Supply-Chain Operations Reference-model

Overview of SCOR Version 6.0
The Supply Chain Operations Reference-model (SCOR) has been developed and endorsed by the Supply-Chain Council (SCC), an independent not-for-profit corporation, as the cross-industry standard for supply-chain management. The SCC was organized in 1996 by Pittiglio Rabin Todd & McGrath (PRTM) and AMR Research, and initially included 69 voluntary member companies. Council membership is now open to all companies and organizations interested in applying and advancing state-of-the-art supply-chain management systems and practices.

Member companies pay a modest annual fee to support Council activities.

All who use the SCOR-model are asked to acknowledge the SCC in all documents describing or depicting the SCOR-model and its use.

All who use SCOR are encouraged to join the SCC, both to further model development and to obtain the full benefits of membership. Further information regarding the Council and SCOR can be found at the Council’s web site, www.supply-chain.org.
What Is a Process Reference Model?

Process reference models integrate the well-known concepts of business process reengineering, benchmarking, and process measurement into a cross-functional framework.

**Business Process Reengineering**
- Capture the “as-is” state of a process and derive the desired “to-be” future state

**Benchmarking**
- Quantify the operational performance of similar companies and establish internal targets based on “best-in-class” results

**Best Practices Analysis**
- Characterize the management practices and software solutions that result in “best-in-class” performance

**Process Reference Model**
- Capture the “as-is” state of a process and derive the desired “to-be” future state
- Quantify the operational performance of similar companies and establish internal targets based on “best-in-class” results
- Characterize the management practices and software solutions that result in “best-in-class” performance
A Process Reference Model Contains:

• Standard descriptions of management processes
• A framework of relationships among the standard processes
• Standard metrics to measure process performance
• Management practices that produce best-in-class performance
• Standard alignment to features and functionality

Once a Complex Management Process is Captured in Standard Process Reference Model Form, It can Be:

• Implemented purposefully to achieve competitive advantage
• Described unambiguously and communicated
• Measured, managed, and controlled
• Tuned and re-tuned to a specific purpose

A Process Reference Model Becomes a Powerful Tool in the Hands of Management
The Boundaries of Any Model Must Be Carefully Defined

“From your supplier’s supplier to your customer’s customer”

**SCOR spans:**
- All customer interactions, from order entry through paid invoice
- All product (physical material and service) transactions, from your supplier’s supplier to your customer’s customer, including equipment, supplies, spare parts, bulk product, software, etc.
- All market interactions, from the understanding of aggregate demand to the fulfillment of each order

**SCOR does not attempt to describe every business process or activity, including:**
- Sales and marketing (demand generation)
- Research and technology development
- Product development
- Some elements of post-delivery customer support

Links can be made to processes not included within the model’s scope, such as product development, and some are noted in SCOR.

**SCOR assumes but does not explicitly address:**
- Training
- Quality
- Information Technology (IT)
- Administration (non SCM)

**SCOR is Based on Five Distinct Management Processes**
Demand/Supply Planning and Management
- Balance resources with requirements and establish/communicate plans for the whole supply chain, including Return, and the execution processes of Source, Make, and Deliver.
- Management of business rules, supply chain performance, data collection, inventory, capital assets, transportation, planning configuration, and regulatory requirements and compliance.
- Align the supply chain unit plan with the financial plan.

Sourcing Stocked, Make-to-Order, and Engineer-to-Order Product
- Schedule deliveries; receive, verify, and transfer product; and authorize supplier payments.
- Identify and select supply sources when not predetermined, as for engineer-to-order product.
- Manage business rules, assess supplier performance, and maintain data.
- Manage inventory, capital assets, incoming product, supplier network, import/export requirements, and supplier agreements.

Make-to-Stock, Make-to-Order, and Engineer-to-Order Production Execution
- Schedule production activities, issue product, produce and test, package, stage product, and release product to deliver.
- Finalize engineering for engineer-to-order product.
- Manage rules, performance, data, in-process products (WIP), equipment and facilities, transportation, production network, and regulatory compliance for production.

