



Using SCOR to Compete and Grow in a Down Economy

*How to Define, Align, and Transform Your Supply Chain for
Operations Excellence*

Richard Sherman
*Founding Team Member & Board Emeritus
Supply Chain Council*

What Keeps You Up at Night?

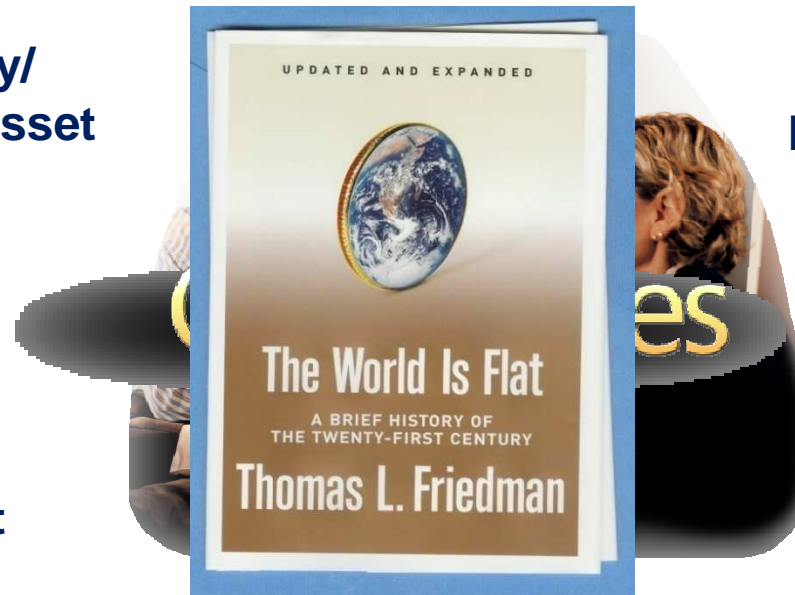
**Stock Market Volatility, Oil Prices,
Labor, Political Instability, Security**

