

Management briefing

4 tips on choosing a supply chain planning and optimization (SCP&O) solution

Improve your chances of finding the right SCP&O solution for your company

SUPPLY CHAIN PLANNING

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The difference between a good supply chain planning and optimization (SCP&O) solution and a great one can be significant. Here's what to look out for.

You've heard of the benefits. You've seen how supply chain planning and optimization (SCP&O) is helping businesses like yours optimize resources and minimize costs. Now you're thinking of implementing SCP&O in your organization. The question is, 'Which SCP&O solution?'

The four tips

These insights have enabled successful SCP&O implementations in over 70 countries. Here's how you can improve your chances of finding the right SCP&O solution for your company.

Tip 1: Consider whether you need an out-of-the-box solution, bespoke software – or the best of both worlds

Do you have a small business with simple processes?

If so, an out-of-the-box solution may provide the best ROI:

- The smaller the scale of your operations, the smaller the savings generated by increases in efficiency. In such cases, a good enough fit may achieve a higher ROI than more sophisticated approaches.
- It is easier to adjust simple business processes to an out-of-the-box solution.

Do you have a large business with complex processes?

i. A bespoke solution will help you achieve vital productivity improvements. However these custom approaches come with significant drawbacks:

   - Long development periods
   - High total cost of ownership
   - Uncertainty with respect to upgrades and support

ii. An attractive alternative to a bespoke solution is a best-of-both-worlds approach that maximizes your savings by:

   - Combining the advantages of out-of-the-box solutions and bespoke software
   - Avoiding the drawbacks of both

A best-of-both-worlds approach delivers standard software that is easy to maintain yet flexible enough to capture your unique business model – the very thing that sets you apart from your competitors.

Tip 2: Pay close attention to the user interface and level of decision support

All the information required for a decision should be visible at a glance, and presented in a way that facilitates planning. Planners should:

- Get instant feedback on the quality of their decisions in the form of KPIs that capture your business goals.
- Be supported by automatically generated plans that
  - optimize KPIs, and
  - minimize violations of business rules and constraints.
- Be informed of all the consequences of any disruption, and receive suggestions on how to minimize their impact.

Tip 3: Prefer approaches to optimization that keep your planners in control

Effective optimization takes all the complexities of your unique business model into account. For example, there may be circumstances where some of your business rules should be overruled by other considerations. Breaking these rules has an associated cost that the optimizer should consider in arriving at a solution.

However, this theoretically optimal solution may not always be the practically optimal one. Under special circumstances, planners should be allowed to override solutions suggested by the SCP&O system.

For example, in a situation where it is clear that some orders will be late, the planner – but not the SCP&O system – may be aware that certain customers are willing to tolerate late orders.

A second reason: Disruptions may make it impossible to optimize the entire plan. Planners who can choose where to apply optimization will be able to react swiftly to unexpected events and minimize their impact.

Tip 4: Require proof

Don't assume that a particular SCP&O solution will realize considerable savings for your business. Ask for a proof of concept that uses your data and captures your business rules and constraints.

An effective proof of concept should:

- Solve some of your most pressing planning and scheduling challenges
- Indicate the quantifiable returns you can expect from a full solution.

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Selecting a supply chain planning and optimization (SCP&O) solution can be easy once you know which features are important, and why. To find out more, contact us or visit **www.quintiq.com**.

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