



Value Chain Planning Report

This report investigates maturity of value chain planning in Danish companies, possible transformation challenges and some tips & trick on how to get started

Based on data from Deloitte's Supply Chain Panel Dec '23 – Jan '24

Foreword

As value chains get more and more challenged with increasing dynamics in both supplier and customer markets, leading companies invest significant efforts in maturing and mastering the complex discipline of cross-functional value chain planning and decision making

With this report, our aim is to take the temperature on value chain planning maturity, the weaknesses and challenges in maturing and provide some tips on value chain planning transformations.

We use the terminology “value chain planning” as general nominator for the different concepts of Sales & Operations Planning (S&OP) and Integrated Business Planning (IBP), as companies label their process differently due to their maturity stage, culture and tradition.

We have been working with Sales and Operations Planning (S&OP) and Integrated Business Planning (IBP) for over 25 years, at different maturity stages. Mature value chain planning will deliver significant business benefits for those mastering it.

Over the years, we have witnessed companies embark on their transformation journeys, stepping out of their comfort zones and achieving significant business performance improvements. However, numerous obstacles arise along the way—pitfalls that remain unknown until you encounter them.

We hope you enjoy reading this report, and you are welcome to get in contact.



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Typical challenges on the
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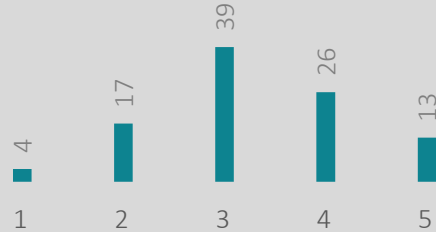


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Key takeaways

MATURITY



Many respondents have a value chain planning process, however, 60% have a real potential to gain further value as they are operating at medium or below maturity level.

TRANSFORMATION APPETITE

Respondents seem to recognize the potential as

74%

are already in transformations or considering it.

TRANSFORMATION CHALLENGES

Respondents that are already in progress with transformations and respondents that are considering it, have quite different perspective on challenges, however they agree on one thing:

Agreeing on a common mission for value chain planning across functions

is the #1 challenge

WEAKNESSES

- 1 The process lacks technical integration and is highly manual
- 2 The process is not aligned to other processes like budget, CAPEX, business review etc.
- 3 The process structure does not efficiently match the value chain and organizational structure

POTENTIAL BENEFITS

Top-3

- 1 Capacity utilization
- 2 Profitability
- 3 Transparency

GETTING STARTED

Find the below Do's & Dont's and other tips & tricks in the back of the report



Start your project aligning the ambition, mission and strategic success criteria, to define the process purpose and content accordingly



Don't forget training for all participants and all levels, just because you are not implementing technology



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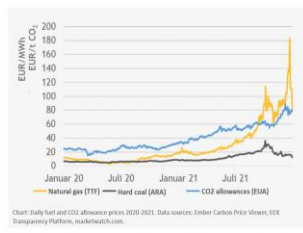
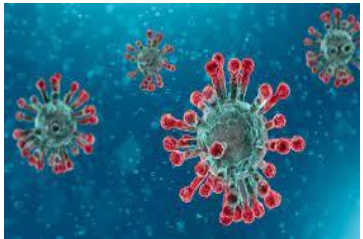
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Value chain planning becomes more and more critical

Capabilities such as agility, resilience and value management are important in today's business environment

Businesses operate in a dynamic and disruptive world...