**Reducing Inventory/
Working Capital/ Asset
Management**

**Reducing Total Supply
Chain Costs**

**Supply Chain
Resiliency &
Sustainability:
Risk Management
& Green**

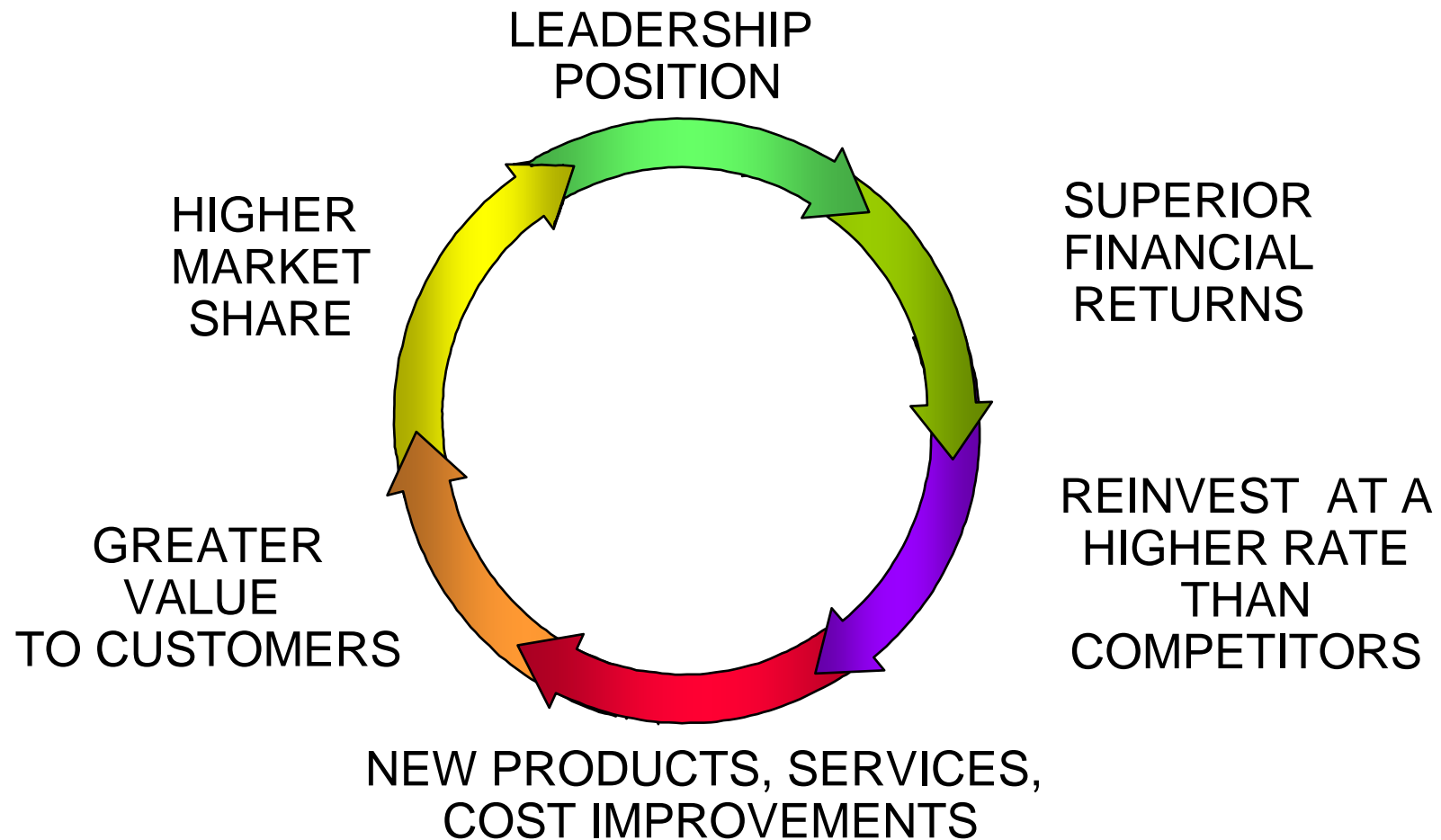
**Competing in a
Global Market**



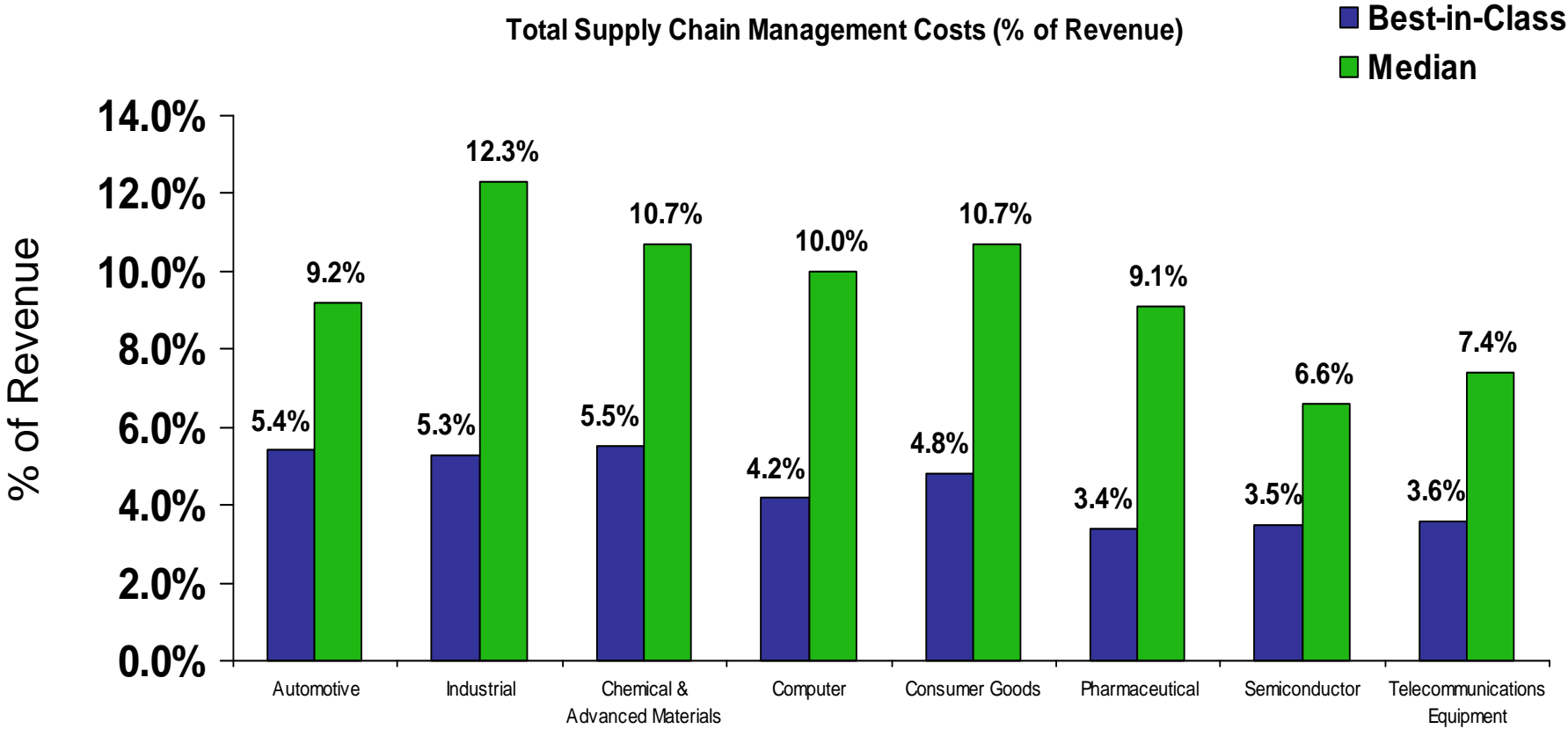
**Providing Superior & Consistent
Customer Service While Increasing
Revenue & Margin**

**Business As Usual Has Been Cancelled...
Friedman Attributes Leadership in SCM to Competing in the 21st
Century!**

Leadership Positions are the Foundation for Growth



Superior Supply Chain Management (SCM) has Long Been a Source of Competitive Advantage



Best-in-class Companies' Outperform Their Median Competitors with a 50% Cost Advantage

Source: PRTM/The Performance Measurement Group

Gold & Domas Research

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But SCM is Paramount in Times of Economic Uncertainty

- In 2007, US business logistics costs rose to *an all time high* of \$1.4 trillion³
- All US business inventory rose to an *all time high of* \$2.0 trillion³
- Supply-chain generally accounts for between 60% and 90% of all company costs¹
- A 2% improvement in process efficiency for supply-chain processes has 3-5000% the impact of a 2% improvement in efficiency for... IT... HR... Finance¹... Sales...

Fortune-10 Company Supply-Chain Cost as % of Total Costs ²

GM	94%
Ford	93%
Conoco	90%
Wal-Mart	90%
Chevron	88%
IBM	77%
Exxon	75%
GE	63%
Citi ¹	0%
AIG ¹	0%

¹ Exclusive of Financial Services companies

Focused initiatives in Supply Chain Management can result in 30-35% cost reductions, liberation of working capital, and revenue increases of 3-5%!

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SCC Members Beat Market Performance Indicators

- Comparison of Fortune-1000 Council member company share price aggregate growth from 2003 – present to S&P 500 and DOW indices.
- Growth inflected after 2 years, and the spread between SCOR index companies and other industrials has grown to almost 30 points.
- Growth is increasing exponentially: Compound interest on SC performance.
- Correlates SCC Membership/SCOR investments with Shareholder value.
- Same pattern evident in FTSE-100, DAX, NIKKEI and other indices.



Realtime: www.scorlabs.org/scor/scorindex

Enterprises Are Changing How They Source, Make and Deliver Product

- Product Strategies
- Customer Strategies
- Time Strategies
- Visibility & Collaboration
- New Channels
- Transportation
- Logistics Strategies
- Demand Management
- Supply Management
- Performance Management
- Business Process Outsourcing



Companies Must Transform Their Operations to a Demand Responsive Supply Network to Meet Growing Business Challenges!

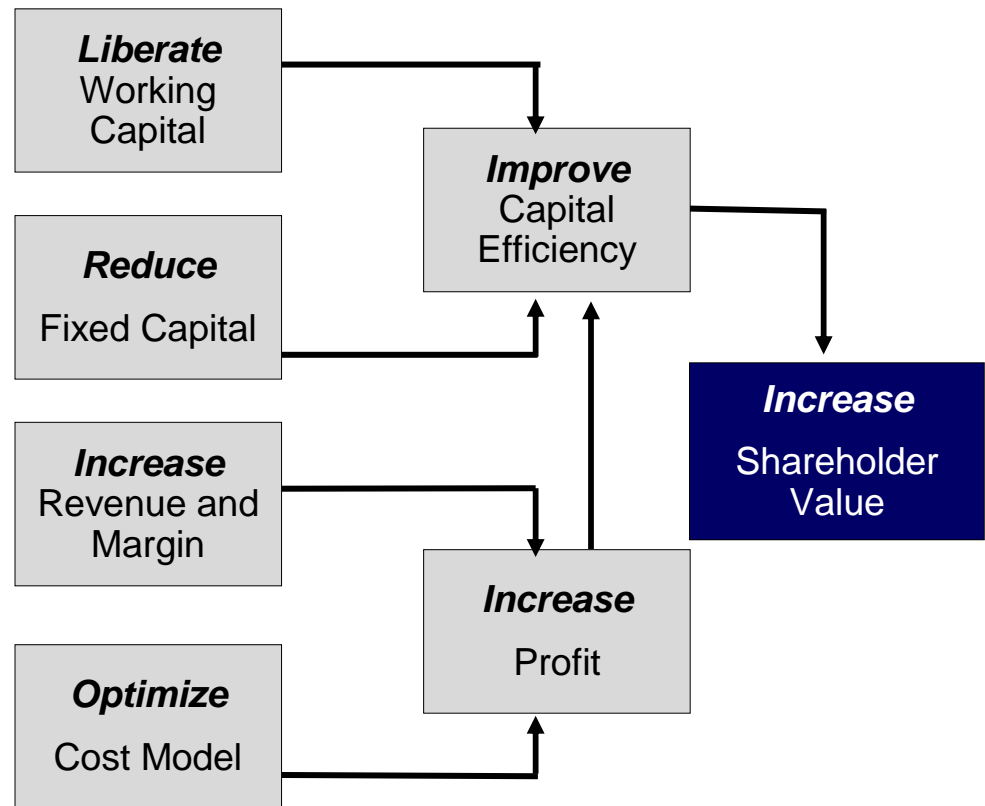
The Ultimate Goal of Transformation is to Create Shareholder Value

