



Four essential requirements for today's global supply chain management software

It's a tough world out there. Increased outsourcing, shrinking product lifecycles, intensifying economic pressures, and constant changes in supply, demand and product make global supply chain management harder than ever. The good news is on-demand supply chain management software solutions have emerged to overcome today's challenges.

The challenge of global supply chain management

Modern manufacturers are confronted with change at a frenetic pace. Worldwide competition, pervasive outsourcing, shrinking product life-cycles, and demand volatility, make the enormity and complexity of global supply chain management undeniable. In today's environment, supply chain planning becomes obsolete as soon as it is complete because the dynamics of the market and the consumer are changing so quickly. The current economic pressures intensify this challenge, further squeezing margins and making a company's operations supply chain management performance all the more critical.

A new paradigm has evolved making responsiveness the key determinant of modern supply chain management success. To effectively monitor and manage change, companies must be able to understand opportunity and risk, analyze the impact, and conduct rapid risk trade-off and response.

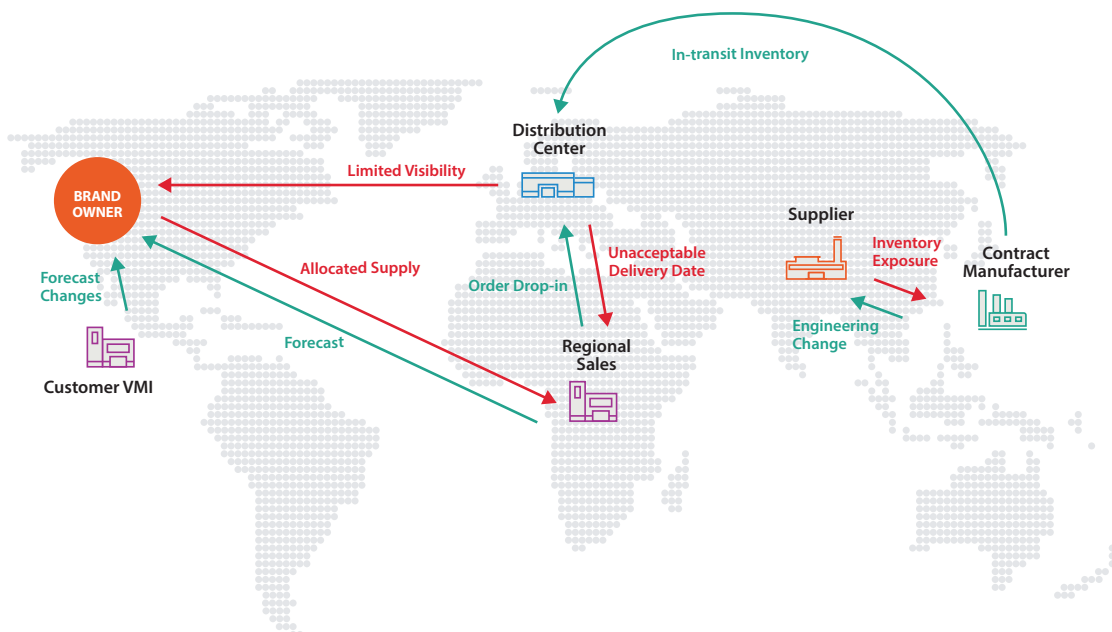
Outsourcing creates supply chain visibility challenges

Most manufacturers today outsource some or all of their manufacturing operations to third-party specialists. And, to realize cost advantages and open new markets, manufacturers have increasingly outsourced on a global basis. Over the last several years, many companies have built very sophisticated, multi-tier and multi-enterprise supply networks consisting of distribution centers, 3PLs, contract manufacturers, suppliers, and the like.

While outsourcing has provided many benefits to manufacturers, it hasn't been without its complications. Extended supply networks create substantial obstacles in terms of supply chain optimization, visibility and coordination. The role of the brand owner has shifted dramatically from directly controlling all aspects of operations performance to having to coordinate demand planning, supply chain planning, and response to unplanned events across multiple sites and partners.

This coordination absolutely requires visibility into the globally distributed supply chain to understand the manufacturing commitments and capabilities of the network.

Today, much of a manufacturer's core business operations, and the data that drives it, reside outside their four walls. As the orchestrator of this sophisticated supply network, manufacturers are increasingly outward facing and must excel at relationship management. Manufacturers must not only build win-win relationships with their supply network partners to proactively manage and respond to the increasing number of unplanned events, but must also increasingly collaborate with major customers to forge closer ties and gain better insights into their changing demand requirements. Whereas 20th century supply chain optimization focused on vertical integration and execution excellence, 21st century supply chain optimization requires adept external relationship management and rapid and effective response to unplanned events.