Order, Warehouse, Transportation, and Installation Management for Stocked, Make-to-Order, Engineer-to-Order, and Retail Product
- All order management steps from processing customer inquiries and quotes to routing shipments and selecting carriers.
- Warehouse management from receiving and picking product to load and ship product.
- Receive and verify product at customer site and install, if necessary.
- Invoicing customer.
- Manage Deliver business rules, performance, information, finished product inventories, capital assets, transportation, product life cycle, and import/export requirements.

Return of Raw Materials (to Supplier) and Receipt of Returns of Finished Goods (from Customer), including Defective Products, MRO Products, and Excess Products
- All return defective product steps from authorizing return; scheduling product return; receiving, verifying, and disposition of defective product; and return replacement or credit.
- Return MRO product steps from authorizing and scheduling return, determining product condition, transferring product, verifying product condition, disposition, and request return authorization.
- Return excess product steps including identifying excess inventory, scheduling shipment, receiving returns, approving request authorization, receiving excess product return in Source, verifying excess, and recover and disposition of excess product.
- Manage Return business rules, performance, data collection, return inventory, capital assets, transportation, network configuration, and regulatory requirements and compliance.
A Process Reference Model Differs from Classic Process Decomposition Models

SCOR is a process reference model that provides a language for communicating among supply-chain partners.

- Process decomposition models are developed to address one specific configuration of process elements.

<table>
<thead>
<tr>
<th>Level</th>
<th>Contains:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Process</td>
<td>Process Element</td>
</tr>
<tr>
<td>2</td>
<td>Process Element</td>
<td>Task</td>
</tr>
<tr>
<td>3</td>
<td>Task</td>
<td>Activities</td>
</tr>
<tr>
<td>4</td>
<td>Activities</td>
<td></td>
</tr>
</tbody>
</table>

- Provide a balanced horizontal (cross-process) and vertical (hierarchical) view.
- Designed to be (re)configurable.
- Used to represent many different configurations of a similar process.
- Aggregate a series of hierarchical process models.
Level 1 defines the scope and content for the Supply Chain Operations Reference-model. Here basis of competition performance targets are set.

A company’s supply chain can be “configured-to-order” at Level 2 from the core “process categories.” Companies implement their operations strategy through the configuration they choose for their supply chain.

Level 3 defines a company’s ability to compete successfully in its chosen markets, and consists of:
- Process element definitions
- Process element information inputs, and outputs
- Process performance metrics
- Best practices, where applicable
- System capabilities required to support best practices
- Systems/tools

Companies “fine tune” their Operations Strategy at Level 3.

Companies implement specific supply-chain management practices at this level. Level 4 defines practices to achieve competitive advantage and to adapt to changing business conditions.
## Process Categories

Defined by the Relationship Between a SCOR Process and a Process Type

### SCOR Configuration Toolkit

<table>
<thead>
<tr>
<th>Process Type</th>
<th>Planning</th>
<th>Execution</th>
<th>Enable</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SCOR Process</strong></td>
<td><strong>Plan</strong></td>
<td><strong>Source</strong></td>
<td><strong>Make</strong></td>
</tr>
<tr>
<td></td>
<td>P1</td>
<td>S1-S3</td>
<td>M1-M3</td>
</tr>
<tr>
<td></td>
<td>P2</td>
<td>EP</td>
<td>ES</td>
</tr>
<tr>
<td></td>
<td>P3</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Practitioners select appropriate process categories from the SCOR configuration toolkit to represent their supply-chain configuration(s).

## Level 1 Process Definitions

SCOR is Based on Five Core Management Processes

<table>
<thead>
<tr>
<th>SCOR Process</th>
<th>Definitions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Plan</strong></td>
<td>Processes that balance aggregate demand and supply to develop a course of action which best meets sourcing, production and delivery requirements</td>
</tr>
<tr>
<td><strong>Source</strong></td>
<td>Processes that procure goods and services to meet planned or actual demand</td>
</tr>
<tr>
<td><strong>Make</strong></td>
<td>Processes that transform product to a finished state to meet planned or actual demand</td>
</tr>
<tr>
<td><strong>Deliver</strong></td>
<td>Processes that provide finished goods and services to meet planned or actual demand, typically including order management, transportation management, and distribution management</td>
</tr>
<tr>
<td><strong>Return</strong></td>
<td>Processes associated with returning or receiving returned products for any reason. These processes extend into post-delivery customer support</td>
</tr>
</tbody>
</table>
Level 1 Performance Metrics

Level 1 Metrics are primary, high level measures that may cross multiple SCOR processes. Level 1 Metrics do not necessarily relate to a SCOR Level 1 process (PLAN, SOURCE, MAKE, DELIVER, RETURN).