The Supply Chain Impacts . . . All Financial Metrics . . . & Shareholder Value

- Improve customer service and response
- Optimize inventory flow, utilization & productivity

- Best-in-class customer relationships
- Differentiated service capabilities

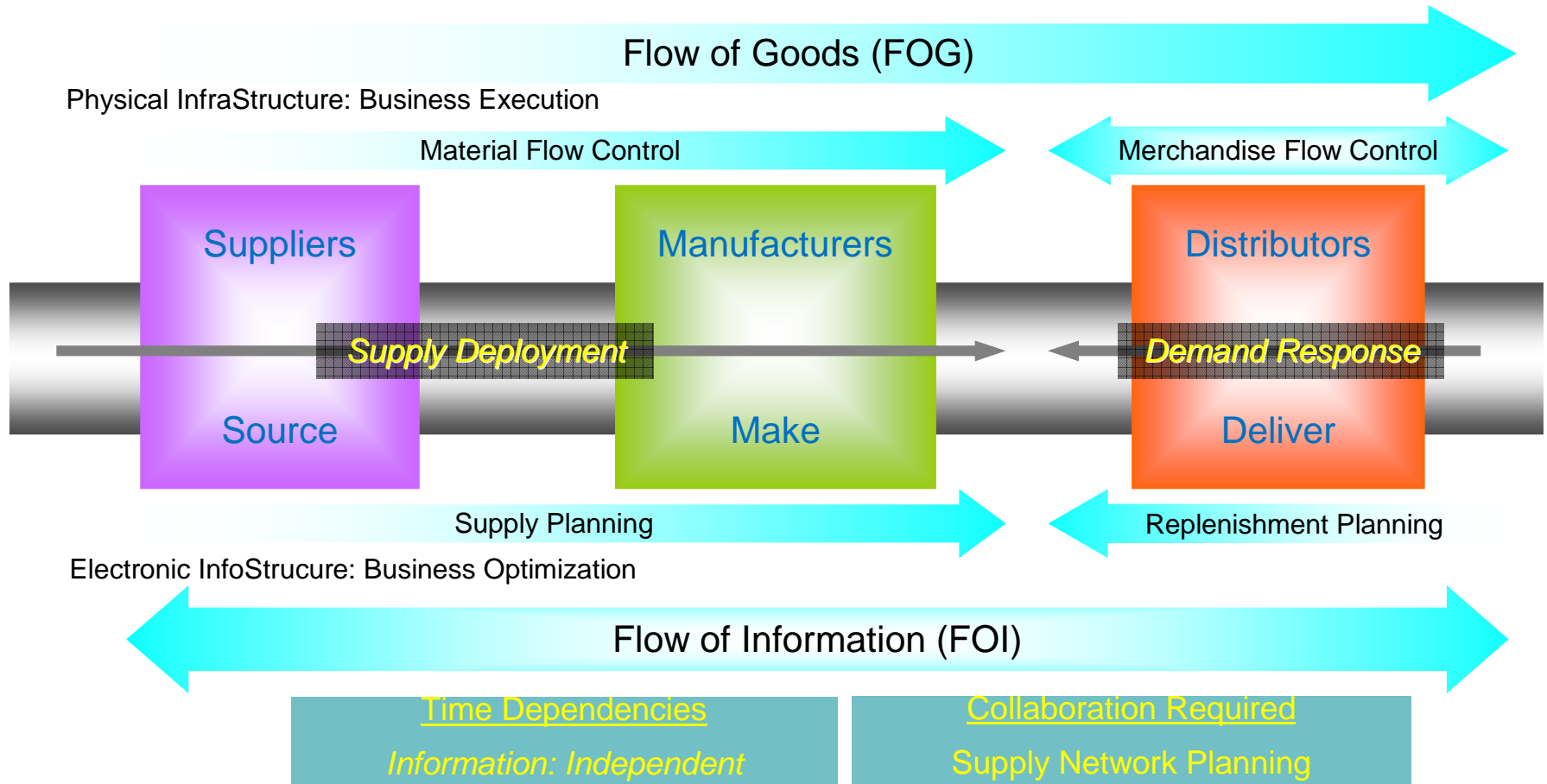
- Best-in-class strategic supplier partnerships
- Leverage of outsourcing of business processes
- Unique supply chain models



Effective Supply Chain Management can increase Return on Assets by 30% and More!

Profitable Market Execution: Optimal Demand Response

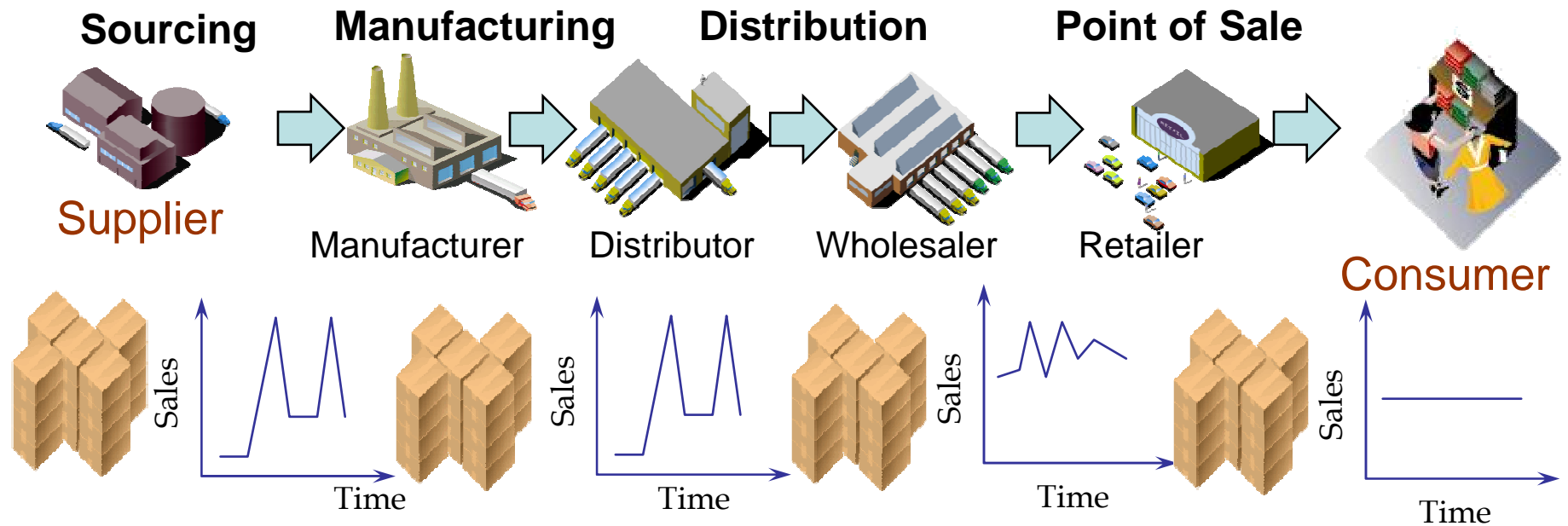
"We can't beam beer to Customers"



While we can't beam product to respond to customer demand, we can beam Information about demand and product – substituting...

