Radisys: Taking Control of Supply and Demand Planning

radisys.

Company
Radisys Corporation

Industry
High tech

Products and Services
Embedded wireless infrastructure solution

Web Site
www.radisys.com

SAP® Solutions
SAP® Supply Chain Response Management application by icon-scm

Partner
icon-scm AG

Outsourcing manufacturing has many benefits, but it can also create difficulties. For network infrastructure provider Radisys Corporation, it meant losing the ability to jointly plan supply and demand. Radisys restored control with the SAP® Supply Chain Response Management application by icon-scm. With **full visibility into its contract manufacturer's supply picture,** Radisys can update its demand fulfillment plan daily instead of weekly, reducing inventories while boosting customer service.

Confronting a challenging environment for planning

Radisys Corporation is a leading supplier of embedded wireless infrastructure solutions for telecommunications, aerospace, defense, and public safety applications. The Hillsboro, Oregon, company employs 300 people and generates US$300 million in annual revenues. Radisys has run its business with SAP software for many years.

The nature of Radisys's business inherently poses a number of challenges for supply and demand planning. The firm makes a great many products that are sold in low volumes, which makes it hard to keep inventory costs down while remaining able to satisfy customers. With significant commonality of material components among products, the opportunity to efficiently utilize inventory exists, but it poses the complex challenge of balancing business priorities, assembly coordination, and changing demands. In addition, many of the orders the company receives are deal based, which means that they are subject to cancellation if the customer does not win the deal. For this reason, Radisys's sales forecasts are subject to quite a bit of variability.

The Radisys planning process proved adequate in the past when the company did its own manufacturing in-house. Even though the forecasts often changed, the supply and demand planning staffs made appropriate adjustments and stayed in sync because they were colocated and in regular communication.

Compounding the challenges by outsourcing production

Several years ago, the cost benefits of outsourcing manufacturing offshore became too compelling, and Radisys engaged a company providing electronics manufacturing services in Malaysia to perform its production. While this saved production costs, it abruptly changed the nature of supply and demand planning. Suddenly the people running the supply chain at the contract manufacturer were no longer around the corner from the Radisys demand planners – they were around the world. Radisys had poor visibility into its manufacturer's materials on hand or on order, and the manufacturer simply built to the forecast, lacking visibility into large demand fluctuations that occurred after it was created. Radisys's priority was to fulfill orders on time, while the manufacturer's was to minimize inventory costs – they were at cross-purposes. The result was increased inventory and expediting costs and customer service difficulties.

"We had a serious disconnect," says Lisa Aleman, director of sales and operations planning for Radisys. "We were planning demand with no knowledge of supply details, and our partner was planning supply with no knowledge of demand details. We tried to help them make adjustments, but the ability to react to changes took much longer than before, so our plans were generally out of sync with each other. As a result, we weren't serving our customers the way they deserved, and we couldn't even tell them why."

"Nowhere was there a single plan containing both supply and demand details. Our vision was to fix that."

Lisa Aleman, Director of Sales and Operations Planning, Radisys Corporation

Moving to integrated supply and demand planning

Radisys first tried addressing its challenges using spreadsheets, but this was hopeless. "There were about 150 places in the spreadsheet where it could break, and it did – every week," laments Aleman. "Also, we had only one person who was skilled in using it, which left us incredibly vulnerable."

Radisys knew that the right solution was to add a unified supply and demand planning application into its software arsenal – one that could provide visibility into its manufacturer's supply chain. "We looked into many candidate packages," Aleman reports. "There was something wrong with every one that we looked at. Some required an elaborate trial-and-error approach to achieve supply and demand optimization. Some entailed more complexity than we needed and wanted. Others were poorly suited to our industry. Still others just plain took too long to produce answers."

"Finally we learned about the SAP Supply Chain Response Management application by icon-scm, and I saw that it met our needs," Aleman continues. "One would think that as an SAP house, we would have automatically looked at it first thing, but at the time it was an icon-scm product. Since then SAP and icon-scm have formed a partnership to make it an SAP product, which is excellent and very lucky news for us. The application has always exchanged data well with core SAP software, but now that our two key suppliers are partnering closely, it will only get better."

"I find it significant that the application we chose purely on its merits turned out to be the very same product that SAP selected as its solution for integrated supply and demand planning."

