McKinsey & Company

Successful Planning Implementations

Best Practices

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Introductions



Mike Raftery

Leader, SCM Connections

Chicago - Randolph



Annouck Driesen

Expert

Brussels



Valerio Dilda
Senior Partner
Paris

Why this is a COO priority topic – 10 min

How to set your vision and ambition – 10 min

How to run the transformation – 10 min

Why SCM Connections chose McKinsey – 10 min

Some last tips and tricks – 5 min

Supply Chain has become a top priority across organizations



45% of one year's EBITDA is the average value-at-stake from supply chain disruptions



Shift to a new paradigm: optimize beyond cost, service & quality for resiliency, sustainability, inclusion and customer centricity



86% of companies investing in new SC transformations to respond to industry disruptions and benefit from digitization

... and can unlock significant holistic impact



3-5%

Revenue increase & better customer service



70-90%

Clock-speed increase for a resilient & agile SC



5-10%

SC costs savings



10-20%

Carbon footprint reduction



10-20%

Working capital reduction



5-10%

Capex & labor productivity

Many companies fail to capture the full impact of techenabled SC transformations

Findings from McKinsey research



3.5 years

Median time to complete next-gen planning transformation



35%

Impact from next-gen planning & systems was below expectations



46%

Projects were not on time



26%

Projects were over-budget

Top consistent risks to impactful implementations¹



#1

Insufficient accountability & change management



#2

Poor **process design** and requirements



#3

Inadequate organizational capabilities



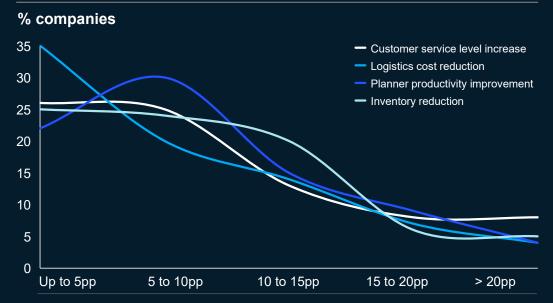
#4

Lack of alignment on **tech** & **process decisions**

^{1. %} respondents who cited it in top 3 risks

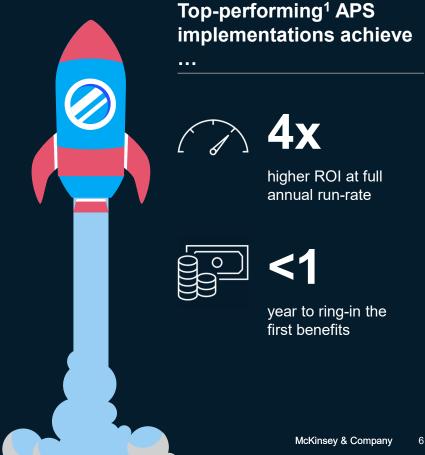
Yet, if done right it leads to remarkable success

Range of outcomes with APS



KPI improvement

Source: McKinsey APS Survey



Average achievements of top 10% implementors of APS, selected based on their ROI and a threshold of \$10M absolute value of return; based on self-reported cost and impact values, based on standard range options; analysis assumed absolute value of cost and impact at mid-point of reported ranges

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Align to S&OP development roadmap

| Example best practices | Demand forecast | Sales & Operations Planning (S&OP) | Integrated business planning (IBP) | optimization Integrated operational and |
|------------------------------|---|--|--|--|
| | Consensus demand plan based on a strong statistical base forecast Transparency on forecast | Mid and long term demand planning Capacity planning Capacity constrained supply planning | Financial valuation of operational plans Integrating operational and financial plans "Single source" forecasting instead of forecast | financial scenario planning (mid and long term) Demand shaping considering commercial and supply situation Profit optimizing demand – supply allocation and decision making |
| Example metrics | assumptions ▶ Forecast accuracy • Forecast bias | Inventory forecast Demand – supply alignment Customer service Capacity utilization Inventory | alignment between functions General management led planning process Revenue and financial targets Total supply chain cost | Portfolio management as part of planning cycle Total company profit |

Financial Appraisal is included in each step of IBP

Objectives

Finance to ensure financial appraisal in each IBP process step and identify gaps vs. financial targets

Portfolio Management Review

Valuation of decisions and impact of changes (e.g. product rationalizations, cost reductions, product changes)

Valuation of Risks and Opportunities

At the minimum, revenue and profitability impact is projected

Targets are provided in order to identify gaps

Demand Review

Financial valuation of the unconstrained demand has been included, considering latest financial assumptions (pricing, discounts, cost changes)

Valuation of risks and opportunities

At the minimum, IBP revenue and profitability impact is projected

Targets are provided in order to identify gaps

Supply Review

Financial valuation of supply chain operations costs fluctuations due to the new assumptions (demand, cost changes, inventory projections, etc.) are included, considering E2E SC – production, warehousing and transportation

Valuation of risks and opportunities

Targets are provided in order to identify gaps

Integrated Reconciliation

Financials (minimum revenue and profitability), metrics and assumptions from each of the 3 preceding reviews (PMR, DR and SR) are put together

IBP financial plan and 'Gap to target' analysis is done for current and next fiscal year

Opportunities and risks are consolidated and modeling/ analysis is performed

Management Business Review

Valuation of IBP plan drivers and decisions is in place

IBP financial plan and 'Gap to target' analysis is done for current and future fiscal years at minimum revenue and profitability level