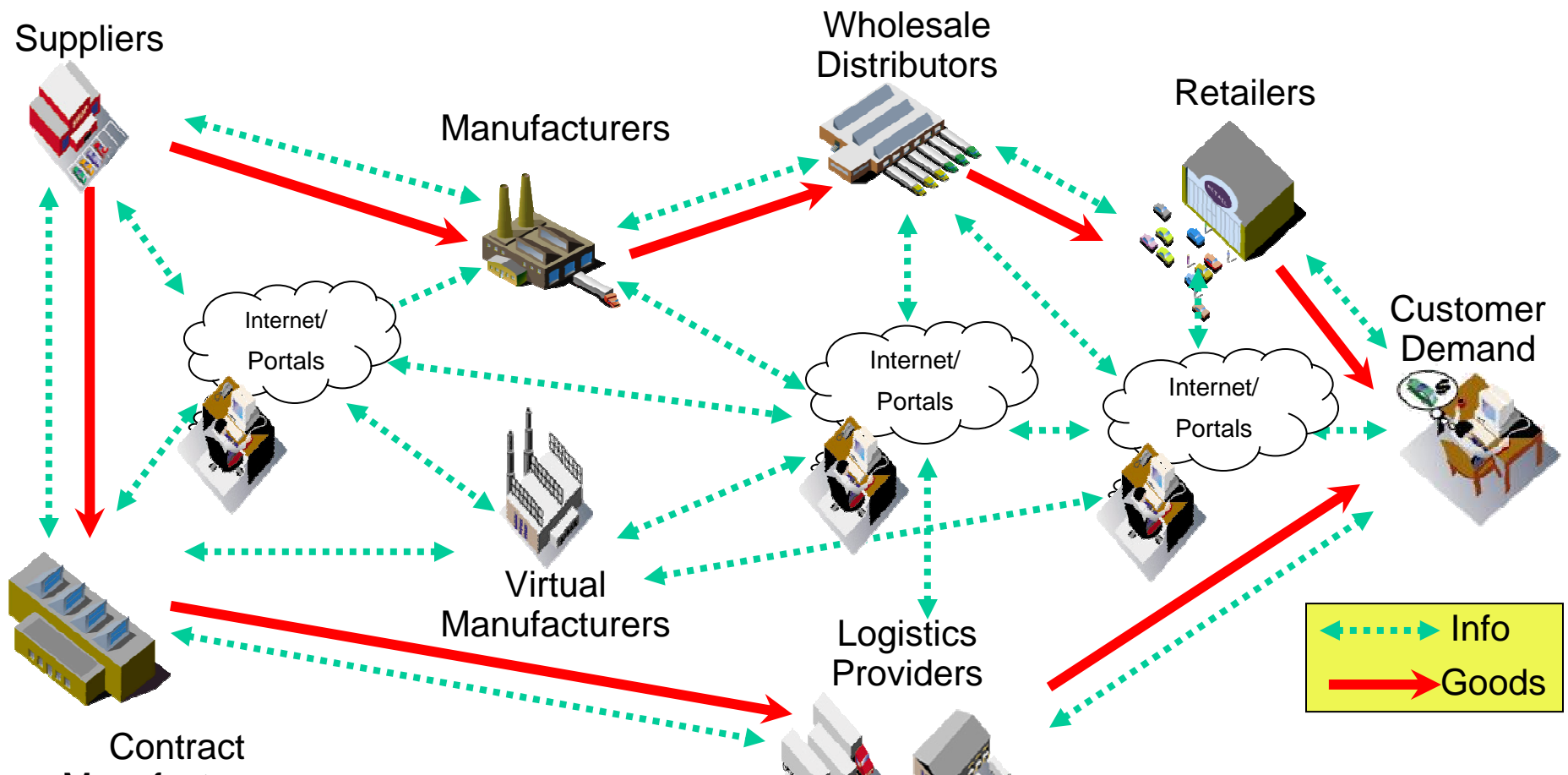
Information for Inventory (I4NI)

Traditional Supply Chain Thinking



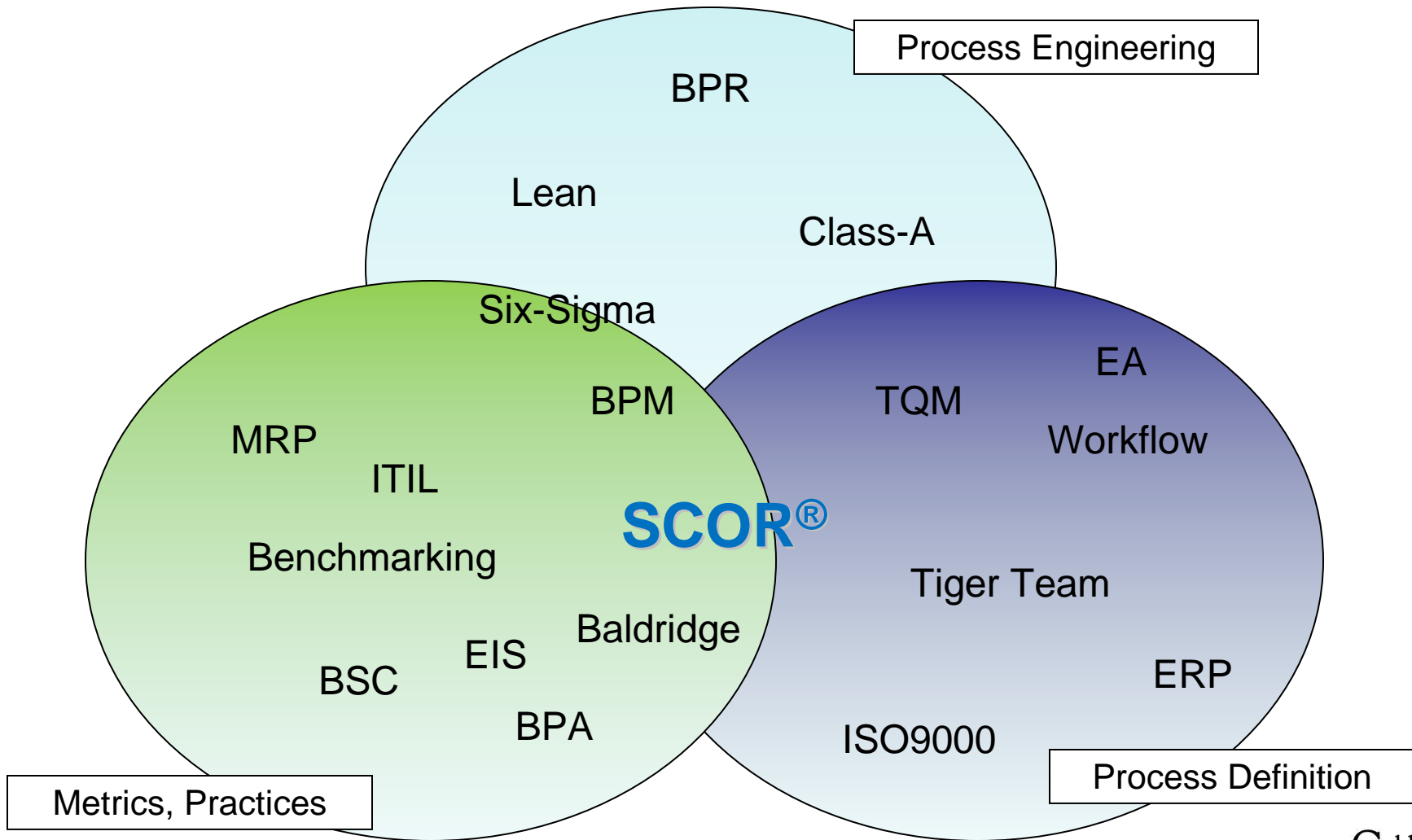
- Bullwhipped Demand Signals
- Little Collaboration
- Excess Inventory
- High Execution Costs
- Stockouts

