

McKinsey  
& Company

# Successful Planning Implementations

Best Practices

June 7, 2023

CONFIDENTIAL AND PROPRIETARY  
Any use of this material without specific permission of McKinsey & Company  
is strictly prohibited

# Introductions



**Mike Raftery**

Leader, SCM Connections  
Chicago - Randolph



**Annouck Driesen**

Expert  
Brussels



**Valerio Dilda**

Senior Partner  
Paris

# Contents

**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

Q&A – 15 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

Source: McKinsey Global Institute analysis (2020) and MSC CxO survey (2021, N=1004); McKinsey survey of global Supply Chain leaders (2021, N=71)

## ... 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 tech-enabled 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%**

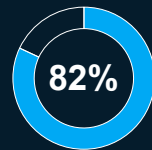
Projects were not on time



**26%**

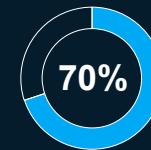
Projects were over-budget

## Top consistent risks to impactful implementations<sup>1</sup>



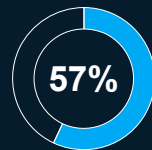
**#1**

Insufficient accountability & change management



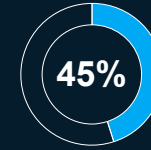
**#2**

Poor **process design** and requirements



**#3**

Inadequate organizational capabilities



**#4**

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

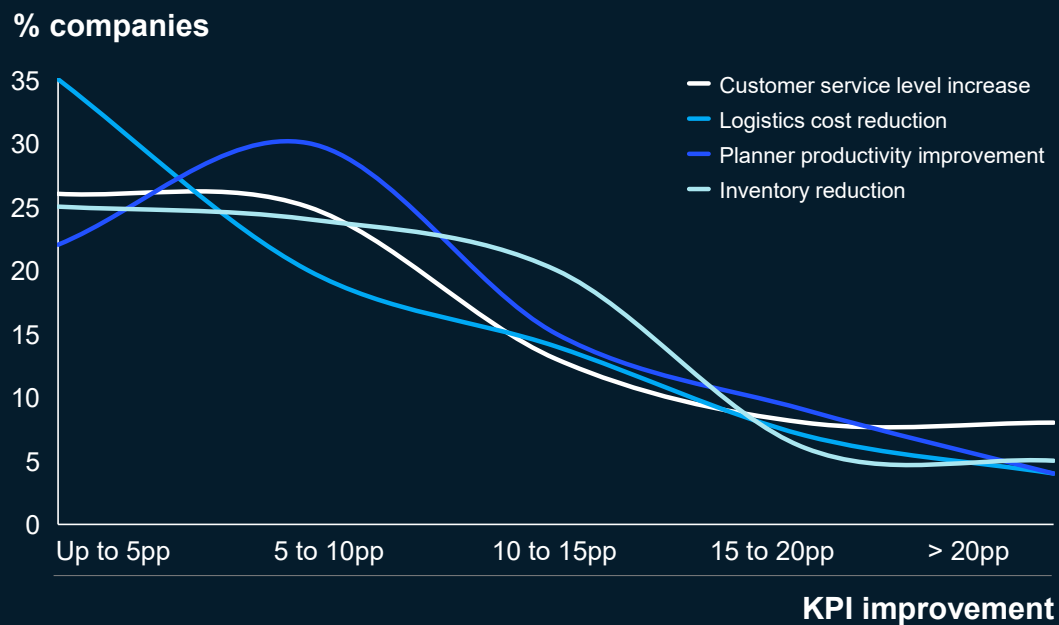
1. % respondents who cited it in top 3 risks

Source: Client survey, McKinsey Supply Chain Executive Academy 2021 Q4, N=44

McKinsey & Company

## Yet, if done right it leads to remarkable success

### Range of outcomes with APS



1. 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

Source: McKinsey APS Survey

### Top-performing<sup>1</sup> APS implementations achieve

...



