

Maximizing Supply Chain Visibility Solutions with SCOR®

How to Maximize Supply Chain Visibility Solutions with SCOR® and Create Long-Term, Measurable Results

White Paper

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Executive Summary

Maximizing the benefits of Supply Chain visibility solutions is within reach when the SCOR-model, created by the Supply-Chain Council, is adopted. Understanding the advantages of the SCOR-model and identifying how existing Supply Chain processes relate to the model can increase the ROI on existing Supply Chain systems and visibility investments. By defining a Supply Chain visibility strategy that aligns with the SCOR-model, pertinent information can be analyzed and efficiencies gained that will deliver measurable and actionable results.

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competitors. Supply chain visibility solutions coupled with the SCOR-model can help bridge the gap between supply chain processes, thus providing a standardized method of obtaining and reporting the information required for continuous supply chain improvement.

What is SCOR®?

The Supply Chain Operations Reference (SCOR) model was created by the Supply-Chain Council (SCC), which is an independent, not-for-profit, trade association comprised of a partner base of 800 companies worldwide interested in advancing supply chain management systems and practices. The SCOR-model is a business process framework designed to link best practices, technology, benchmarks, standardized metrics, and business processes in an effort to increase efficiencies in supply chain management operations. The SCOR-model is becoming more widely adopted as supply chain companies seek standardized methods of capturing and reporting information.

The SCOR-model has been developed to describe the business activities associated with five major supply chain management processes which include:

- **Plan** (Demand/Supply Planning and Management)
- **Source** (Sourcing Stocked, Make-to-Order, and Engineer-to-Order Product)
- **Make** (Make-to-Stock, Make-to-Order, and Engineer-to-Order Production Execution)
- **Deliver** (Order, Warehouse, Transportation, and Installation Management for Stocked, Make-to-Order, and Engineer-to-Order Product)
- **Return** (Return of Raw Materials and Receipt of Returns of Finished Goods)

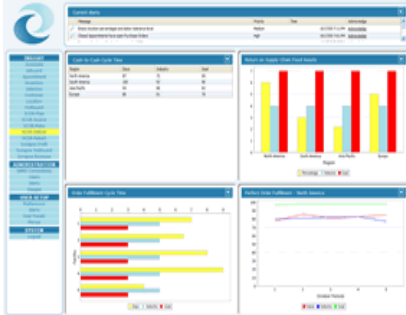
Within each major process, levels are assigned to identify specific attributes of the five processes. The highest level is Level 1 where the process types are identified and the competition performance targets are established. Level 2 provides more definition of the process categories and defines the configuration level through which a company's operations strategy is implemented. At Level 3, the processes are decomposed and best practices, process performance metrics, and element definitions are defined to "fine tune" a company's operations strategy. Although Level 4 is not defined in detail in the SCOR-model, the SCC identifies Level 4 as the definition of strategic, company specific practices to achieve competitive advantage.

When a company sets annual performance goals within the supply chain, how does it know when the performance goals are met? How are the performance goals measured? Are the measurements taken using the most accurate data available? These questions are paramount when attempting to minimize the gap between a company and its

savings. As Six Sigma-Lean grows in popularity within the supply chain space, the SCOR-model will become even more widely adopted as it strives to build a solid foundation in the establishment of best practices and standardized metrics.

Maximizing the Value of Visibility with SCOR®

The SCOR-model adds value to supply chain visibility solutions through the addition of standardized metrics, improved communications due to standards-based definitions, and increased ROI through leveraging the existing visibility solution framework.



Standardized Metrics

The addition of standardized metrics into existing visibility solutions is important externally and internally to organizations. From an external perspective, standardized metrics enable companies to better compare business process performance with competitors, suppliers, and other companies. Standardized metrics are also a key component in collaborative activities which provides more opportunities for enhanced coordination and less management overhead when interfacing with partners. The more companies that adopt the SCOR-model, the likelihood increases that benchmarking results will be based on more similarly defined calculations providing a more analogous comparison.

When measuring Perfect Order Fulfillment, a company may measure a Perfect Order by one definition resulting in 95% compliance, and their supplier may measure a Perfect Order by an entirely different measurement resulting in 85% compliance. In this specific example, both partners would have completely different perspectives on performance due to company specific metric definitions. Standardized metrics play a large role in providing consistency in performance measurements on a broader scale.

Internally, the addition of standardized SCOR-model metrics increases the functional value of visibility solutions. For example, how does a supply chain executive currently assess the Cash-to-Cash cycle time? How does a CFO assess the Supply Chain Management Cost? These are questions that the SCOR-model attempts to define. By clearly defining standardized metrics, the SCOR-model helps companies take a closer, more accurate look at how their supply chains are performing. Examples of SCOR-model Level 1 metrics include:

- Perfect Order Fulfillment
- Supply Chain Management Cost
- Cost of Goods Sold

Many supply chain companies and vendors have begun implementing the SCOR-model into their existing processes and have realized significant cost-

- Return on Supply Chain Fixed Assets

Through implementation of SCOR-model metrics, companies can take advantage of supply chain metrics created by industry experts to increase efficiencies in the supply chain.

Standards-based Definitions

By incorporating the SCOR-model within a cross-functional, visibility solution across the enterprise, companies can benefit from a consolidated knowledge base. In some supply chains, the lack of standardized process definitions becomes a point of misinterpretation between different departments. Non-standard definitions or terms that cross department boundaries may be interpreted differently based on the audience. For example, the lack of correlation between logistics metrics and financial metrics is one example by which non-standard definitions cause inconsistent, or biased results. Standardization of metrics across the supply chain will help eliminate sources of inconsistency and provide a common ground for reporting dependable results. With increased pressure to improve risk management and planning within the supply chain, receiving and reporting information that is accurate, consistent, and reliable is essential.

