

Everything's according to plan

Now more than ever, companies are choosing SCOR to help them satisfy their supply chain needs.

by Peter Bolstorff



During the discussion phase of a recent executive briefing, the group posed the following question: "Most of us haven't viewed supply chain using SCOR-tinted glasses inside our company and between our trading partners. **What two or three things would you say to motivate us** to address our supply chain?"

Being an amateur psychology buff, the word "motivate" caught my attention. My college textbook defined a motive as comprising two things — **a need** and **a drive**.

Needs are based on the deficit within a person. The deficit may be physiological (e.g., water, food, sleep) or psychological (e.g., power, prestige, approval).

While based on needs, drives have the added feature of an observable change in behavior. Drives imply motion. A person is not in "drive" until the need has goaded him or her into action. In short, the inner deficit (need) pushes the person into action (drive) toward or away from some particular goal (motive).

In a supply chain context, needs are based on organizational, process, people and/or technology deficits. These show up on the following performance measurements:

- Profit and loss statements
- Balance sheet
- Corporate key performance indicators
- Balanced scorecards
- Employee satisfaction surveys
- Customer report cards
- Market competitive reports
- Analyst ratings and commentary
- Any other means by which performance is measured against stated goals.

Supply chain performance deficits reach a point that **pushes an enterprise into action** — in this case, to improve performance. SCOR provides an industry standard approach to analyze, design and implement (or drive) changes to improve performance. Its framework is both rigorous and flexible.

While there are four basic phases to a trip through the project roadmap, different motives may focus on different steps (for instance, I've sorted 37 projects into similar motivations). The rest of this article summarizes each unique supply chain challenge, based on case studies, and the value of SCOR in helping solve each problem.

Technology Investment Plan

The CIO was able to deflect the pressure of installing an enterprise resource planning (ERP) system as part of the Y2K movement. Her business savvy helped build a stubborn response that Y2K compliance as the only business requirement was not enough to rock the entire company. Now, post-Y2K, seeing the

rapid evolution of web-based applications and more robust advanced planning systems, she still finds herself without a technology investment plan that supports the company's business strategy and requirements.

The SCORcard, gross opportunity assessment and project portfolio helped establish a return-on-investment (ROI) schedule, while the work and information flow provided a TO BE business blueprint that helped identify business requirements for a software selection.

ERP Package ROI Schedule

The company purchased an ERP package on a quarter-end sale from the vendor. The deal included all of the latest and greatest modules in customer relationship management (CRM), transactional processing, advanced supply chain planning, web portals providing self-service transactions to customers and suppliers, business intelligence applications for management decision support, and web-based information sharing to alert users of issues.

The executive team was looking for a post-purchase ROI schedule with three key components: cost, savings and dates. With the software purchase, the cost factor was ticking. The challenge was to identify what and when the savings would start pouring into the income statement.

The **SCORcard gap analysis painted the picture of potential return**. The material flow analysis helped identify quick-hit, gross opportunity savings to accelerate short-term return, while the business blueprint provided the basis for the scope and sequence of the software modules and consequent longer-term return.

Implement Supply Chain Strategy

The executive vice presidents for sales, marketing and operations had assembled a well-articulated strategy that focused on developing their organization's supply chain competence. Successful investments had been made in application technology, manufacturing processes and product development in support of the strategy; the pieces were in place. **The challenge was how to put all the pieces together** in a comprehensive supply chain optimization blueprint to improve internal profit and delivery performance while leveraging customer order knowledge to help manage everyone's inventory turns.

The SCORcard helped formalize key performance measures of supply chain that would help the team drive continuous improvement and manage customer-facing metrics. The material flow analysis helped align manufacturing capacity, lead-time and inventory position within the physical network that supported improved supply chain planning and forecasting. Work and information flow focused on aligning current underutilized functionality with leading practices in inter-company supply chain planning, including **collaborative planning, forecasting and replenishment**

(CPFR).

Effective Supply Chain Project Implementation

The vice president of supply chain had a list of 45 supply chain projects assembled through a brainstorming process consisting of a dozen of his best and brightest employees. The idea behind the brainstorm was relatively simple. First, organize the team around important **key performance indicators** (KPI) like transportation cost, lead-time and order fill rate. Second, collect and analyze data within each KPI. Third, **brainstorm independent projects to improve performance**. And, lastly, put together implementation teams to execute the improvements.

The results were not so straightforward. General managers were asked by multiple supply chain corporate staff to support multiple initiatives with many of the same resources. Goals and objectives of the projects were seemingly in conflict with each other, with some trying to be superior at inventory turns, some superior at lead-time and some superior at delivery reliability. The challenge was how to prioritize projects and make more efficient use of resources within each project — in other words, more impact with fewer projects.

The SCORcard was an update of a previous one. The whole design effort of material, work and information flow helped organize the new project portfolio into initiatives one person could complete, a department could incorporate as part of continuous improvement, and formalized project teams could handle as broad tactical changes quickly, as well as more strategic changes with measured pace.

Effective Sales and Operations Planning (SOP)

The vice president of operations had serious cash-to-cash and delivery issues resulting from delivery shortages and consequent inventory buildup resulting from poor forecasts. The challenge was how to organize a project to effectively address all the issues surrounding planning and forecasting and **get the balance sheet back in shape**.