Going beyond supply chain visibility to rapid response

While the need for supply chain visibility is clear, it is not enough. Coordinating the activities of a virtual supply network is not a passive responsibility. Demand managers and customer service representatives, manufacturing and supply chain staff, and financial analysts must be actively engaged in the process, working side-by-side with their partners to develop plans and course correct around unplanned events that threaten the achievement of operations performance objectives. While brand owners may be able to outsource operational responsibilities, they still remain accountable for their brand, quality, customer satisfaction, and answering to their stakeholders. Active coordination is the only way to achieve this in today's heavily outsourced environment. Responsiveness requires global visibility and coordination. As such, supply chain management systems require a breadth and depth of capabilities and specialized IT services unlike ever before.

Unfortunately many companies, including Fortune 1000 companies, still struggle to manage the response challenge using spreadsheets and ad hoc databases. The problem is that these tools were never designed for this purpose. Competing views of the truth, siloed functions, and limited analytics make swift, effective response to change virtually impossible. There comes a point where using inefficient tools is no longer sustainable and a new supply chain management solution is an urgent necessity. Given today's market dynamics and economic pressures...we've come to that point.

High value solutions for supply chain management

Survival in the 21st century business environment requires supply chain management software that offers broad, deep, integrated, and collaborative capabilities for supply chain planning, monitoring, and response.

Essential characteristics include:

- ▶ **Breadth** - Draw on and incorporate diverse sources of supply chain data across multiple systems (internal or external to the organization)
- ▶ **Depth** - High compute capabilities that allow rapid and deep data analysis (perform entire supply chain roll-ups, as well as drill-down features to perform root-cause analysis)
- ▶ **Integration** - Tight integration with record-keeping transactional systems is necessary to facilitate action
- ▶ **Collaboration** - Enable multiple users to work simultaneously from a single, real-time 'version of truth'

To deliver value, the solutions need to be:

- ▶ Compute-intensive (sophisticated MRP, MPS, ERP, SCP analytics that accurately model the respective host systems)
- ▶ High performance (supply chain modeling and analytics need to run instantly)
- ▶ Out-of-the box (standard, pre-defined resources – e.g., dashboards and scorecards)
- ▶ Self-service (e.g., user-defined functionality –report generation)

While these solutions can require very unique administration skills that need to be maintained through on-going education and training, overall, these tools must reduce the burden on IT to drive real value and adoption.

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IT services are stretched but operations performance goals are as important as ever

IT has borne the brunt of many cost cutting and outsourcing strategies in recent times, which has resulted in some key challenges:

- ▶ IT has many masters and activities are constantly being re-prioritized. As a consequence, IT is unable to respond to the variety of changes thrown its way in a responsive fashion
- ▶ The length of the "Path to Business Value" for IT can be quite long. Even well run, process driven IT organizations are bureaucratic by nature
- ▶ IT is a captive service organization with all of the inherent risks. Political skirmishes and battles are common, causing delays
- ▶ Outsourced IT services struggle to deliver adequate response capabilities when non-standard issues arise

Recent research by Computer Economics shows the degree to which organizations are using outside service providers. Despite its challenges, it is clear that this trend is continuing and is unlikely to change. The need for a mission-critical service to manage global supply chains cannot be ignored.

Under-performing business organizations will not survive. The precariousness of global markets demands steadily improving business results. IT organizations have to deliver high value tools and solutions for the challenges ahead. They must show tangible ROI quickly.

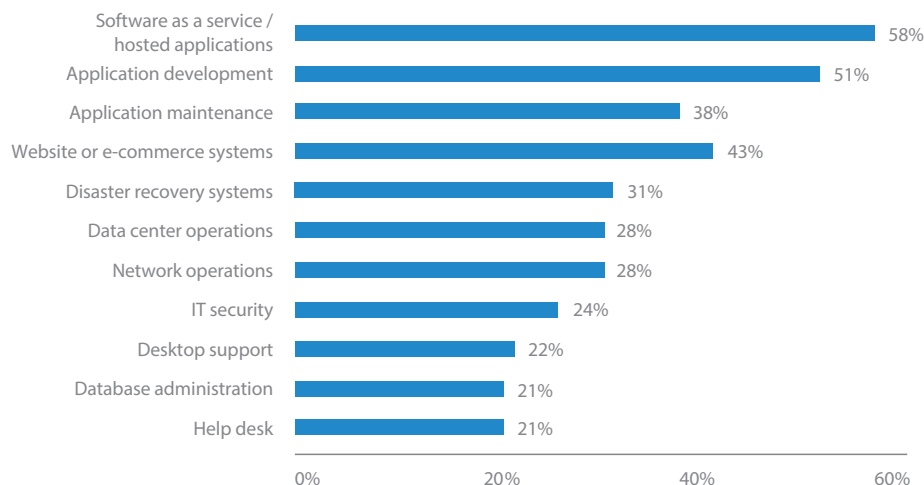
Are 'captive IT' organizations capable of meeting this challenge... particularly in the supply chain space? Many might argue that an on-demand or a software-as-a-service (SaaS) offering is the path to follow.