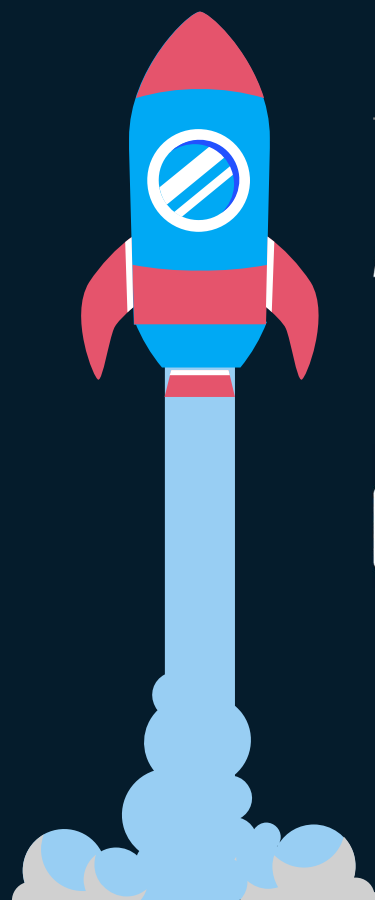
**4x**

higher ROI at full annual run-rate



**<1**

year to ring-in the first benefits



# Contents

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

Q&A – 15 min

# Align to S&OP development roadmap





# 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 valued 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



### One time

- Implementation costs
- Project team costs

### Ongoing

- Software licensing
- Support team
- Upgrades, maintenance
- User support

# Contents

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

Q&A – 15 min

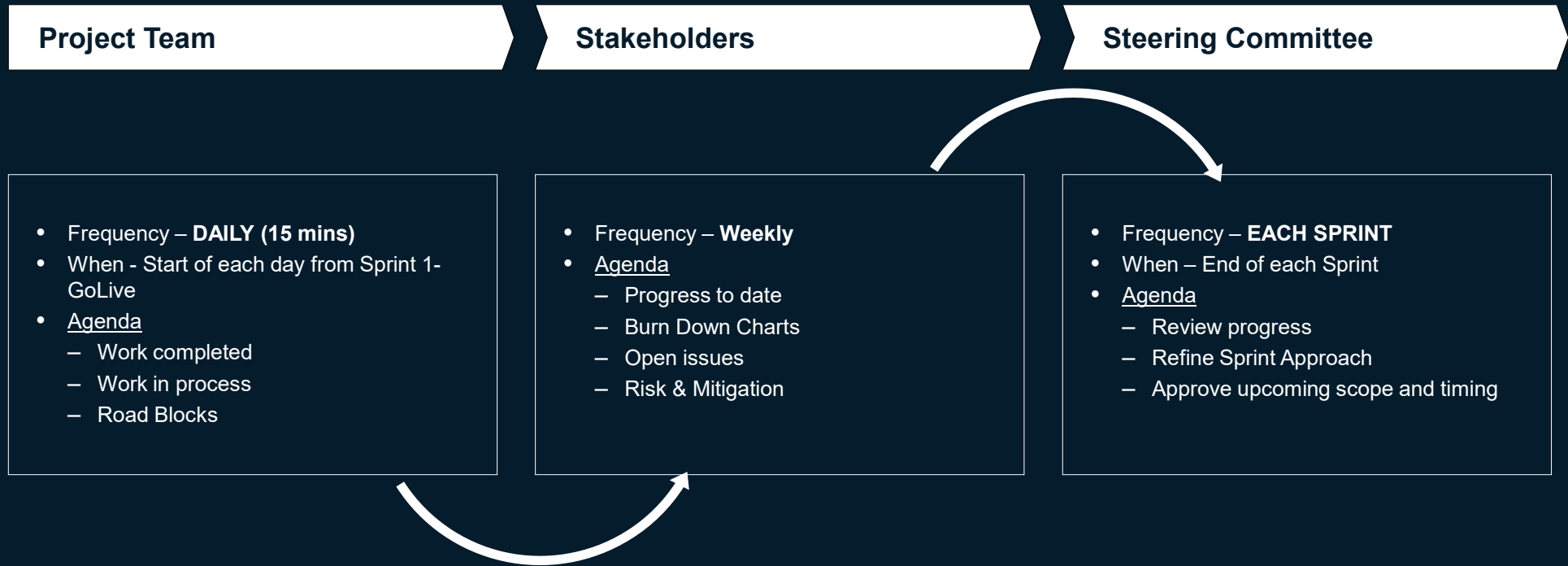
# Leverage an agile implementation approach