The Supply Chain is Evolving to a Collaborative Supply Network



Companies Must Transform Their Operating Processes To Become Customer Focused, Demand Responsive, Collaborative, & Profitable

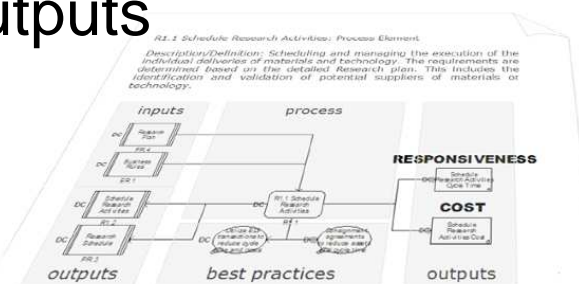
A Spectrum of Approaches



SCOR[®] : A Process Framework

- Process frameworks deliver the well-known concepts of business process reengineering, benchmarking, and best practices into a cross-functional framework
 - **Standard processes:** Plan, Source, Make, Deliver, Return, Enable
 - **Standard metrics:** Perfect Order Fulfillment, Cash-to-Cash Cycle Time, Cost of Goods Sold, Order Fulfillment Cycle Time, etcetera
 - **Standard practices:** EDI, CPFR, Cross-Training, Sales & Operations Planning, etc.
- Pre-defined relationships between processes, metrics and practices and inputs and outputs

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5 Principles of Lean

- Specify Value
- Identify the Value Stream
- Make Value Flow
- Let Customers Pull
- Pursue Perfection

6σ DMAIC Vision

- D = Define (process)
- M = Measure (metrics)
- A = Analyze (root cause)
- I = Improve (best practice)
- C = Control (benchmark)

Key Elements Across All Lean Six Sigma SCOR Methods

- Voice of the Customer – Understand Demand
- Defining and Managing the Value Stream
- TAKT Driven Process Design
 - Synchronize Rate of Production to Rate of Sale
- Power of Pull – Eliminate Waste
- Control and Improvement
- Managing Lean Six Sigma SCOR
 - Vision and ROI
 - People and Teams
 - Process – DMAIC with Skills and Tools

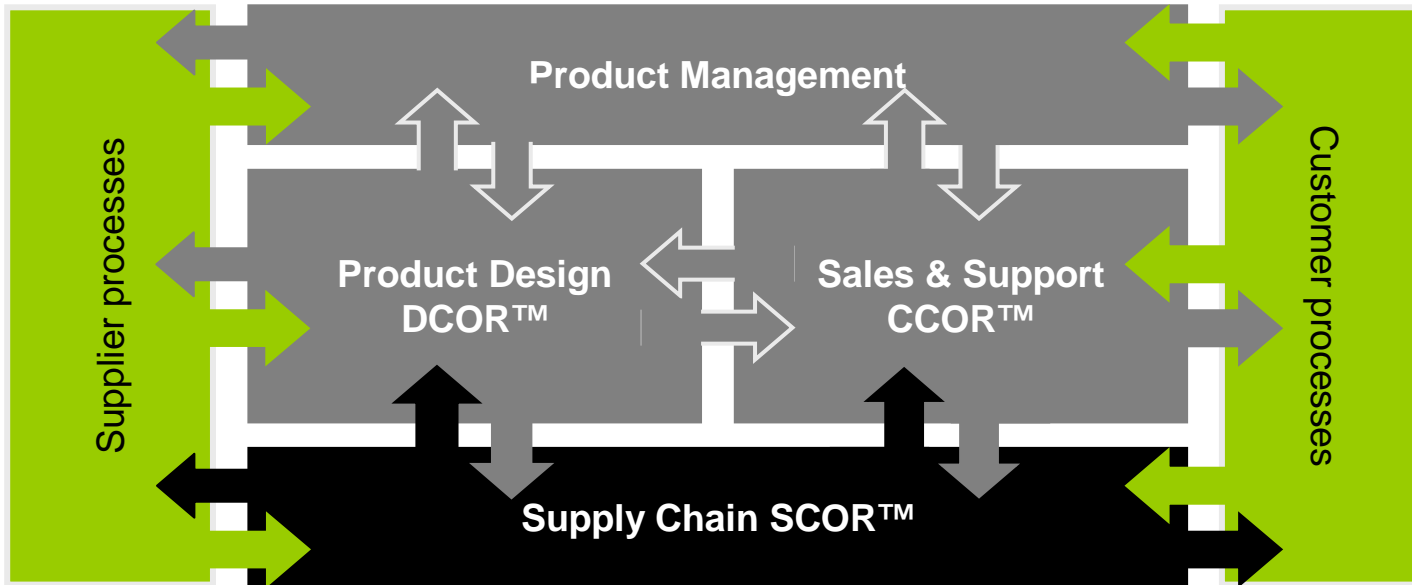
THE ROLE OF THE SCOR MODEL IN OPTIMIZING SUPPLY CHAIN PERFORMANCE

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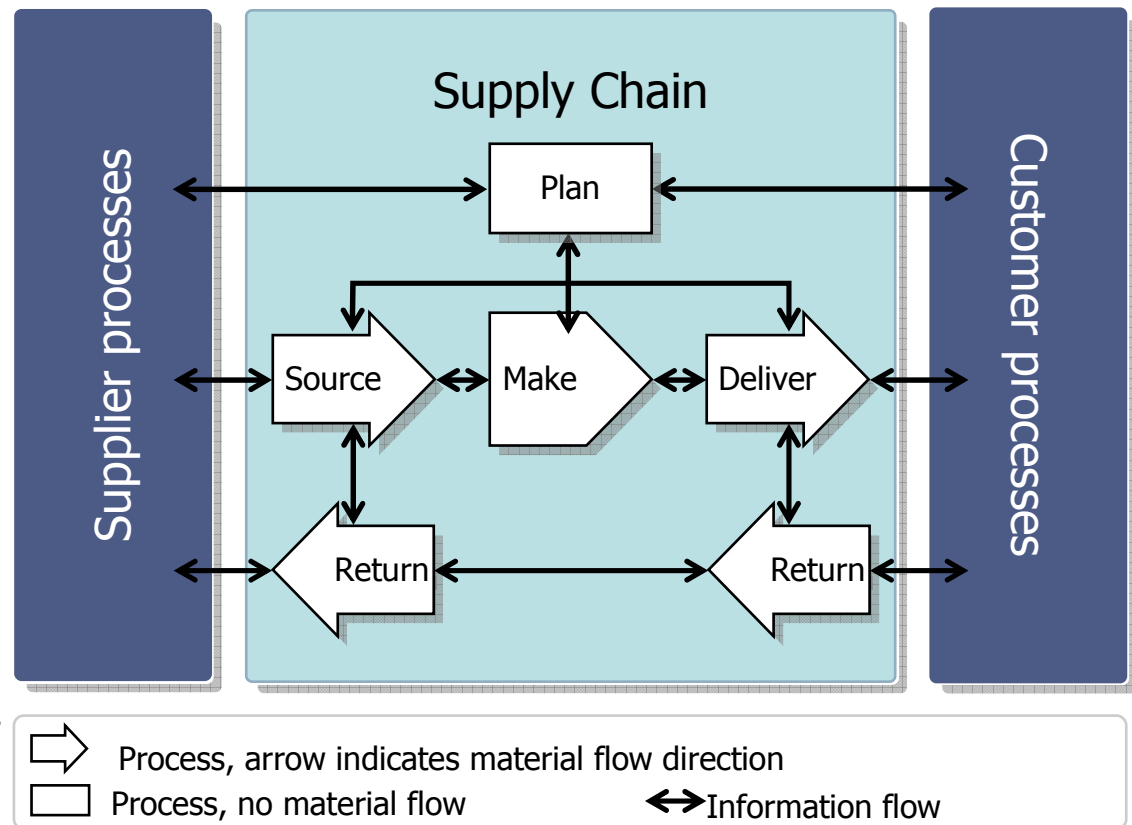
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What is a Supply-Chain?