Supply chain management tools meet software as a service

The success of the on-demand or SaaS model is clear. A recent Gartner release estimates that world-wide SaaS revenue in enterprise applications market will total 10.7 billion in 2011, a 16.2 percent increase from 2010 revenue.¹

A supply chain management on-demand service can allow a company to achieve the rich capabilities it requires in a medium that simplifies adoption by reducing implementation risk, ownership costs, and required IT resources. With the pervasive trend of outsourcing, adoption of on-demand services to solve supply chain challenges is a natural extension of a brand owner or manufacturer's outsourcing activities and offers many compelling benefits.

Figure 2: Percentage of organizations that use outside service providers



Source: Computer Economics, 2010/2011

¹"Service Revenue Is Forecast," Gartner, July 2011 www.gartner.com/it/page.jsp?id=1739214

On-demand service providers optimize value from the data center to the features

Since on-demand services are results driven, with service level agreements (SLA) measuring performance, a shortened path to business value is a key value proposition for on-demand services.

The prospect of an unsatisfied customer walking away is strong motivation.

On-demand service providers must find a way to deliver results instead of excuses. This means that IT processes must be continually tuned and focused, adapting to customer needs. The goal of 'value delivery' is pervasive and crystal clear.

Since the fortune of an on-demand organization is dependent on the value delivered to customers, they are highly motivated to establish optimal conditions for success. These include:

- ▶ High availability data centers
- ▶ Tight physical security
- ▶ Redundancy, providing n+1 reliability by design
- ▶ World-wide connectivity, through careful selection of high performance ISP
- ▶ Purpose specific networks that allow extensive operating system hardening, eliminating most security risks
- ▶ Server hardware that can be bench marked and tuned for a single purpose, delivering maximum value
- ▶ Applications that are designed with a special purpose operational environment in mind thereby maximizing its potential

From a services delivery perspective there are also many opportunities for excellence:

- ▶ On-demand companies learn quickly from real service delivery experience what needs to be improved
- ▶ 'Painful' IT responsibilities, like new version upgrades, can be handled by experts with plenty of experience
- ▶ Continuous staff training
- ▶ Challenging application characteristics (like intensive, extensive memory use) can be carefully monitored and managed for maximum reliability and high performance
- ▶ Third party certifications like SAS-70 and independent security audits

High-value solutions combined with improvement-oriented services drive real value

Manufacturing organizations need high-value supply chain software solutions to deal with industrial supply chain management challenges. Captive IT organizations are extremely challenged to deliver these tools and services. Only when high-value computing products are combined with improvement driven services do these applications deliver their value potential and help companies transform the supply chain management process.

High-value, leading edge supply chain computing products make great on-demand offerings because:

- ▶ On-demand vendors can tune their solution and the operating environment to provide unparalleled performance and service
- ▶ Long-lasting value is assured because vendors are motivated to improve and adapt the service based on customer success
- ▶ Security is assured because special purpose networks are far easier to secure

The "Formula 1" performance required for supply chain management can be attained and maintained, without ever having to buy the car!

The continued downward pressure on IT budgets combined with the shifting dynamics of today's supply chains has created an environment ideally suited to be addressed by on-demand service offerings. On-demand supply chain management software solutions offer the unique combination of tangible benefits to IT (costs savings and low IT resource requirements) and the business (supply chain management solutions designed for today's collaborative industrial supply chain requirements).



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About Kinaxis Inc.

Offering the industry's only concurrent planning solution, Kinaxis helps organizations around the world revolutionize their supply chain planning. Kinaxis RapidResponse, our cloud-based supply chain management software, connects your data, processes and people into a single harmonious environment. With a consolidated view of the entire supply chain, you can plan expected performance, monitor progress and respond to disconnects when reality hits. RapidResponse lets you know sooner and act faster, leading to reduced decision latency, and improved operational and financial performance. We can prove it. From implementation to expansion, we're here to help our customers with every step of their supply chain journey.

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