...that requires key capabilities



AGILITY

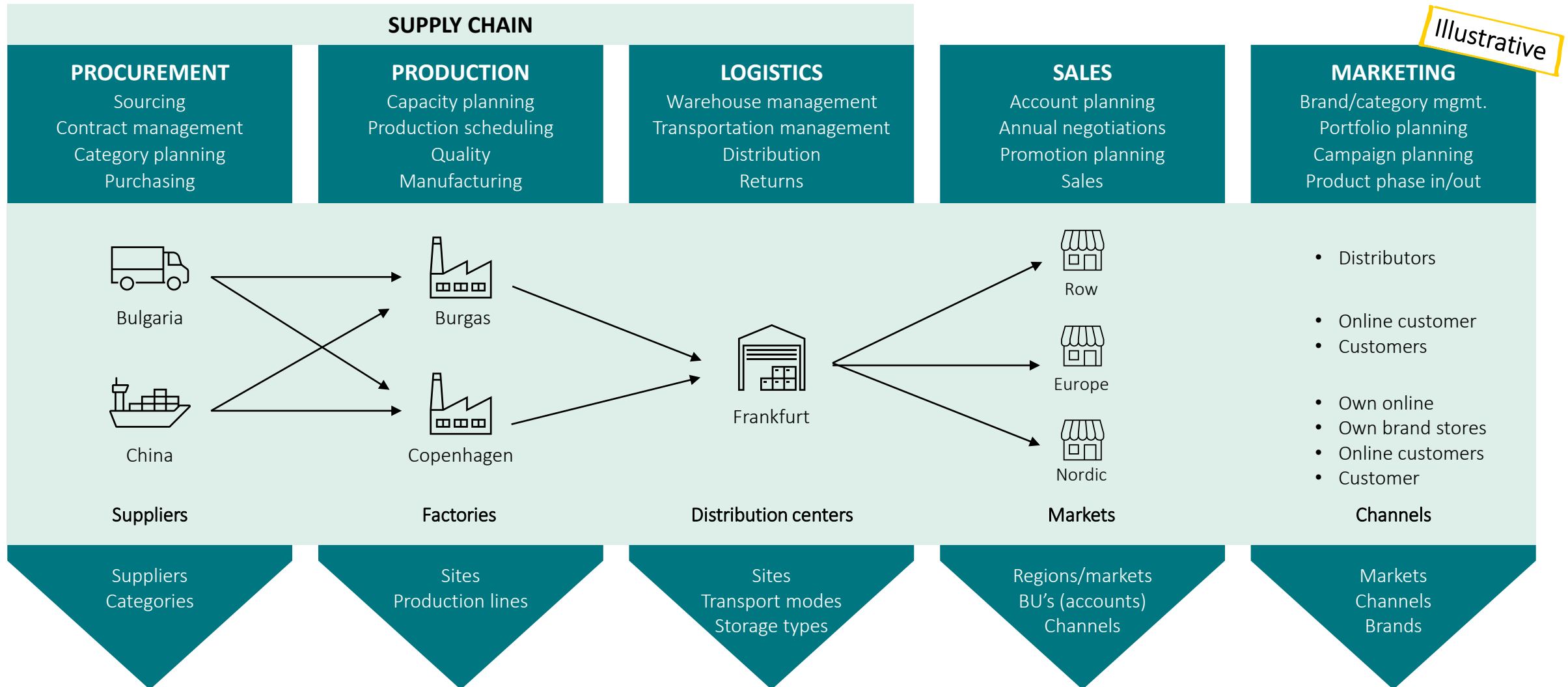


RESILIENCE



VALUE ADD

By value chain planning, it means the cross-functional planning and decision process that companies pursue to manage their value chain most effectively



Mature value chain planning delivers significant business benefits

As the intangible benefits improves over time, they will deliver tangible performance improvements

Intangible benefits

“Our value chain planning process...”

...is our core business management process

...underpins the value proposition for our business

...links our strategy to execution

...gives us visibility in the end-to-end value chain

...enables timely business decisions on risks and opportunities

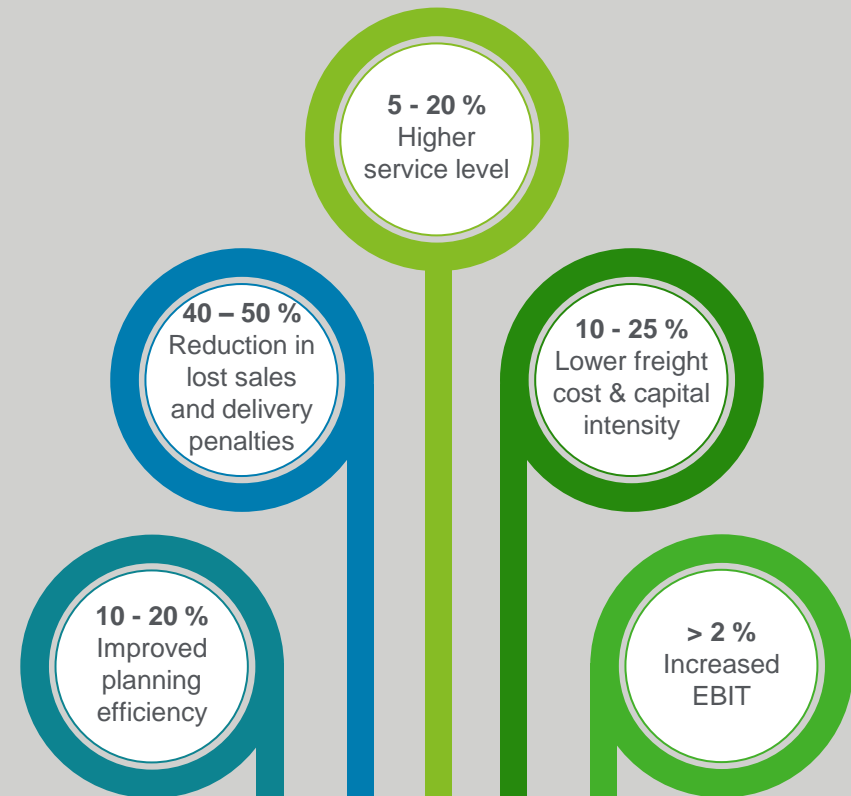
...enables informed and accurate decisions

