictive direction. The key business driver for these initiatives typically lives within our clients' largest cost/profit center: the supply chain.

According to AMR research, *"Billions in operating margin and trillions in market capitalization separate supply chain winners from losers."*

Furthermore, best-in-class supply chains see:

- 15% reduction in inventory
- 17% stronger perfect order fulfillment
- 35% shorter cash to cash cycle times
- 90% fewer stockouts than competitors

The CCH® Tagetik Approach

Predictive planning combines the best of advanced analytics with the best of human insight. In a predictive planning state, organizations can reduce the time and resources required for planning cycles, assess risk levels throughout the plans, and produce results aligned with corporate objectives.

CCH® Tagetik has partnered with customers across the globe - from the mid-market to Fortune 100 - to advance their supply chain planning, S&OP, and IBP practices.



EXECUTIVE SUMMARY

CCH® Tagetik helps supply chains move away from reactive planning (focused on fighting fires) and toward predictive planning (focused on big-picture, value-added decision-making).



SOLUTION

A 4-step guide to supply chain planning (SCP) maturity: Unify, Automate, Assess, and Collaborate.



RESULTS

The result is profit-driven supply chain planning, aligned around company goals, and risk-assessed to accommodate sudden operational or market changes.

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The supply chain results are:

- Improved service levels
- Right-sized inventories
- Reduced product obsolescence

The financial results are:

- Increased sales and revenue
- Lower resource, production, and inventory costs
- Bigger profit margins

To support supply chain planning maturity in any industry, we offer a practical 4-step guide:



1 Unify Planning

The CCH® Tagetik Approach focuses on unifying planning systems, people, and processes across supply chain functions (plan, source, make) and across the company (sales, demand, supply, finance).

Planning System of Record (SOR)

Unified planning requires a system that provides end-to-end visibility and establishes a single version of the truth. A Planning SOR will:

- Create a “Digital Twin” (a software model) of your supply chain
- Enable coherent, functional, and flexible plans across the business
- Unlock simulation capabilities, providing instant feedback to “what if” questions

Planning Leaders

Forecast accuracy, cross-functional visibility, and value-added collaboration yield better decision-making, better plans, and better outcomes. Planning leaders with end-to-end visibility (a unified Planning SOR) are better equipped to:

- Align supply chain plans to corporate objectives
- Prove the dollar value of supply chain performance improvements
- Collaborate with the extended supply chain, including customers and suppliers

Sales & Operations Planning (S&OP) and Integrated Business Planning (IBP)

Mature planning processes focus on aligning plans across Sales, Operations, and Finance. A unified planning process, supported by the right people and technology, will help supply chain leaders:

- Evaluate competing courses of action
- Allocate critical resources effectively
- Meet customer demand in a profitable way

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Automate Decision-Making

In the report by VP Analyst Tim Payne, *Digital Business Requires Algorithmic Supply Chain Planning*, (November 2018), Gartner states the following regarding Algorithmic Supply Chain Planning:

“In this emerging digital era, the traditional, best-practice-focused, manually intensive, highly collaborative planning approach (analog planning) won’t extract value from the massive amount, granularity and speed of data generated throughout an ever-extending enterprise business network.”

We see that AI-enabled forecasting and planning automation allows businesses to:

- Eliminate human error and bias
- Achieve decision-making speed and scale
- Focus human resources on value-added planning

Autonomous Supply Chain

Machine learning algorithms are designed to handle large amounts of fast-moving data, identify trends and patterns with unprecedented accuracy, and auto-optimize supply plans based on real-time demand signals. The result is a low-touch “autonomous” planning system that confidently optimizes towards your unique business objectives.

Human Guidance

A system that can automatically optimize plans will need some human guidance, just like a self-driving car needs to know which direction you want it to go. When decision-making is automated, planners can focus on incorporating business objectives and insight such as:

- KPIs around service levels, inventory levels, and even profitability
- Upcoming changes like new products, new markets, or a new network design

Exception Management

Even in autonomous supply chains, there will be times when operational challenges or changes in the market create a situation that requires human attention. Exception management alerts planners to look into those situations, evaluate business trade-offs, and decide on the best course of action.

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Assess the Risk Levels

When faced with decision-making under uncertainty, businesses tend to make simplifying assumptions about the future in order to create a concrete plan. Decision-making under uncertainty can seem difficult and confusing, but over-simplification is not the answer.

Plans made based on a “best guess,” or a single assumed future outcome, are not assessed for levels of risk, and are not resilient to change. In contrast, probabilistic (range-based) planning incorporates risk levels throughout the plans and automatically buffers supply chains against variability.

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"In business, range-based S&OP stacks the odds in your favor, and ensures no-surprises and no-excuses performance regardless of demand outcome," says Blake Johnson, Consulting Professor at Stanford University.

Including risk and uncertainty levels in S&OP discussions as well as inventory and supply plans is a key to protecting the supply chain (and its customers) against variability. Planning systems that are unified and automated are well-equipped to optimize supply chain performance under a wide range of circumstances.

Collaborate for Added Value

Low-touch planning and automated decision-making doesn't eliminate the need for collaboration entirely; it allows planners to drive added-value rather than focus on manual planning efforts. In following this 4-step guide, the value-added collaboration stage is supported entirely by unified, automated, and risk-assessed planning.

Value-added collaboration focuses on high-level, big-picture problem-solving, such as:

- Closing future capacity gaps
- Managing "what-if" scenario planning
- Looping-in customers and suppliers
- Aligning supply chain goals to corporate objectives

In conclusion

At the peak of planning maturity, businesses are coordinating goals and plans across the enterprise, utilizing profit-driven supply chain planning. Supply chain metrics align with corporate objectives; planning systems, teams, and processes are designed to be nimble and resilient to change.

Combining the best of advanced analytics with the best of human insight, predictive planning advances operational excellence. It is the fastest (and smartest) way to achieve unprecedented growth.

*Wolters Kluwer acquired Vanguard Software, a global provider of cloud-based integrated business planning (IBP) solutions, extending the award-winning CCH® Tagetik corporate performance management (CPM) expert solution into sales and operations planning, including supply chain planning.

About Wolters Kluwer

Wolters Kluwer (WKL) is a global leader in professional information, software solutions, and services for the healthcare; tax and accounting; governance, risk and compliance; and legal and regulatory sectors. We help our customers make critical decisions every day by providing expert solutions that combine deep domain knowledge with technology and services. Wolters Kluwer reported 2020 annual revenues of €4.6 billion. The group serves customers in over 180 countries, maintains operations in over 40 countries, and employs approximately 19,200 people worldwide. The company is headquartered in Alphen aan den Rijn, the Netherlands. Wolters Kluwer shares are listed on Euronext Amsterdam (WKL) and are included in the AEX and Euronext 100 indices. Wolters Kluwer has a sponsored Level 1 American Depositary Receipt (ADR) program. The ADRs are traded on the over-the-counter market in the U.S. (WTKWY).

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