Gap closing recommendations are valuated with revenue and cost/profit Impact

When done right, transformations yield significant benefits - which easily outweigh the costs

Benefits



Savings

Higher throughput rates

Less operating costs

Decreased logistics costs

Increased labor productivity

Raw material sourcing and pricing

Penalties

Improved make vs buy decisions

Revenue

Increased sales

Less lost sales opportunities

Increased asset utilization (asset OEE)

Increased sales (premium/margin)

Supply availability (asset OEE)

Inventory

Lower inventory levels

Lower obsolete inventory

Logistics emissions

CO₂

Scope 3 emission

Emission in own production

Costs



Implementation costs

Project team costs

Ongoing

Software licensing

Support team

Upgrades, maintenance

User support



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Leverage an agile implementation approach

SCRUM project management framework with deliverables divided into logical sprints



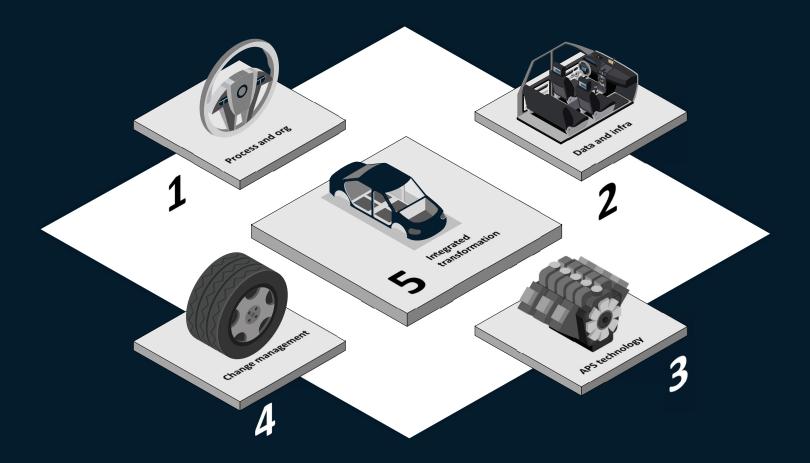
- Creates a sense of urgency speed to deliver = speed to value
- Feedback loops provide a mechanism for early course correction users have early and frequent access to workable pieces of configuration
- User validation Provides a learning opportunity for the project team by experiencing the IBP tool functionality on their own data
- Creates a **framework** for evaluating scope and quantifying the impact of changes
- Provides a means to quickly evaluate progress and status
- Train the trainer sessions are conducted at the end of each sprint
- This is a **proven framework** utilized in prior implementations

Set up a strong project governance to ensure alignment and on time de-risking

Project Team Stakeholders Steering Committee Frequency - DAILY (15 mins) Frequency - Weekly Frequency - EACH SPRINT When - Start of each day from Sprint 1-When - End of each Sprint Agenda GoLive Progress to date Agenda Agenda Review progress **Burn Down Charts** Work completed - Refine Sprint Approach Open issues Work in process - Risk & Mitigation Approve upcoming scope and timing Road Blocks

Scrum Methodology: Daily Scrum Meetings (15 minutes to review backlog accomplishments, open tasks and impediments), Weekly Status Reviews (30 mins to review Burn Down Charts, Critical Issues, Risks and Proposed Action Plan), and Gate Reviews at end of each Sprint (1-2 hours). Monthly SteerCo meetings. Project Management Assets: Project Plan, Issue Logs, Risk Register, Burn Down Charts, Escalation Process and Change Management.

Set up a workplan for your 5 workstreams which should always be present in your transformation



Source: McKinsey Plan McKinsey & Company 1

Plan out the project phases for each implementation wave

Process Diagnostic 4 weeks

Design 5 weeks

Solution Build 16 weeks

Testing & Cutover 6 weeks

Hypercare 4 Weeks



Understand current processes and user assessments.

S&OP Maturity
Diagnostic, including
capabilities mindsets and
behaviors

Align on strategic vision and value driven IBP roadmap

Quantify data integrity efforts needed for design



Map data requirements

Design blueprint, specifications and user journeys

Document all specific configuration requirements

Map process changes to blueprint outline

Review and approve design to kickoff build



Build of solution in QA tenant

3 Sprints, each with train the trainer sessions at the end of each sprint

Create SIT scripts

Create UAT scripts

Finalize configuration guide for Build CPI integration for all integration requirements



Testing in QA, SIT & UAT Incremental Training

Cutover tasks

Migrate to production environment

Confirm successful production environment migration

Support process documentation

Go LIVE



Provide project closure support and alignment on success

Define roadmap for Phase 2

Provide incremental training & hypercare to user base

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SCM Connections is a distinctive digital implementation firm



| ٥٥٥ | Talent & Expertise | 40+ APS implementation consultants and experts with 11 years' average work experience and 7 years' average SAP experience |
|-----|------------------------------|---|
| | Implementation Experience | 100+ projects across 30+ clients in the past 8 years |
| | Geographies | International experience in delivering implementation projects |
| KI | Satisfied Customers | Highly satisfied clients, with 80% of business comprised of existing clients |

Supply Chain planning Tech expertise



McKinsey & Company Transformation expertise

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Keys To Success



- 1 Focus on process first
- 2 Ensure business priorities are met
- 3 Allow for evolution, ongoing improvements
- 4 Do not underestimate long term support implications
- 5 Create integrative team
- 6 Embed resources from all areas

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