...fosters efficient cross-functional collaboration

...governs an aligned and integrated plan across functions

...gives us the most accurate financial forecast

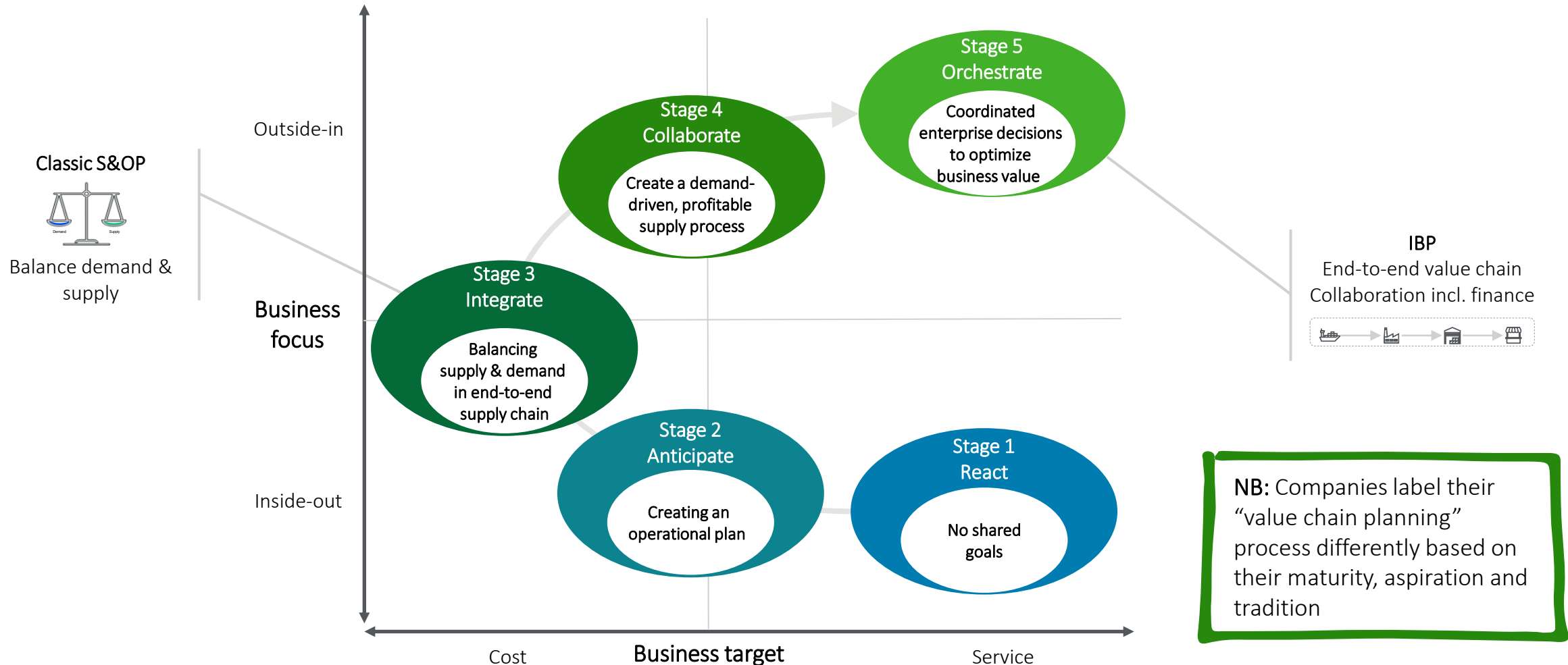
Tangible benefits



Source: Deloitte experiences.

Value chain planning exists at different maturity stages from React to Orchestrate

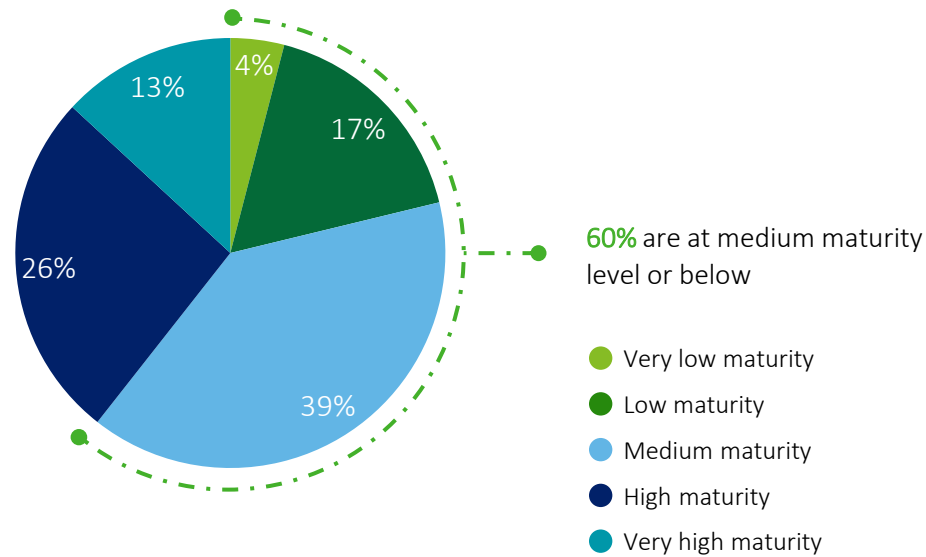
Integrated Business Planning (IBP) represents the most mature stages and deliver the highest value



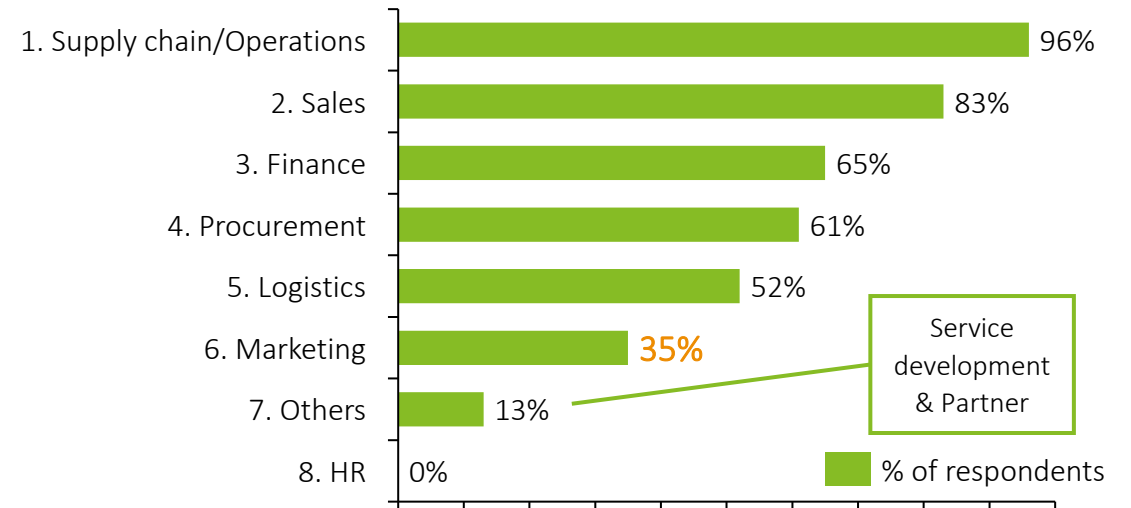
Maturity of value chain planning

Respondents were asked to score their maturity level based on characteristics of each level, and which functions participates in their process