SCRUM project management framework with deliverables divided into logical sprints



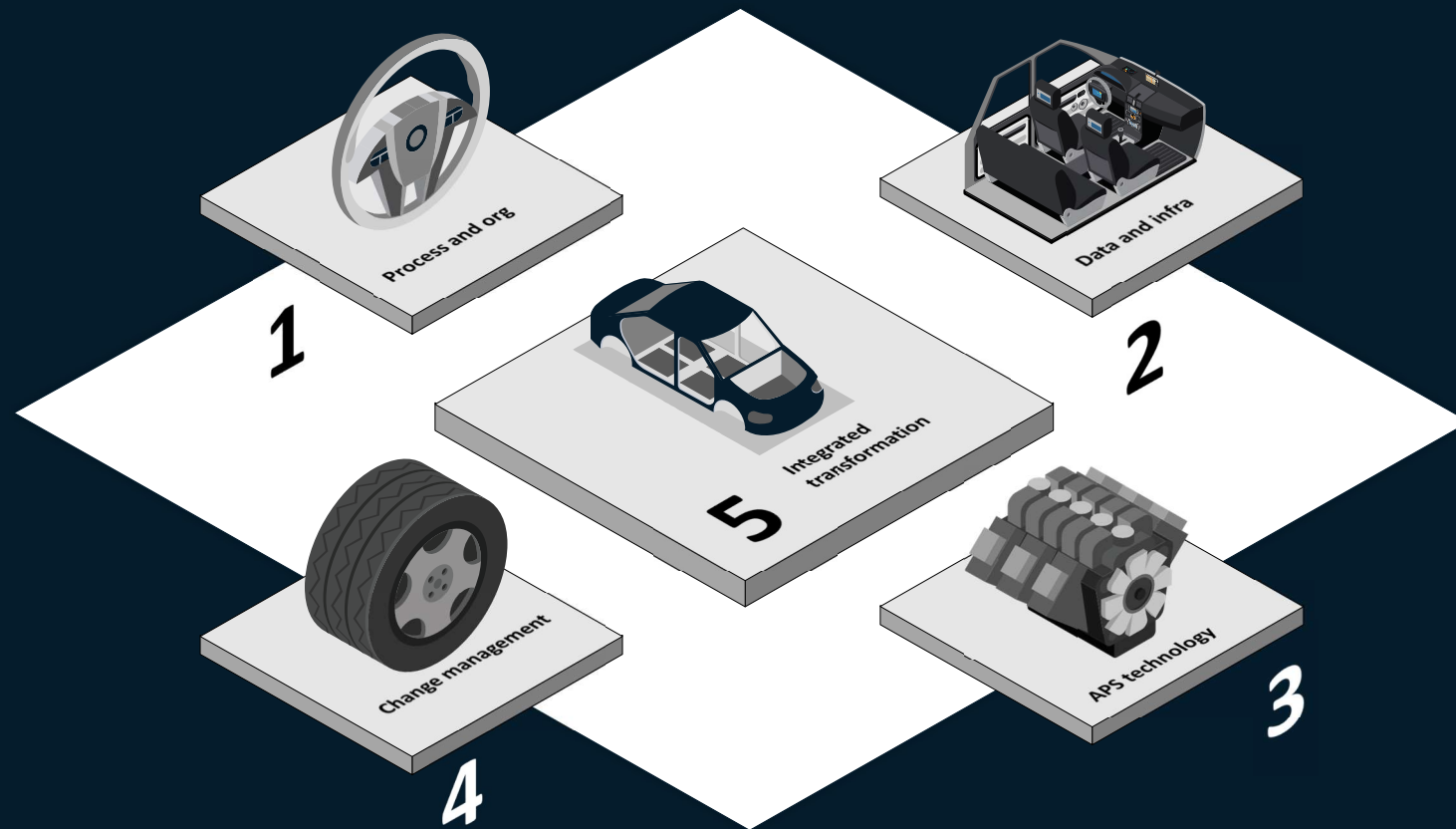
- Creates a sense of urgency – **speed to deliver = speed to value**
- **Feedback loops** provide a mechanism for **early course correction** – users have early and frequent access to workable pieces of configuration
- User validation - **Provides a learning opportunity for the project team** by experiencing 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