Lisa Aleman, Director of Sales and Operations Planning, Radisys Corporation

Minimizing deployment time while maximizing user acceptance

Before making the commitment, Radisys executives wanted evidence that SAP Supply Chain Response Management would perform as Aleman expected, and so icon-scm built a demonstration of the application. "The demo proved that the tool was right for our needs," she says. "The willingness of icon-scm to perform the demo was key to our decision making."

The IT staff at Radisys worked very synergistically with icon-scm and Aleman's planning team on the project. "I have been involved in several implementations of this nature, and compared to most of them, this project went incredibly well," Aleman reports. "Time was of the essence to us, and one of the appeals of the application was its ease of implementation. Sure enough, we finished in just six months, on schedule and within budget."

Prior to going live, Radisys revised its business processes to conform with SAP Supply Chain Response Management. Aleman credits this process reengineering for the warm reception the application received from users when it entered production.

6 months
Implementation time

Optimizing profitability through better planning

Using SAP Supply Chain Response Management, Radisys has succeeded in integrating its supply and demand planning, gaining visibility into the manufacturer's supply chain along with better price and margin information. "This helps us make the best decisions to optimize profitability," Aleman says. "We can run simulations using the application to find the right trade-offs between revenues, costs, and parts mix in inventory. For example, say a customer wants to buy a small quantity of a particular product. Now we can see what it would take to fulfill that order. If it would require a large order of a slow-moving component, for example, or if it would consume components needed for a larger order we're anticipating, we now know enough to commit the order appropriately, understanding the trade-offs. Supply-side visibility makes this possible."

Radisys uses SAP Supply Chain Response Management for both short-term and long-term planning. The short-term focus is on execution, while long-term planning addresses questions like whether to add more capacity or when to phase in material changes. "In both cases, we are using a one-company plan that considers supply and demand in a completely integrated way," states Aleman.

"It used to take us 12 weeks to generate supply and demand plans for a full forecast cycle – from our customer, through the distributor, to Radisys, to our manufacturing partner, and back," Aleman adds. "By then the forecast was out-of-date. Now we can do it in four weeks, while the forecast is still pretty good. One of our customers recently told us we're now one of its top five suppliers, with the highest on-time delivery ranking it has ever given any supplier."

Committing with confidence

Unified planning helps Radisys's business in many ways. Tighter cycles for demand and supply planning have reduced overall spending. In the past, materials were often ordered that were no longer necessary because of changes in procurement policies, forecasts, or engineering. Sales, operations, and financial plans are now aligned with true supply feasibility. This reduces response times, inventory levels, and expediting costs. Customer satisfaction is up, accelerating the revenue stream.

"Now we can see potential shortages for ourselves in time to do something about it," says Aleman. "That lets us adjust our demand planning daily instead of weekly, and our production plans weekly instead of monthly. We are committing to delivery dates within 24 hours 95% of the time instead of always having to hedge because of supply uncertainty. And if ever we can't meet a customer's requested delivery date, we can explain why in detail."

Supply-side visibility even gives Radisys insights into its manufacturer's thought processes and the ability to change that thinking if necessary. "We can see how our partner is planning to fulfill complex orders, find out how well its plan matches up with our customers' requirements, and make adjustments to satisfy both parties' needs," Aleman explains. "Our manufacturer's people are as happy with SAP Supply Chain Response Management as we are, not just because they are saving on inventory costs, but also because it allows them to replicate our priorities."
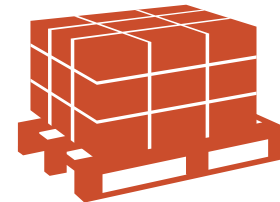
95%
Delivery dates committed to customers within 24 hours

Reaching supply chain planning maturity

Recently Radisys acquired a company called Continuous Computing that had few tools for supply and demand planning and no optimization. Now Radisys is nearing completion of a project to bring this acquisition on board with SAP Supply Chain Response Management.

Radisys pays close attention to its supply chain planning maturity and is very pleased with recent progress. "Before we implemented SAP Supply Chain Response Management, we were barely out of the infancy stage in the area of sales and operations planning," says Aleman. "We have climbed enormously since then. Our next step will be to enhance the use of SAP BusinessObjects™ business intelligence solutions to report more of our supply and demand plans to finance, operations, executives, and other stakeholders. Once we have that down, I'd say we'll have reached the full maturity stage."