Maturity score based on characteristics



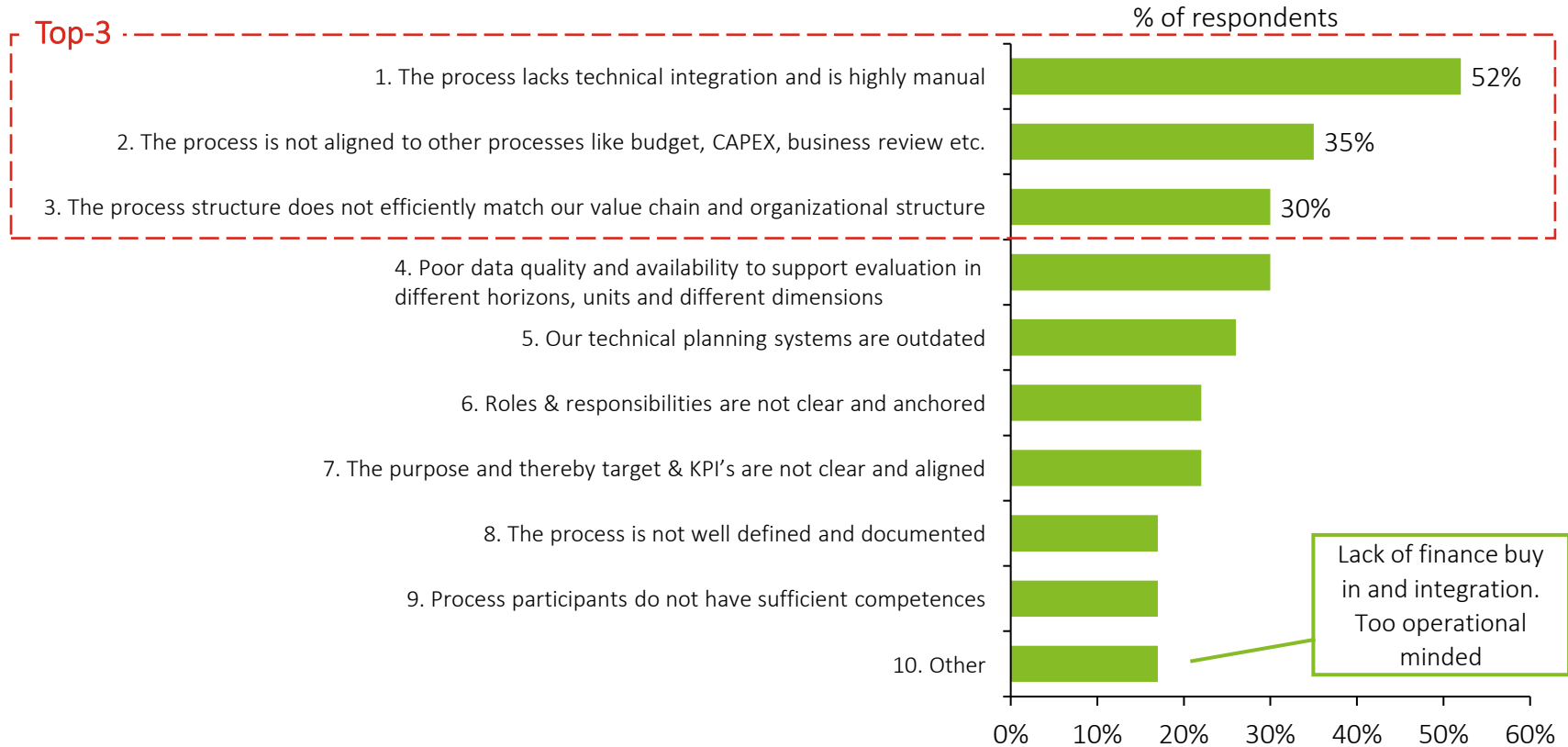
Participating functions



Many companies have a value chain planning process in place and involve a wide range of functions in it. However, most respondents have a potential to gain further value from maturing their value chain planning as **more than half are at medium maturity level or below, and only one third have integrated the marketing function in the process.**

