

# keeping**SCOR**

Updating the Supply-Chain Council's implementation model

# When performance is no joking matter

by **Peter Bolstorff**

Gold'n Plump begins and ends an implementation with a sense of order

So why *did* the chicken cross the road?

Ask most executives and they'll admit that when it comes to making changes in the supply chain, you don't always know.

It's obvious when there is some kind of road to cross. They know they need to add e-commerce, or extend the flow of information to customers and suppliers.

But the opportunity to include supply chain performance in a strategic plan — the document that answers the question

## What is SCOR?

The **Supply Chain Operations Reference** model, developed by the Supply-Chain Council, provides a standard methodology for managing supply chain projects.

"Why?" — is usually overlooked.

That's why I was so surprised to get a call from an executive vice president at *Gold'n Plump Poultry Inc.* ([www.goldnplump.com](http://www.goldnplump.com)), who methodically outlined the strategic vision to support the company's market position: *It's no*

*ordinary chicken.*

In other words, it was already understood **why they would use supply chain management**. The quandary at this St. Cloud, Minn.-based company was **how**; how to improve the method of getting a high-quality, consumer-branded chicken across the road and into stores nationwide.



That is one of the primary values of the SCOR model; it's an effective tool for translating strategy into supply chain performance goals. It helps **prioritize supply chain needs**, drives implementation and accelerates ROI by linking performance metrics to the profit-and-loss (P&L) statement.

According to Tim Wensman, executive VP, the company already had an industry-leading packaging concept — a fixed-weight, scannable product. But before the chicken ever crossed a store's scanner, the key challenge was to raise and package chickens to meet market demands and create customer value, all based on the bar-code data captured at the scanner.

Quite simply, it was the classic chicken-and-egg scenario.

The first step was to prioritize supply chain performance needs. To do that, SCOR looks at four basic dimensions of supply

## SCOR and the supply chain

The SCOR model divides a supply chain into four main processes.

This article addresses:

### ■ Plan

- Source
- Make
- Deliver

The SCOR model identifies four dimensions of supply chain performance.

This article address:

### ■ Process

### ■ Organization

- Technology
- Jobs

chain performance:

- process
- organization
- technology
- jobs.

The first two dimensions offered the most impact for Gold'n Plump.

**At the process level**, SCOR helps identify and fix current issues that are vital to a company's strategic goals. By following the SCOR project roadmap, Gold'n Plump identified disconnects in its supply chain

planning process, which needed to be resolved through **supply chain optimization** methods.

The focus here was on designing and installing a planning process to support daily, weekly and monthly

planning horizons. Using the company's current enterprise applications, it aligned sales/marketing plans, manufacturing schedules and quarterly financial estimates.

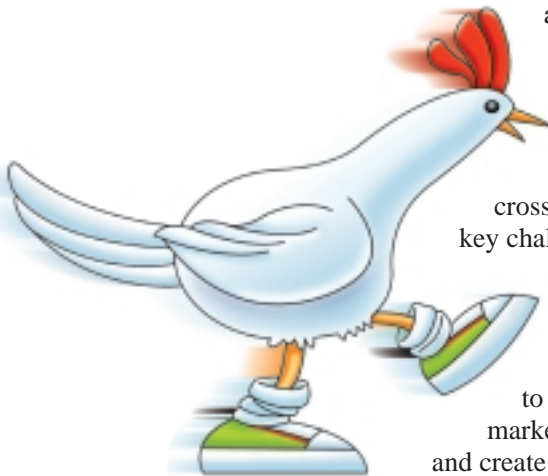
Interestingly, along the way, the company's IT director commented that Gold'n Plump had previously made three attempts to start using the planning and forecasting module of its ERP system. This one succeeded, he said, because of the clear

## Learning points

**1.** Supply chain optimization must be woven into the fabric of an organization's strategic vision.

**2.** As a standardized model that can be applied to any supply chain improvement effort, SCOR offers a reliable, scalable roadmap for fixing current issues and positioning an organization for the future.

**3.** Better planning, with solid connections to the strategic vision, ultimately pays off in faster implementation, fuller use of technology and improved ROI.



To learn more about the Supply-Chain Council:

[www.supply-chain.org](http://www.supply-chain.org)

For basic information about SCOR:

[www.supply-chain.org/html/scor\\_overview.cfm](http://www.supply-chain.org/html/scor_overview.cfm)

link to strategy and benefits.

After the optimization, attention was turned to the second dimension of Gold'n Plump's supply chain performance: organization.

At the organization level, SCOR helps prioritize supply chain performance goals according to competitive requirements, using a tool known as the **Balanced SCORcard** (see box: *Building the balanced SCORcard*.) The upshot of this process was a series of steps to be taken — in order — as a supply chain design process to implement an **efficient consumer-response** strategy.

Because the priorities were so clearly laid out, the implementation went quickly — just three months, compared to at least six months for similar implementations without the benefit of a roadmap. Faster implementation also means faster ROI.

Further, by defining the plan so clearly, the company was able to determine early on that it could be done within the functionality of the existing ERP system. In the end, Gold'n Plump essentially **doubled its use of that software**.

By the time the project was complete, the company's improved planning had already started to show results.

Knowing the right products to sell at the right time **reduced direct costs** for Gold'n Plump, and **increased margins** for the company and the stores that comprise its customer base. It also allowed a new level of control over what a manufacturer would call pipeline inventory — in this case, live chickens — to better match demand, and therefore maintain

## Building a balanced SCORcard

Gold'n Plump Poultry's SCORcard was built in four steps:

**1.** Starting at SCOR **Level 1 Metrics**, the design team identified key supply chain metrics and linked them to P&L and balance-sheet performance.

**2.** Actual performance and benchmark data were collected. Sources included the company's own customer satisfaction survey and a poultry industry trade association that compiles and disseminates financial reports.

**3.** Based on its competitive strategy, the design team prioritized competitive performance needs in four categories:

- delivery reliability
- flexibility/responsiveness
- cost minimization
- asset turns.

The SCOR model required the team to set a performance priority for each category, allowing it limited "currency" with which to buy performance — one "chip" for superior performance, one for performance at an advantage over competitors, and two for parity.

After considerable discussion, the team spent less than the maximum and came up with this ranking:

Category	Performance requirement
Delivery reliability	Superior
Flexibility/responsiveness	Parity
Cost minimization	Parity
Asset turns	Parity

**4.** An evaluation was made of the gap between actual and target performance. The largest gaps were direct COGS (cost of goods sold) and forecast accuracy. These two metrics, along with a improved inventory positioning and better management of its sales mix, added up to a potential margin benefit equal to 2 percent of annual sales.

better pricing in the commodity markets.

Service levels improved, too. With more accurate predictions boosting **order fill rates**, the company's service performance is achieving record levels that would be a benchmark for any industry — and which are especially notable in the perishable food business.

Along the way, the company reaped some unexpected financial gains, too.

For example, one step in the **SCOR Project Roadmap** that is used for any implementation is the *geographic map*, which helped the design team to chart how major product families travel between manufacturing, key suppliers, key customers and warehouses.

This mapping exercise made the case for a realignment that is saving hundreds of thousands of

dollars a year in **transportation costs**.

Gold'n Plump views its supply chain less as a road to cross than a road to travel. And with the savings starting to roll in from the last project, the company is already

starting to ask new questions, like: "How can Gold'n Plump Poultry's supply chain be used to add value to stores and chicken-loving consumers?"

I'll tell you that punchline after it's been delivered. ◀



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### About SCOR

The Supply Chain Operations Reference model (SCOR) 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.