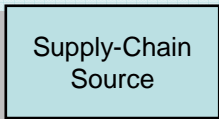
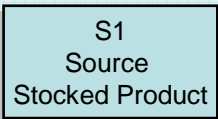
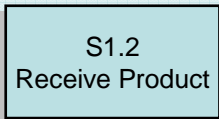
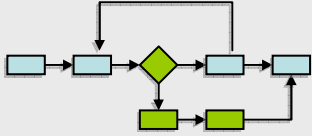
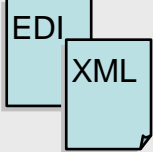


What is SCOR®?

- SCOR is a supply chain process reference model containing over 200 **process elements**, 550 **metrics**, and 500 **best practices** including risk and environmental management
- Organized around the **five primary management processes** of Plan, Source, Make, Deliver and Return
- Developed by the industry for use as a **cross industry open standard** - Any interested organization can participate in its continual development



SCOR Processes – Five Levels of Decomposition

Level 1	Level 2	Level 3	Level 4	Level 5
Scope	Configuration	Activity	Workflow	Transactions
				
Differentiates Business	Differentiates Complexity	Names Tasks	Sequences Steps	Links Transactions
Defines Scope	Differentiates Capabilities	Links, Metrics, Tasks and Practices	Job Details	Details of Automation
Sets Strategy	First Tier Diagnostics	Second Tier Diagnostics	Industry or Company Specific	Technology Specific

Standard SCOR definitions

Company/Industry definitions

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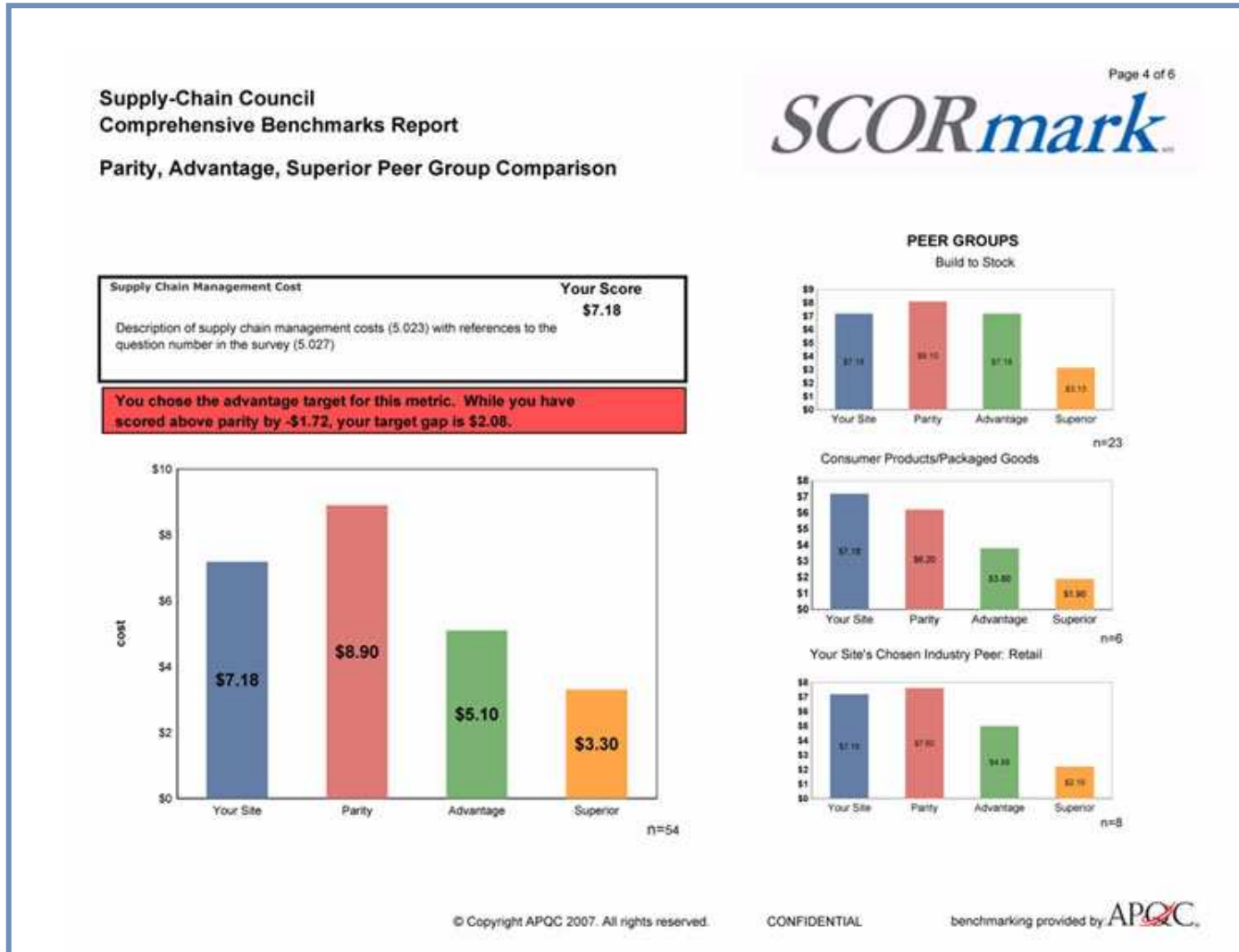
SCOR® Performance Metrics – Maps the Impact of Specific Activities on Each Key Supply Chain Metric

Standard Strategic (Level 1) Metrics

	Attribute	Metric (Strategic)
Customer	Reliability	Perfect Order Fulfillment
	Responsiveness	Order Fulfillment Cycle Time
	Agility	Supply Chain Flexibility
		Supply Chain Adaptability [†]
Internal	Cost	Supply Chain Management Cost
		Cost of Goods Sold
	Assets	Cash-to-Cash Cycle Time
		Return on Supply Chain Fixed Assets
		Return on Working Capital

† upside and downside adaptability metrics

SCORmark Benchmarking – Diagnoses the Areas Most in Need of Improvement



Best Practices

Best practice: "*A current, structured, proven and repeatable method for making a positive impact on desired operational results.*"

- **Current**

Must not be emerging and can not be antiquated

- **Structured**

Has clearly stated Goal, Scope, Process, and Procedure

- **Proven**

Success has been demonstrated in a working environment and can be linked to key metrics

- **Repeatable**

The practice has been proven in multiple environments.