Weaknesses in current value chain planning process

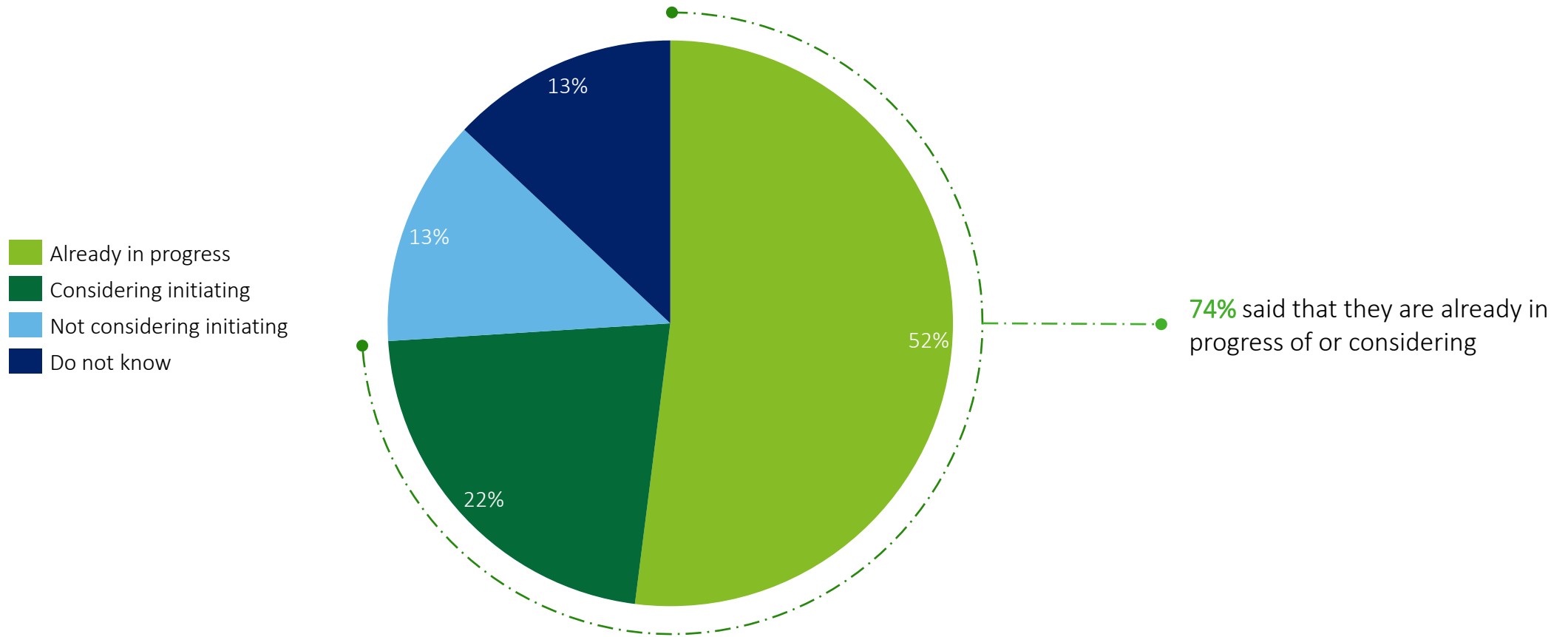
Respondents were asked to mark which weaknesses they experience in their current process



*It is not surprising that **technical integration ranks high** as this weakness typically requires larger investments, however the current weaknesses of “lack of alignment to other business management processes” and “the process structure does not match value chain and organization” is a reminder that **technology cannot stand alone**.*

Transformation appetite

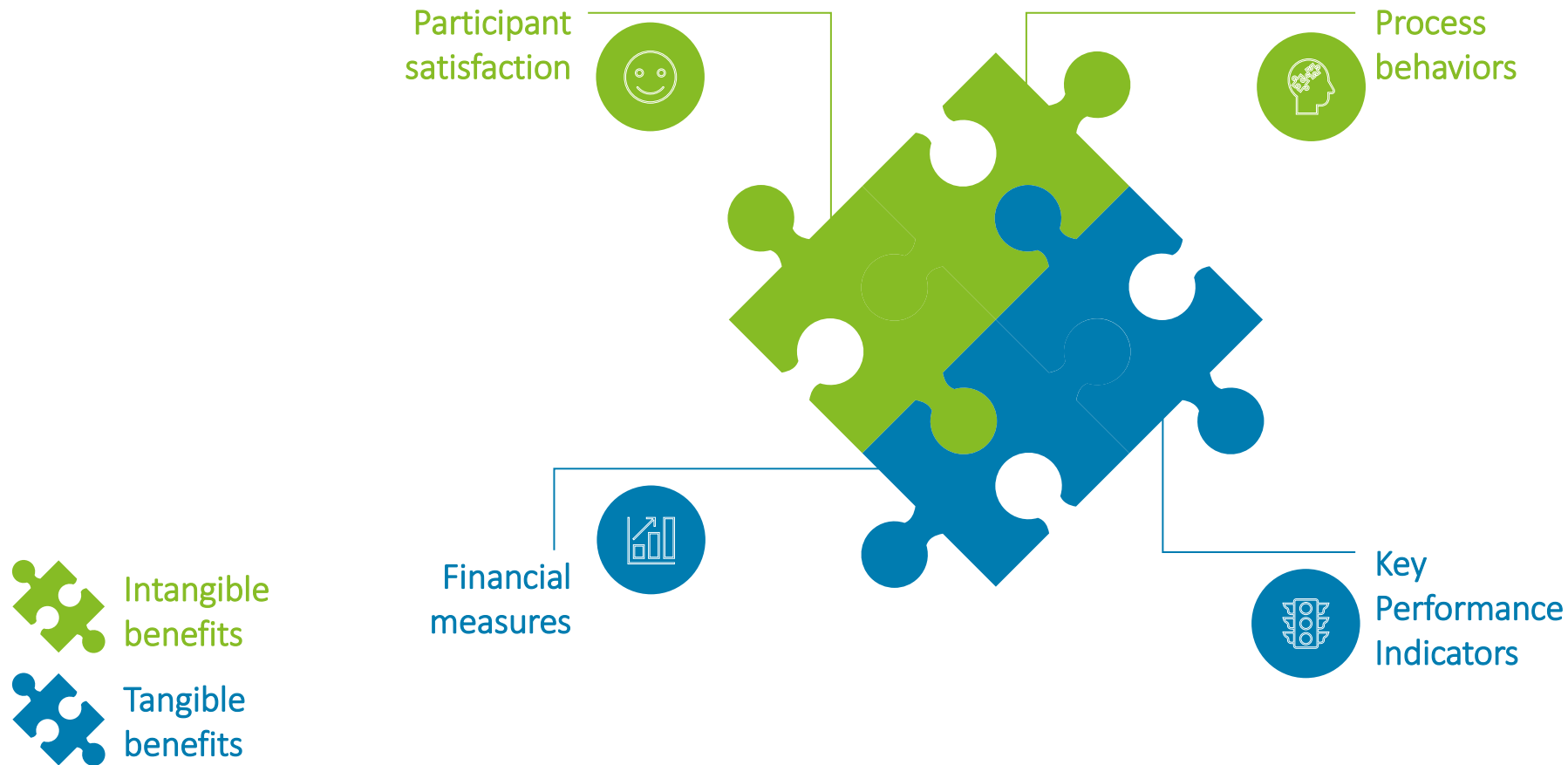
Respondents were asked if they were already in progress or were considering value chain planning transformations



Companies seem to recognize the potential of maturing as 2 of 3 already are in transformations or considering to initiate.