Leveraging the Visibility Framework

Integrating portions of the SCOR-model into a visibility solution can take advantage of many inherent features of a visibility framework such as current integrations, existing metrics, and a common representation medium such as web-based user interfaces and portals, reports, and alerts.

Incorporating SCOR defined metrics into a visibility solution takes advantage of existing integration capabilities into multiple supply chain management systems, thereby increasing the amount of supply chain data available to access. A high-quality supply chain visibility solution can take advantage of well integrated systems as well as disparate systems that are not fully integrated by extracting the information needed, applying standardized calculations across multiple systems, and presenting a final output. Attempting to integrate SCOR defined metrics separately into multiple, independent systems could be costly, redundant, and require a lengthy development cycle.

Analyzing metrics at an individual system level may make sense for some divisions of the company but does not help supply chain executives at higher levels in identifying how the total supply chain system is performing. In order to truly understand the performance of a supply chain, a comprehensive, enterprise view of the supply chain is essential.

- Cash-to-Cash Cycle time

**“What gets
measured
gets
results.”**

- Supply Chain Council
(SCOR Reference model)

In addition, lower level metrics in visibility solutions can oftentimes be incorporated or rolled up into high level SCOR-model metrics to provide a more holistic view of the supply chain. By integrating or combining existing metrics in the creation of higher level metrics, a more comprehensive view of the supply chain can be assessed and monitored.

Results of the standardized metrics can be displayed using the visibility framework, thus maintaining consistency of the data presentation and delivery across the enterprise.

Getting Started with SCOR®

Starting an initiative to implement the SCOR-model within a visibility solution requires executive commitment and sponsorship to ensure that affected departments are cooperative and committed in participation. Initially, assessing the current state of selected processes in the operation is necessary to better understand which processes need the most improvement. For example, if more improvements are needed in the “Deliver” process, then focusing first on the implementation of key delivery metrics could foster immediate cost savings. Identifying the most strategic metrics from targeted business processes will aid in prioritization and reap a faster return on the investment.

Vendors with knowledge of the SCOR-model can help companies achieve the benefits that the model provides. A number of supply chain visibility vendors have added SCOR compliant metrics into their solution offerings. Whether a SCOR project is performed internal or external to the organization, it is important to understand that the SCOR-model is continually being extended and new versions of the model should be reviewed to take advantage of the most recent updates. Adopting the SCOR-model is a continual process and requires frequent, proactive assessments.

Measuring Results and Taking Action

Developing measurable results is important in ensuring that existing supply chain systems are performing. It has been stated that “what gets measured gets results”. In the competitive environment currently experienced by supply chain operations, knowledge of key business process performance is imperative. By identifying the current state of business processes, establishing standardized metrics, and setting performance goals, obtaining measurable results becomes a reality.

Measuring and tracking performance results over time allows companies to monitor the success of focused, strategic initiatives in various business processes. How do companies really know if initiatives to improve Vendor Compliance are

successful? By calculating Vendor Compliance results using a standard definition supplied in the SCOR-model, tracking Vendor Compliance results over time in an enterprise visibility solution will enable companies to measure historical trends and compare the results with competitors.

Results become actionable when robust visibility solutions allow the ability to drill-down to supporting information represented in metrics to gain additional understanding of underlying issues. For example, an On-time Delivery metric may yield results 5% lower than the goal set by an organization. The ability to drill-down to specific vendors to examine on-time delivery performance would aid in identifying vendors who repeatedly miss scheduled delivery dates. By taking action with specific vendors, overall on-time delivery performance can be improved over time. Lack of supporting information for higher level metrics oftentimes impedes the ability to take necessary action in order to achieve a noticeable improvement. However, layering the SCOR-model over lower level metrics in a visibility solution provides a dramatic view of specific factors that are contributing to the performance data. Taking action from the bottom up is the most effective means in improving supply chain performance.

Summary

The value of supply chain systems is judged based on the results they deliver. As with most models, a model is only as good as the execution of the standards it represents. Incorporating the SCOR-model into a supply chain visibility solution will have the greatest impact if the standardized metrics are defined properly, implemented correctly, executed timely, and acted upon if necessary. Actionable data is possible when visibility solutions provide access to lower level, detailed information in support of higher level metrics.

The SCOR-model adds value to visibility solutions through the addition of standardized supply chain metrics, increased continuity in definitions and terminology across the supply chain, and increased ROI through leveraging current investments in the visibility solution framework.

As the SCOR-model continues to expand in definition, companies that begin to incorporate the model into their visibility solutions and take action on the results will be well on their way to reaping long-term benefits that will provide dramatic impacts to the bottom line.

About the Author:

Kari Dwyer has worked in the supply chain industry for over 10 years, and has been working to increase visibility throughout the supply chain. As a member of the Supply Chain Council, Kari is dedicated in her pursuit to maximizing value of existing supply chain systems through leveraging technology and integration to increase standardization across the supply chain.

About Blue Sky Logistics:

Blue Sky Logistics, Inc. is a supply chain visibility software company that provides customers with targeted executive decision dashboards, such as its flagship product, Insight™. The company's solutions are web-based and configurable to serve the needs of multiple individuals within a company's various levels of supply chain responsibilities. Blue Sky Logistics offers integrated, prepackaged supply-chain software and quality service offerings to clients to enhance their customers' competitive advantage in the marketplace. For more information, visit www.blueskylogistics.com.

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