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P1 Plan Supply Chain

Metrics

Cash-to-Cash Cycle Time

Cost to Plan SC

Order Fulfillment Cycle Time

Plan Cycle Time

Return on SC Fixed Assets

Return on Working Capital

Best Practices

Capability to run What-if simulations

Change in Demand signal instantaneously “reconfigures” Production and Supply Plans

CPFR

On-line visibility of demand

Re-balancing on full-stream supply and demand

Supply/Demand Processes are fully integrated

S&OP

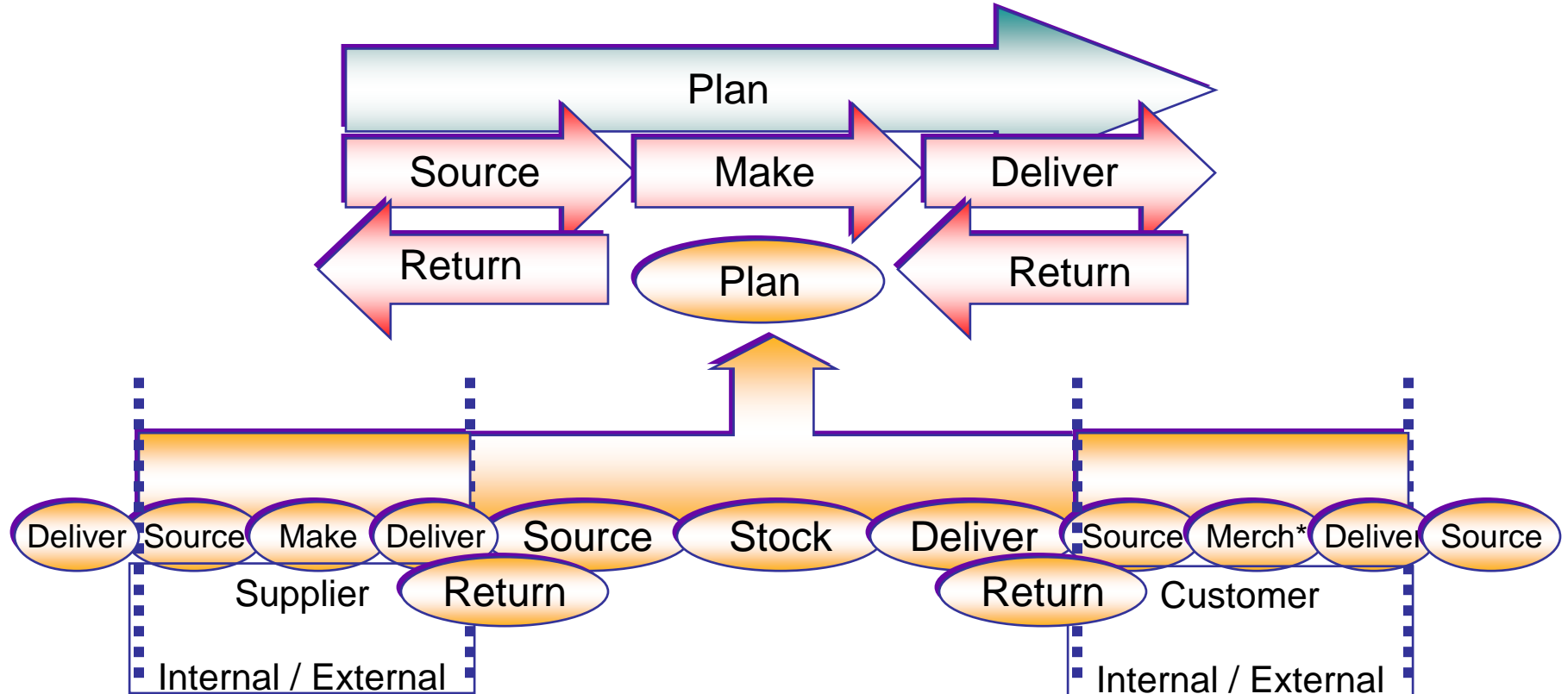
Tools support balanced decision making

VMI

Integrating Business Processes:

Supply Chain Operations Reference (SCOR®) Model

Process versus Functional Management



**Business processes within a company are part of cross company processes.
Performance improvement is a Collaborative Process.
Friedman mentions collaboration 469 times in The World is Flat!**

SCOR[®]: CASE IN POINT

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Keeping SCOR in Your Supply Chain Produces Results!



\$200M Cost Improvements Single Division



US\$2.3B Savings supported with Merger



\$5B Working Capital



Agilent Technologies

\$66M Revenue/Inventory



BOREALIS

€2M Improvements Single Division (Peroxides)

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SUPPLY CHAIN COUNCIL, INC.

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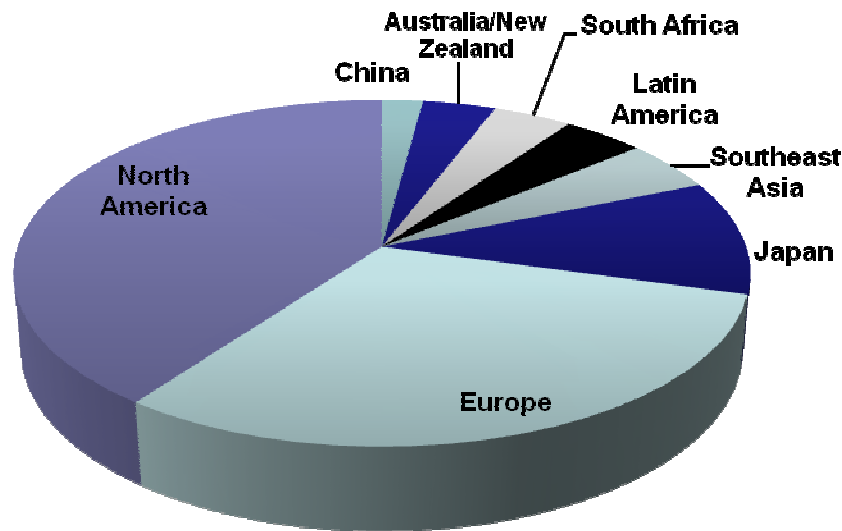
SCC: An independent, non-profit global association

- Formed in 1996 to **create and evolve a standard industry process reference model** of the supply chain for the benefit of helping companies rapidly and dramatically improve supply chain operations
- SCC has established the supply chain world's most widely accepted framework – the SCOR® process reference model – for **evaluating and comparing supply chain activities and their performance**
 - It can be used to describe supply chains that are very simple or very complex using a common set of definitions and enabling a common understanding
 - It lets companies quickly determine and compare the performance of supply chain and related operations within their company or against other companies
- SCC **continually advances its tools and educates members** about how companies are capitalizing on those tools
 - With membership open to all interested organizations