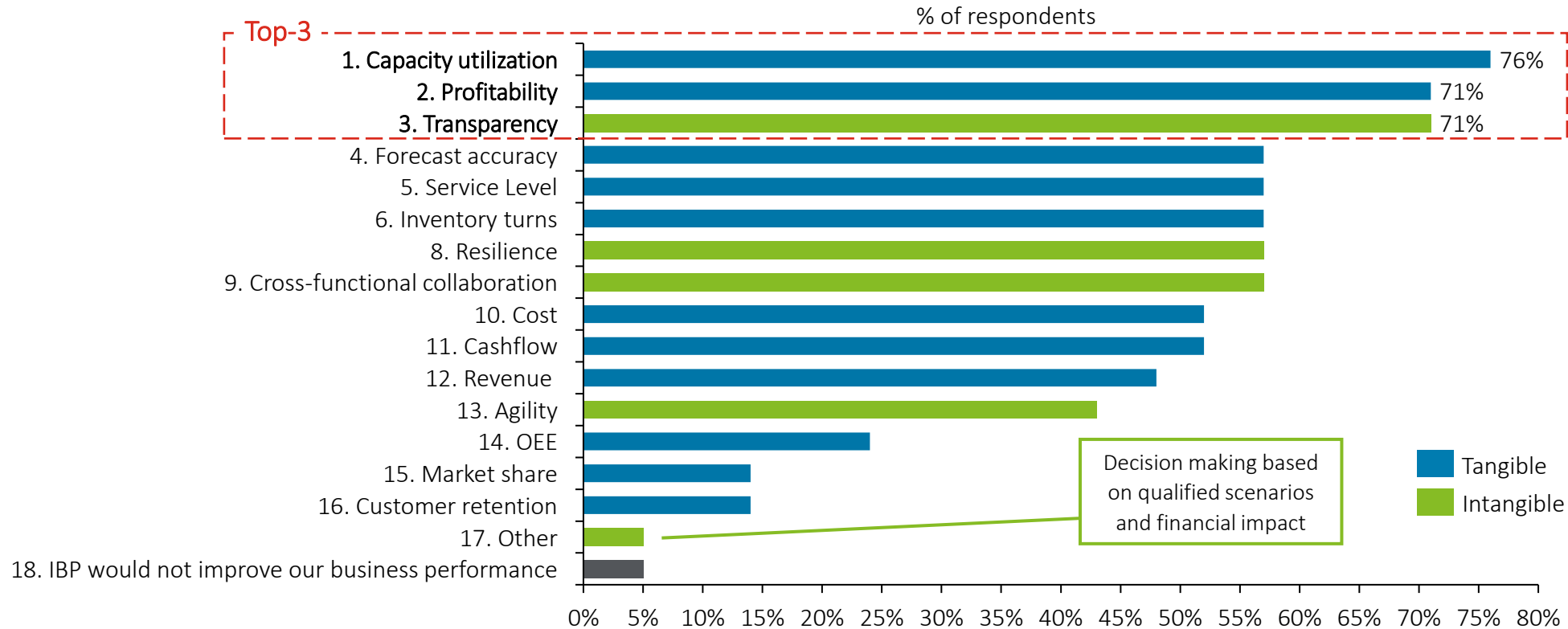
Value chain planning benefits can be measured in different dimensions

Companies choose different approaches. Our recommendation is to choose at least one tangible and one intangible and make them as “SMART” as possible



Potential benefits from maturing value chain planning

Respondents were asked where maturing value chain planning would improve their business performance



There is no right or wrong answer here as we believe all the suggested benefits are there. However, the ranking of benefits are skewed towards traditional supply chain metrics rather than market-oriented metrics, which might be a combination of the survey respondents mainly working in the supply chain domain as well as the maturity of respondents are at the medium or lower maturity stage, hence the more market facing benefits are not that obvious.



