



Introduction

Once, at a seminar on the supply chain operations reference model, an executive in attendance opened the Q&A portion with this request: “Most of us don’t have good control of our supply chains—inside the company or with trading partners. What two or three things would you say to motivate us to address the supply chain?”

“If you can *define* your supply chain—which isn’t hard to do—then you can *measure* it,” Peter answered. “Once you’ve measured it, you’ll find the opportunities are so big that you won’t need any more motivation. You’ll want to *drive continuous improvement* in your supply chain.”

This book is not a manifesto on the power of supply chain management. In fact, the two paragraphs that you’ve just read are the only argument you’re going to get in this book about why supply chain management is important.

The rest of this book is about the how—how to achieve these two fundamental principles of supply chain management: Define/measure and drive performance improvement.

■ Defining Supply Chains

Like most bandwagons, supply chain management (SCM) has been defined and redefined in many ways over the past ten years. To a large degree, the definition depends on your motivation and interest.

A technology provider trying to sell software might align SCM with using advanced planning functionality; a third-party logistics provider (3PL) trying to sell its outsourcing capabilities will align SCM with distribution practices; and a consulting firm selling services will align SCM with its intellectual property. But there really is an objective, unbiased way to define supply chain management; it's a cross-industry standardized model called the Supply Chain Operations Reference—or SCOR—which is the foundation of this book.

■ Supply Chain Performance Improvement: Eleven Common Themes

Supply chain performance issues can show up in a variety of places including:

- Profit-and-loss statements
- Balance sheets
- Corporate key performance indicators
- Employee satisfaction surveys
- Customer report cards
- Market competitive reports
- Analyst ratings and commentary

Ultimately, supply chain performance issues reach a point that pushes an enterprise to take action. The next question becomes: How do you take action?

Leading companies in every industry have teams of skilled and motivated business managers working to build integrated supply chains. But many of these managers run into trouble; projects stall and valuable initiatives get scrapped. That doesn't

have to be the case. SCOR offers a step-by-step engineering approach that can help you to analyze, design, and improve supply chain performance. Its framework is both rigorous and flexible, allowing it to work in any industry and for any supply chain issue.

In more than thirty projects I've done with SCOR, eleven general business issues have been identified, which seem to cover just about any circumstance. Some of these issues are rare, while others are present in almost every company. Because you have come far enough in your thinking about supply chain management to be reading this book, you'll see yourself and your company in at least a few of the following scenarios.

Scenario One: Building a Technology Investment Plan

A chief information officer deflected pressure to install an enterprise resource planning (ERP) system before 2000—making the case that simply being Y2K compliant was not a good enough reason to put her entire company into the kind of upheaval that such implementations create. Even after Y2K, as she watched the rapid evolution of web-based applications and robust advanced planning systems, she found herself without a technology investment plan that supported the company's business strategy.

Scenario Two: In Search of Return on Investment (ROI)

A company bought its ERP package during the vendor's end-of-quarter push to meet sales goals. The deal included all the latest add-ons—things like customer relationship management, transactional processing, advanced supply chain planning, and web portals providing self-service for customers and suppliers. Now the executive team is looking for an answer to a deceptively dif-

difficult question: When will a return on investment start to show up in the earnings statement?

Scenario Three: Creating a Supply Chain Strategy

Three executive vice presidents—for sales, marketing, and operations—assembled their own well-articulated strategies for developing supply chain competence within their departments. Then they invested in application technology, manufacturing processes, and product development—all with measurable success. Now what's missing is a comprehensive blueprint that combines their individual efforts to drive profit and performance across the entire company.

Scenario Four: Implementing a Supply Chain Strategy

The company's top executive for supply chain management assembled a dozen of his brightest managers for a structured brainstorming process—resulting in a list of forty-five high-priority projects. But when the managers began implementation, the results were not encouraging. General managers were being asked to support multiple initiatives with many of the same financial, human, and technical resources. Goals seemed in conflict. They needed to align their objectives and prioritize projects to make good use of the available resources.

Scenario Five: Improving Sales and Operations Planning

The vice president of operations had serious cash-to-cash problems and declining customer satisfaction—all resulting from raw materials shortages, mismatched capacity, poor forecasting, and

inventory build-up. The challenge was to address the planning and forecasting issues and put the balance sheet back in shape.

Scenario Six: Meeting Financial Commitments

The CEO promised the board of directors that he would improve earnings per share. An analysis of competitors' balance sheets and income statements indicated the company's direct and indirect costs were out of line, and that its cash-to-cash cycle was too long. The leadership was charged with identifying the right mix of improvements to obtain a predictable result that would satisfy shareholders. The CEO's credibility was now at stake.