The SCORcard helped determine the business case and potential value associated with SOP. The material flow helped rationalize forecasted items and organize the supply planning stocking strategy. The work and information flow created the business blueprint of relationship with important planning and scheduling levels, including annual financial forecasts, annual unit forecasts, distribution requirements planning, master production scheduling, material requirements planning, production scheduling, supplier purchase order releases and customer available-to-promise dating.

Supply Chain Impact on Earnings per Share and Stock Price

The CEO made a commitment to the board of directors and shareholders to improve overall earnings per share by focusing on economic



profit. An industry comparative analysis of 10K income and balance sheet information pointed to gaps in direct cost, indirect costs and overall cash-to-cash. The challenge was how to identify the right mix of improvements that would yield a predictable impact satisfying both shareholders and business analysts valuing stock price; in short, **the CEO's credibility was at stake**.

The SCORcard helped the executive realize the potential value of supply chain optimization. Like other return schedules, the material flow analysis helped identify quick-hit, gross opportunity savings to accelerate short-term return, while the business blueprint provided the basis for the scope and sequence of the software modules and consequent longer-term return.

Supply Chain Education — Support

The director of a newly formed, internal supply chain solutions team needed an approach and a method that was both proven effective and easy to sell. The “proven effective” part required successful examples and an easily scalable, repeatable method. The “easy to sell” part required executive references who could testify both to its success, as well as to the minimal investment effort needed to gain access to the approach. The challenge was developing the team to use the model effectively and thereby gain internal momentum through early, quick-hit success.

Calling upon a SCOR coach, the team sized the first project to learn the overall project roadmap by utilizing effective knowledge-transfer techniques. The team then established an overall roll-out plan for each of the company's supply chains.

ERP Optimization

The MIS director needed to optimize an ERP implementation gone wrong. The ERP's implementation planning method did not force the company to reexamine its business processes. Instead, current-state practices were automated.

At the heart of the matter was the conflict between a vertically-organized company with rigid functions directing its current-state practices and the horizontally-organized ERP system by transaction flow for purchase orders, sales orders, forecasts, master data, etc. The challenge was to transition from functional management to process management in support of more effective utilization of these sophisticated systems.

The SCORcard and material flow analysis were not in scope in this instance. Work and information flow was expanded to include application sub-module Level 4 practices and business use cases to help solidify the overall software solution design.

Effective Application Utilization

The vice president of administration was being increasingly hassled by the rest of her colleagues to upgrade a two-year-old transactional system with a Tier 1 system that had advanced supply chain planning. **The ROI analysis just wasn't adding up**, and a more detailed investigation found that not all of the business leaders were complaining.

She found that there was a direct correlation between a business leader's satisfaction, the effort they placed on implementation, and the number of modules utilized. Business leaders who were least satisfied did not resource implementation very well and, as a consequence, were utilizing few of the possible modules. The challenge was to motivate business leaders to use the existing functionality more effectively to improve the asset utilization and then make the decision on advanced planning.

Like ERP optimization, the work and information flow phase was expanded to include application sub-module Level 4

What is SCOR?

The **Supply Chain Operations Reference** model, developed by the *Supply-Chain Council*, provides a standard methodology for managing supply chain projects centered on Plan, Source, Make, Deliver and Return.

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About SCOR

The Supply Chain Operations Reference (SCOR) model has been developed by the Supply-Chain Council and is SCTN's recommended implementation model for SCM initiatives. While the author of this article is affiliated with the Supply-Chain Council, this article was prepared under the direction of SCTN and was not subject to prior review or approval by the Supply-Chain Council or any of its members/affiliates.

To learn more about the Supply-Chain Council, including a white paper guide to Level 1 metrics: www.supply-chain.org

practices and business use cases to help solidify the overall software solution design. In addition to improvement potential, the SCORcard phase also helped define the baseline of critical management reports.

Execute Supply Chain Strategy

The executive team achieved consensus on adopting an operationally excellent strategy to [differentiate the company from its competition](#). The other two choices included customer intimacy and product innovation. The challenge for the team was defining at more tactical levels characteristics of an operationally excellent supply chain.

The value of the SCOR approach rested in the project portfolio that summarized the changes necessary to achieve competitive priorities identified in the SCORcard phase.

Acquisition

The executive teams from both the acquiring and purchased companies needed the acquisition to go smoothly, with business processes assimilated quickly. The challenge was how to leverage supply chain synergy in material flow, technology platforms, work and information flow, and capacity in the due diligence, integration and stabilization stages.

The SCORcard phase helped define the



combined supply chains and the competitive strategy for each. The material flow phase helped align supply chain network capacity (supplier, production and distribution) based on the combined enterprise's requirements. The work and information flow phase identified common business practices, technology platforms and necessary interfaces.

Getting back to the original question



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about motivation, psychologists speak of two broadly-defined types of motivation — **intrinsic** and **extrinsic**. Intrinsic motives are those satisfied by internal reinforcers and are not dependent on external goals, while the opposite is true for extrinsic motives. [Intrinsic motivation drives real organizational learning](#) and is the “better” of the two.

Companies that have adopted SCOR as their means to drive continuous supply chain improvement tend to spend less time fighting fires and more time planning, with fewer performance surprises. They have figured out that the learning itself is the goal, not the end.

So, what drives your company's supply chain? ◀

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