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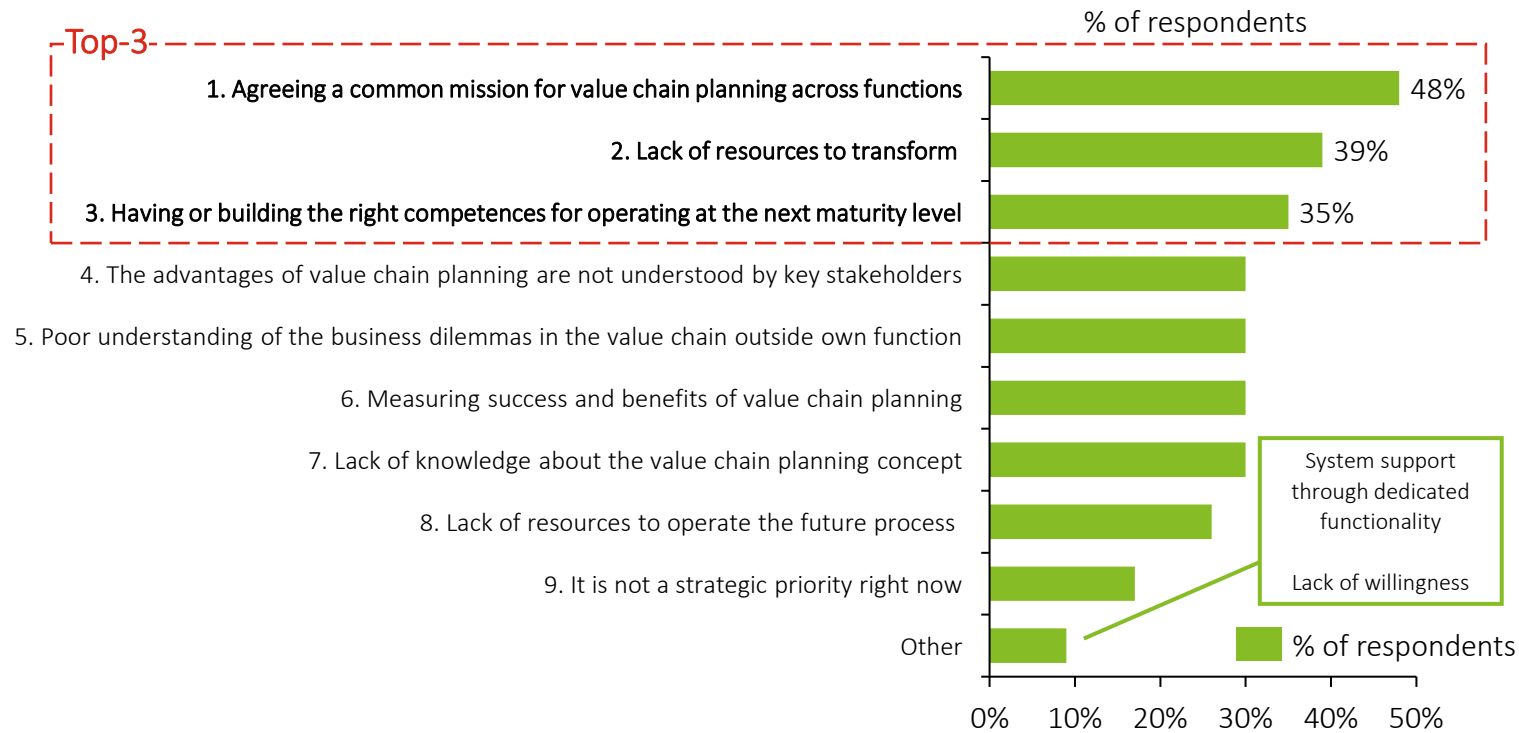


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When embarking on IBP transformations there are multiple challenges ahead

Respondents were asked which challenges their transformations face or most will likely face



Agreeing a common mission is ranked #1 transformation challenge by respondents, but closely followed by lack resources and building future competences.

Consumer company case

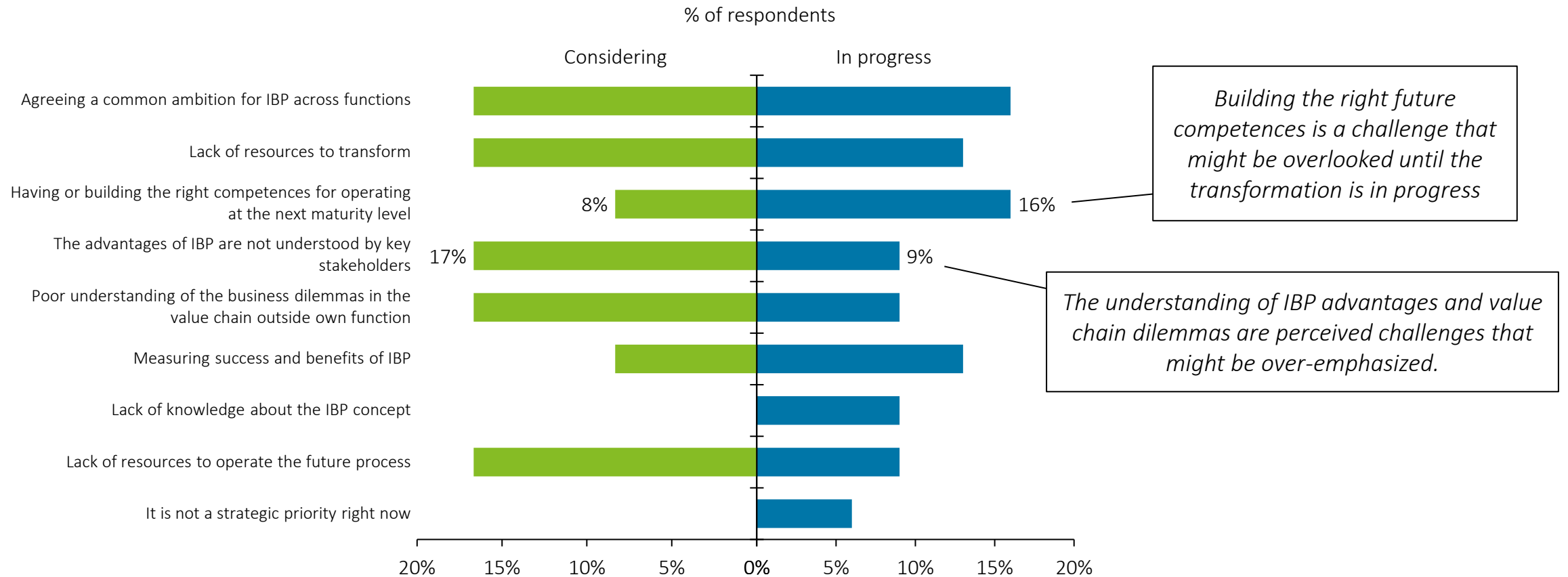
The company had an established S&OP process in place that was rigorously followed with high participation from stakeholders at all levels, yet the process **failed to bring significant value to the table**. The root cause was that it was not clear to participants what the mission and purpose of the process were; hence, the meeting content and discussions lacked relevance. Once **a mission was agreed upon**, meeting content was adapted, and suddenly, the relevant topics were discussed, and scenarios collaborated on cross-functionally. As a result, the process added value, maturing towards IBP maturity.