Scenario Seven: Building Support and Competence

The director of a new supply chain solutions team needed a proven method for evaluating and implementing projects. That meant being able to show documented examples of its use and evidence that it was both scalable and repeatable. Then she would have to sell the method throughout the organization—which would require executive references and easy, low-cost access to the method itself. Finally, she would have to develop a team that could use the model to deliver early successes.

Scenario Eight: Optimizing Enterprise Resource Planning

As the ERP implementation wore on and business processes were increasingly automated, things suddenly started to go wrong at one organization. The project leader had a pretty good idea why: The company was organized in rigid, vertical functions that directed AS IS practices. But the ERP system was essentially

horizontal, organized by transaction flow for purchase orders, sales orders, forecasts, master data, and so on. How could the corporate culture shift from functional management to process management?

Scenario Nine: Maximizing Use of Existing Technology

The vice president of administration was being pressured by her colleagues to replace a two-year-old transactional system with a new, name-brand system offering advanced supply chain planning. But the ROI analysis just wasn't adding up. A more detailed investigation revealed that not all of the business leaders were complaining. In fact, the vice president found a direct correlation between a business leader's satisfaction and the effort he or she had exerted to learn the system. Those who were least satisfied didn't handle implementation very well and as a consequence were utilizing few of the available modules. The challenge was to motivate business leaders to use existing functionality better.

Scenario Ten: Achieving Operational Excellence

The executive team achieved consensus that it would differentiate the company through a strategy of operational excellence. The other choices had been customer intimacy and product innovation. Now that the decision was made, the team had to define—at more tactical levels—the characteristics of an operationally excellent supply chain.

Scenario Eleven: Mergers and Acquisitions

The executive teams from the acquiring and purchased companies needed the acquisition to go smoothly and yield short-term

synergies. The challenge was how to leverage efficiencies in material flow, technology platforms, work and information flow, and capacity in the due diligence, integration, and stabilization stages of the merger.

A common thread connects these situations. In every case, SCOR helped define supply chains, measure the size of the issues, and identify necessary changes to improve performance. But beyond the tactical focus, SCOR helped transform organizational behavior from event-driven reflexes to strategic, integrated team behaviors that put more focus on customers. It helped these companies to achieve a core competency in solving supply chain problems and achieving goals.

■ Why This Book?

Of all the conferences, seminars, and individual coaching sessions in which the SCOR model is discussed, none has been more profoundly rewarding than a workshop for fifteen members of the Japanese chapter of the Supply-Chain Council. It was an intensive lecture and interactive discussion, conducted with simultaneous translation. I walked away from it with two major “a-ha’s” about the SCOR model as a reliable roadmap for driving a world-class organization.

- *A-Ha Number One.* Education is essential to any successful supply chain project. It’s a complex subject—more than just transportation and logistics. It demands a heightened understanding of the organizational benefits in terms of finance, customers, and employees. Executives who understand the payback of supply chain projects will more likely fund and sponsor them.
- *A-Ha Number Two.* The SCOR model is a global methodology, understandable in any language. No matter what your company produces, executives everywhere are asking the same basic questions about SCOR: What is it? What is its value? How is it used? Who is using it? How can my organization get started? The answers are the same in any language, as my Japanese friends concurred.

Supply Chain Excellence is a handbook for anybody who is motivated to improve and wants to rely on a rigorous, proven methodology to make sure supply chain improvement is done right. This book tells how one company, Fowlers Inc., started its journey toward supply chain excellence using SCOR.

Specifically, *Supply Chain Excellence* tells how Fowlers navigated through the eight steps of the SCOR project lifecycle:

1. Educating the enterprise about supply chain improvement to gain support
2. Building consensus on where to begin the improvement effort
3. Organizing the effort for success
4. Conducting the proper competitive analysis to define business opportunity
5. Building the burning platform for change
6. Aligning strategy, material flow, work flow, and information flow to focus on the right changes
7. Putting hard numbers to the financial value of change
8. Implementing those changes to achieve sustainable competitive advantage

So this book is a working guide for using SCOR as a tool to help senior managers at every step as they undertake supply chain initiatives. To that end, *Supply Chain Excellence* is structured on a week-by-week project timetable, providing achievable action plans to navigate through the eight steps listed above.

Each chapter focuses on a week's worth of work conducted in two days of meetings with follow-up assignments. Included are sample deliverables, summaries of tasks, tables, and figures to illustrate the step-by-step processes. An important note about Fowlers, Inc.: It is not a real company, and the Fowlers employees are not real people. Fowlers is a compilation of circumstances found in a variety of projects. The purpose was to provide a textbook case study that addresses the broadest range of issues, while maintaining continuity to help readers follow the logic of the SCOR approach from beginning to end.

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