

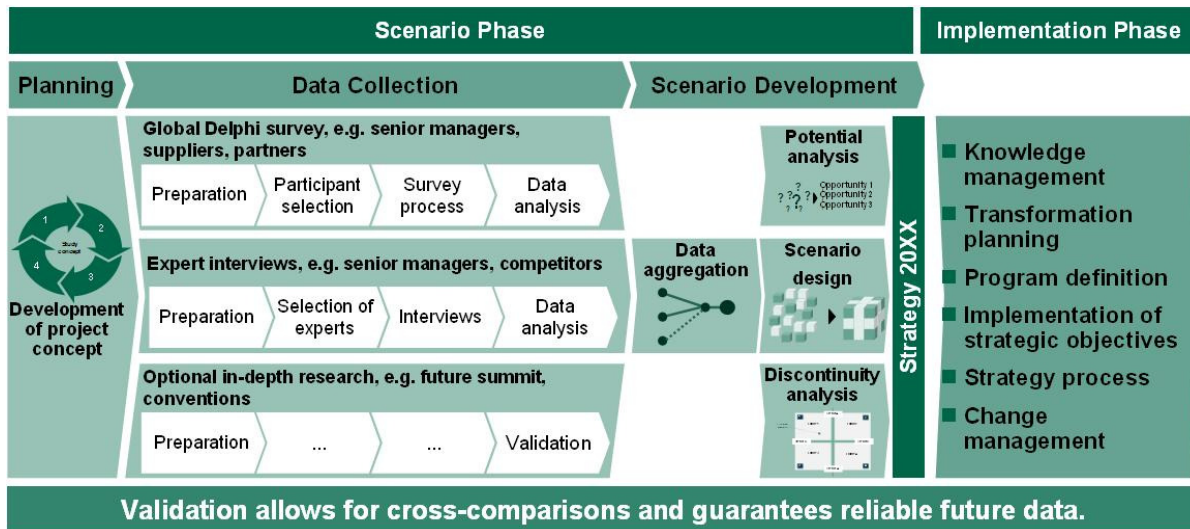
BrainNet and SMI Develop Business Tools for Future Research in Procurement and Logistics

Bonn, June 10, 2010 – Natural disasters, political upheaval and currency crises – the global integration and networking of economic and financial systems not only increases the number of potential risks, but also the damage potential of these risks. At the same time, it is becoming harder to predict future events with confidence. This trend presents a tough challenge to business planners. Rather than planning models that are simply based on quantitative indicators, it calls for models that also incorporate qualitative elements to reflect system complexity. One such approach is scenario planning, a model refined by the Center for Futures Studies and Knowledge Management at the Supply Chain Management Institute (SMI) of the European Business School in collaboration with BrainNet, which has already been put through its paces in real-life applications. Attention was focused on procurement and logistics, which are particularly vulnerable to political, economic and ecological issues.

The methods developed at the Center for Futures Studies and Knowledge Management over the last few years are based on the concept of scenario planning. “The approach draws on research performed by the US military in the 1950s, which found its way into business planning mostly as a result of its use at Shell,” explains Dr. Heiko von der Gracht, the center’s director. “Together with BrainNet we invested considerable energies in giving the method a scientific basis, adapting it to the requirements of modern supply chain management, and testing it under real conditions.” The collaboration resulted not only in a number of successful projects in industry, but also a series of widely acclaimed publications.

Transparent Concept, Clear Implementation

The concept developed by BrainNet and SMI consists of a scenario phase and an implementation phase. The scenario phase encompasses project planning, data collection (for example using Delphi questionnaires distributed to managers, suppliers or partners) and subsequent scenario development based on the collected data. This methodical basis lays the foundation for success in the implementation phase.



BrainNet Best-practice scenario concept (Quelle: BrainNet)

“At the moment, scenario planning is proving an essential tool in raw materials procurement,” says Michael Bremicker, Senior Project Manager at BrainNet. “Because of the increasing scarcity and price volatility of many raw materials, combined with technology change, many companies are facing considerable uncertainty and planning problems. One good example is identifying the five-year demand for copper in battery manufacturing. If scenario planning reveals that the price of copper is likely to rise, buyers will purchase in bigger quantities to cover long-term requirements.” In this situation, one strategy might be to arrange a purchase contract with a fixed price for a period of five years. The parties can use a price formula with a variable component which is based on the LME copper index and absorbs strong price fluctuations.

Rising to the Complexity Challenge

Unlike prognoses, which only take individual factors into account, scenario planning incorporates a whole range of factors and draws on quantitative and qualitative tools to analyze their impact on each other. This makes it the ideal decision-making aid in supply chain management, which is subject to complex market conditions. In global procurement, buyers frequently have to make long-term, high-cost decisions which are difficult to change. These decisions depend on a multitude of economic, ecological, political, social, legal and technological factors that all influence each other. Price fluctuations on the energy and raw materials markets, for example, can result in protectionist legislation, or a

new technology standard might demand a significant reorganization of the raw materials portfolio.

“Scenario planning doesn’t just help businesses to accurately weigh up market developments. It also shows managers where procurement could be achieving more or where it offers potential, for example in cooperation with risk and financial management, innovation procurement or geopolitical monitoring,” says Bremicker.

Not Seeing Ahead, But Thinking Ahead

“Applying the method is less a question of costs, environment or industry and more a question of mentality – which makes it relevant and feasible for any business,” notes von der Gracht. “Thinking in terms of alternatives and moving away from linear prognoses starts off a fast learning curve. The scenario method isn’t about seeing ahead, but thinking ahead. This approach makes fewer promises, but when used properly it generates a lot more opportunities for taking strategic action.”

10 rules for successful future planning

1. Being ready for the future means being ready to deal with surprises
2. Learn to think in terms of alternatives
3. Use scenarios to make your decisions robust and sustainable
4. There is potential concealed in SCM: Plan actively and avoid inflexible thinking
5. If you plan in terms of scenarios, you can react faster
6. Be innovative
7. Don’t be shy to look far ahead into the future
8. Remember that the future is multidimensional: probable and surprising
9. Think outside the box
10. The best way to predict the future is to create it yourself!

About the BrainNet Supply Management Group AG

BrainNet is one of the leading international brands for supply chain management consultancy. Employing 235 members of staff, BrainNet turns over €36 million globally. BrainNet develops and realizes tailored solutions for more than 80 of the companies listed in the Global Fortune-500 and around 240 fast growing SMEs. For years, BrainNet has had offices in Bonn, Boston, Budapest, Chicago, London, Mumbai, Munich, São Paulo, Shanghai, St. Gallen, Stockholm, Tampa and Wrocław.

The Lünendonk® list “The top 25 management consultancy firms in Germany 2009” ranks BrainNet as the only provider specializing in procurement and supply chain management (SCM) among Germany’s 25 biggest management consultancies.

The study “Hidden Champions of the Consulting Market” by the Scientific Society for Management and Consulting (WGMB) puts BrainNet as the number 1 purchasing consultant in Germany. The company is – together with Roland Berger – also the only consultancy to be listed in the Hidden Champion top 5 ranking in all the supply chain management disciplines (purchasing, internal supply chain & processes and distribution logistics). The study also confirms BrainNet the best specialist knowledge and the best price/performance ratio in the discipline of purchasing and SCM.

Through its close collaboration with the Supply Chain Management Institute (SMI) at the European Business School (EBS), BrainNet offers a totally unique value-creation chain ranging from research and training young talent at leading business schools to implementing consultancy projects and strategic qualification of top managers and supply chain managers.

For more information about BrainNet, please go to www.brainnet.com

BrainNet – people creating connected solutions

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