Food company case

The company wanted to implement S&OP in their local subsidiaries to improve performance and enable better intercompany planning. For one year, almost all subsidiaries managed to establish S&OP with **external support bringing resources and competences**. However, the process was **not anchored strongly enough**. The process started to erode when external support phased out. The journey had to be restarted.

The challenges differ between those already in progress and those considering

Albeit both groups agree on “agreeing a common mission” is #1, there are large differences in perception between groups



In general, those considering to initiate a transformation somewhat looks more optimistic than those already in progress. For those considering, it might be worth while adding more focus on building the future competences and invest time in getting properly familiar with the IBP concept, as these two challenges might be underestimated.



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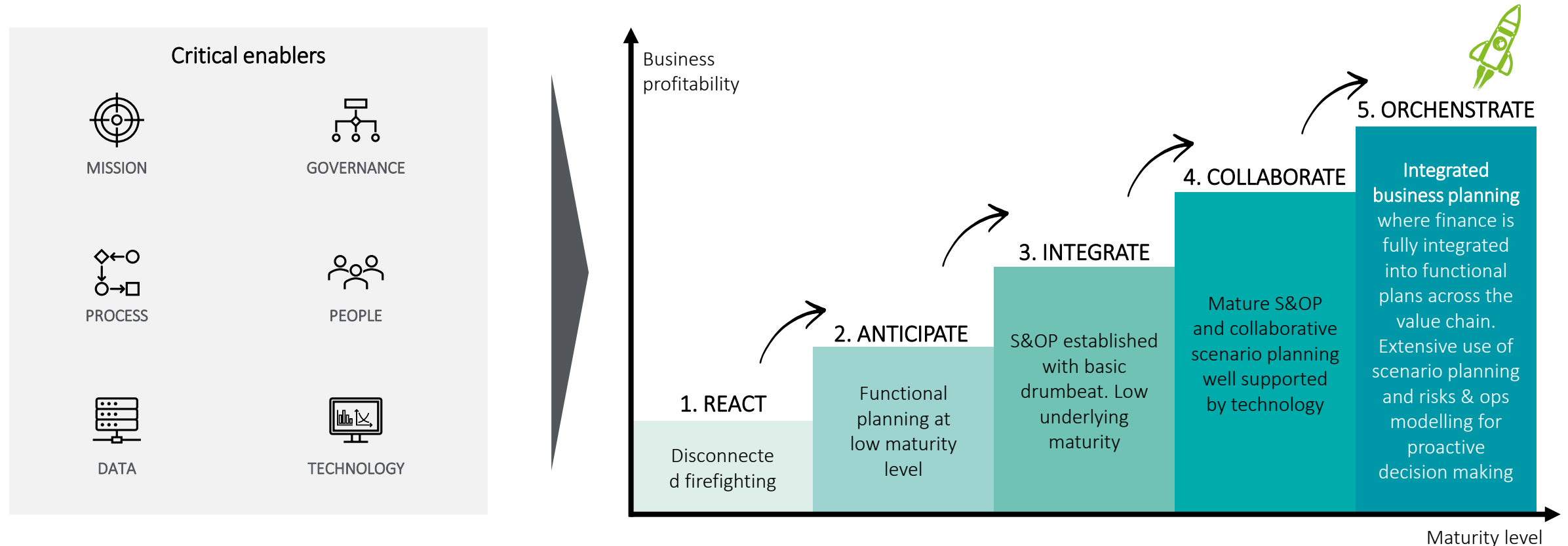


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The transformation journey must address the critical enablers for value chain planning success

The 6 critical enablers must be tailored and aligned with the maturity ambition - *The chain is not stronger than the weakest link*



The mission is the starting point and an often-overlooked enabler, as the survey also suggests. It secures that process stakeholders share the same understanding of the company value chain challenges, which risk & ops are relevant and which decisions should be taken in different process steps. The process should manage the right plans and decisions to be valuable – not just random content from theory books.

Best practices for value chain planning improvement projects

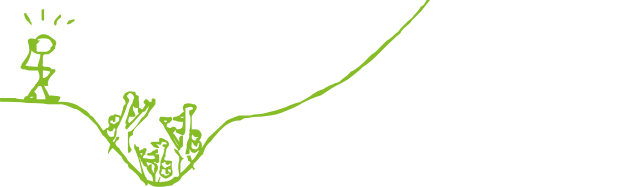
Do's and don'ts for successful transformation journeys



- 1 **Plan your transformation in waves** and remember that you must crawl, before you can walk run and fly
- 2 **Start you project aligning the ambition, mission and strategic success criteria**, to define the process purpose and content accordingly
- 3 Address and tailor **all the critical enablers** to your intended maturity stage and make sure that they are aligned across
- 4 Design an “operating model” that **reflects your business management structure** and aligns to targets and decision mandates
- 5 Consider the **reconciliation step the most important process step** where functions meet to find optimal solutions to the value chain challenges
- 6 Make a **solid training plan** so process participant obtain future required capabilities and understand your end-to-end value chain mechanics and the intended “operating model”



- 1 Don't be **overambitious** on what you are capable of achieving in each wave
- 2 Don't underestimate that **without clear direction or relevance** your process will not deliver value
- 3 Don't forget that the **chain is not stronger than the weakest link**
- 4 Don't disregard the **mechanics of your value chain**, outlining which decisions, risks and ops that are relevant for your specific value chain
- 5 Don't think of value chain planning as a **waterfall process**, this of it as a cross-functional planning and decision process
- 6 Don't forget **training** for all participants and all levels, just because you are not implementing new technology





This report is the work of Supply Chain & Network Operations, Deloitte Consulting, Deloitte Denmark.

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