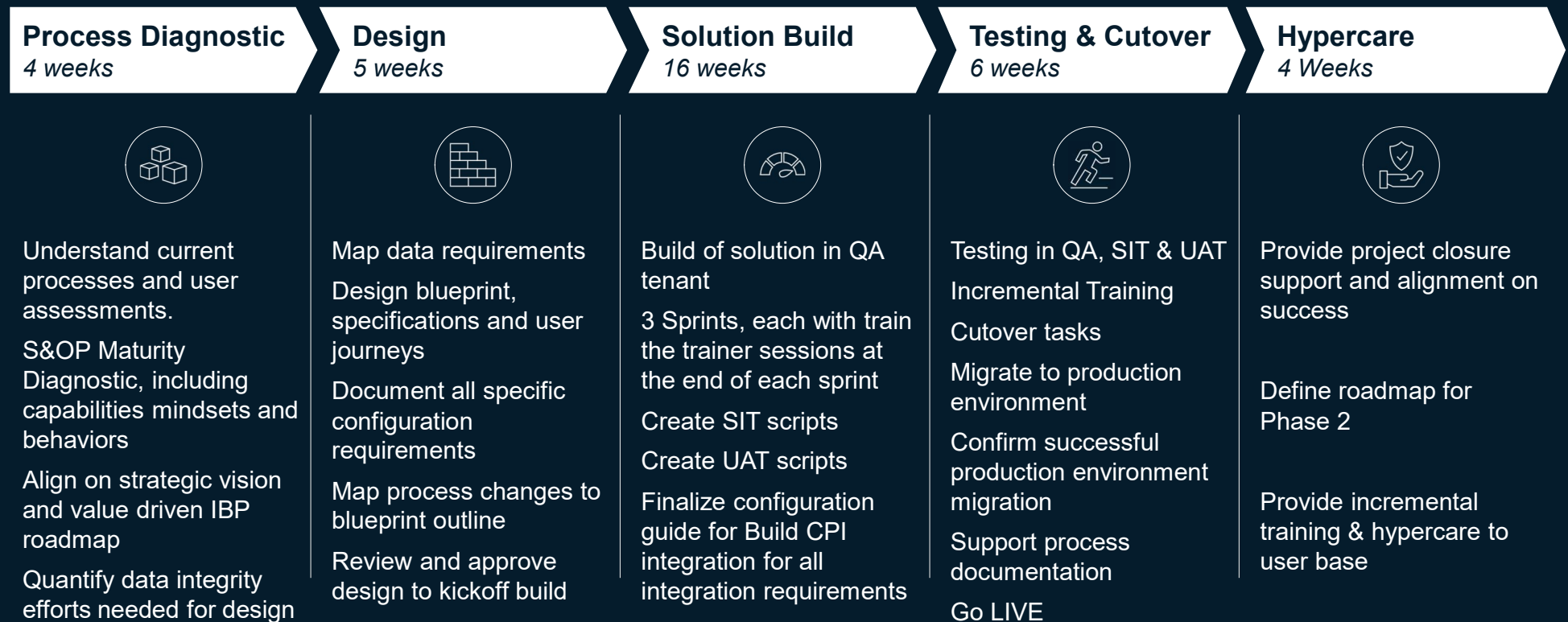


Scrum Methodology: Daily Scrum Meetings (15 minutes to review backlog accomplishments, open tasks and impediments), Weekly Status Reviews (30 mins to review Burn Down Charts, Critical Issues, Risks and Proposed Action Plan), and Gate Reviews at end of each Sprint (1-2 hours). Monthly SteerCo meetings.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



# Plan out the project phases for each implementation wave



# Contents

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

Q&A – 15 min



# SCM Connections is a distinctive digital implementation firm



## 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



## Satisfied Customers

**Highly satisfied clients**, with **80%** of business comprised of existing clients

**Supply Chain planning  
Tech expertise**



**McKinsey  
& Company**

**Transformation  
expertise**

# Contents

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**

Q&A – 15 min

## 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

# Contents

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

**Q&A – 15 min**