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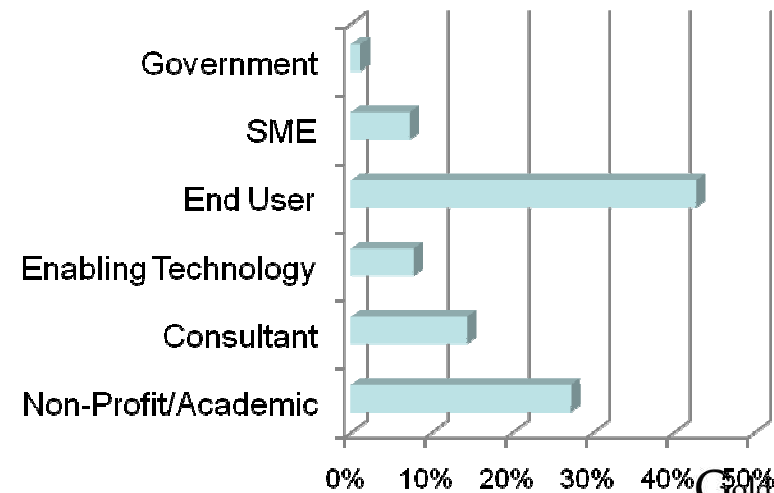
Global Scope With Over 800 Member Organizations

Member Distribution



Also developing chapters in India and the Middle East

Member Affiliation



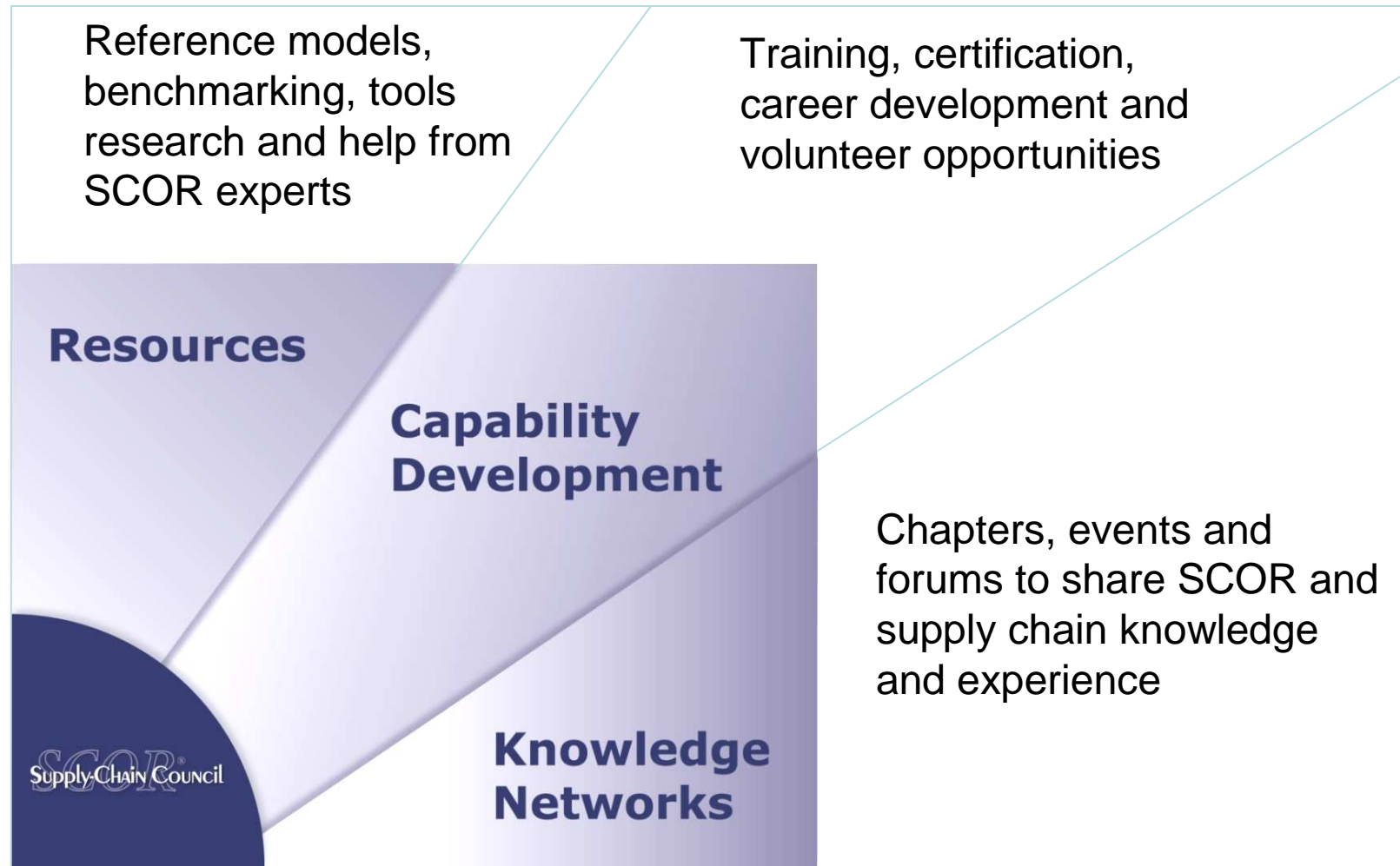
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Industry Membership Scope



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SCC membership accelerates a company's use of –and benefits from – SCOR and related models



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How Does SCOR Help Improve Supply Chains?

SCOR can be used to describe supply chains that are very simple or very complex using a common set of definitions and enabling a common understanding

It helps companies:

- **Form an integrated measured strategy** which translates overall business objectives clearly and comprehensively to all operational business entities
- **Create a common balanced scorecard by which** customers can measure their performance and by which SCC members can measure suppliers' performance
- **Compare the performance of supply chain** and related operations within their company or against other companies
- **Determine what processes to improve** and by how much to improve them either eliminating waste, or by improving process reliability
- **Guide the consolidation of internal supply** chains (which results in significant cost reductions from eliminating duplicative assets)
- **Create standard processes and common** information systems across business units (which generates major cost savings, cycle-time and quality improvements)

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A “Game Plan” for Transformation

Why Should We Change?

- Assess Current Operations – Set Objectives Supply-Chain Council *SCOR*[®]
- Determine Market Benchmarks, Environment & Challenges *SCORmark*

How Do We Change?

- Create Strategy and “Vision” for the Future
- Map “As Is” & “To Be” Business Processes & Systems Supply-Chain Council *SCOR*[®]

What is the Value of Changing?

- Determine Critical Success Factors & “Windows of Opportunity” *SCORmark*
- Calculate Return on Investment

Getting Management Buy In & Investment

- Present “Solution” Plan to Management Supply-Chain Council *SCOR*[®] *SCORmark*

Getting Operations Buy In & Commitment

- Pilot Implementation “Proof of Concept”... Rapid Results

Everyone Jumps on the Band Wagon

- Deploy Transformation Plan Across the Enterprise Supply-Chain Council *SCOR*[®]

The World is Flat: Companies that leverage technology and the SCC’s Resources to connect & collaborate will lead the 21st Century!

Thank You!

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a visioneering company

- industry & market research
- event speaking/keynote
- strategic advisory services
- training seminars and workshops
- supply chain strategy & analysis
- enterprise IT strategy/assessment/selection
- SAP APO Implementation
- marketing strategy & services

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