<table>
<thead>
<tr>
<th>Performance Attribute</th>
<th>Customer-Facing</th>
<th>Internal-Facing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delivery performance</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Fill Rate</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Perfect order fulfillment</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Order fulfillment lead time</td>
<td></td>
<td>✔</td>
</tr>
<tr>
<td>Supply-chain response time</td>
<td></td>
<td>✔</td>
</tr>
<tr>
<td>Production flexibility</td>
<td></td>
<td>✔</td>
</tr>
<tr>
<td>Supply chain management cost</td>
<td></td>
<td>✔</td>
</tr>
<tr>
<td>Cost of goods sold</td>
<td></td>
<td>✔</td>
</tr>
<tr>
<td>Value-added productivity</td>
<td></td>
<td>✔</td>
</tr>
<tr>
<td>Warranty cost or returns processing cost</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash-to-cash cycle time</td>
<td></td>
<td>✔</td>
</tr>
<tr>
<td>Inventory days of supply</td>
<td></td>
<td>✔</td>
</tr>
<tr>
<td>Asset turns</td>
<td></td>
<td>✔</td>
</tr>
</tbody>
</table>

At Level 2, Each SCOR Process Can Be Further Described by Process Type

<table>
<thead>
<tr>
<th>SCOR Process Type</th>
<th>Characteristics</th>
</tr>
</thead>
</table>
| Planning          | A process that aligns expected resources to meet expected demand requirements. Planning processes:  
|                   | - Balance aggregated demand and supply  
|                   | - Consider consistent planning horizon  
|                   | - (Generally) occur at regular, periodic intervals  
|                   | - Can contribute to supply-chain response time |
| Execution         | A process triggered by planned or actual demand that changes the state of material goods. Execution processes:  
|                   | - Generally involve -  
|                   | 1. Scheduling/sequencing  
|                   | 2. Transforming product, and/or  
|                   | 3. Moving product to the next process  
|                   | - Can contribute to the order fulfillment cycle time |
| Enable            | A process that prepares, maintains, or manages information or relationships on which planning and execution processes rely |
SCOR Version 6.0 Level 2 Toolkit

Plan
- P1 Plan Supply Chain
- P2 Plan Source
- P3 Plan Make
- P4 Plan Deliver
- P5 Plan Return

Suppliers
- S1 Source Stocked Product
- S2 Source Make-to-Order Product
- S3 Source Engineer-to-Order Product

Source Return
- SR1 Return Defective Product
- SR2 Return MRO Product
- SR3 Return Excess Product

Make
- M1 Make-to-Stock
- M2 Make-to-Order
- M3 Engineer-to-Order

Deliver
- D1 Deliver Stocked Product
- D2 Deliver Make-to-Order Product
- D3 Deliver Engineer-to-Order Product
- D4 Deliver Retail Product

Deliver Return
- DR1 Return Defective Product
- DR2 Return MRO Product
- DR3 Return Excess Product

Enable
1) Establish and Manage Rules
2) Assess Performance
3) Manage Data
4) Manage Inventory
5) Manage Capital Assets
6) Manage Transportation
7) Manage Supply Chain Configuration
8) Manage Regulatory Compliance
9) Process Specific Elements

Supply Chain Council

Align SC/Financials Supplier Agreements
SCOR Level 3
Presents Detailed Process Element Information for Each Level 2 Process Category

Level 3 Example — S1 Source Stocked Product

Inputs
- (P2.4) Sourcing Plans
- (ES.2) Source Execution Data
- (ES.6) Logistics Selection
- (M1.1, M2.1, M3.2) Production Schedule
- (M1.2, M2.2, M3.3, D1.3) Replenishment Signals

Process Elements
- S1.1 Schedule Product Deliveries
- S1.2 Receive Product
- S1.3 Verify Product
- S1.4 Transfer Product
- S1.5 Authorize Supplier Payment

Outputs
- (Supplier) Sourced Products
- Procurement Signal (Supplier)
- Sourced Product on Order (P2.2, ES.9)
- Scheduled Receipts (M1.1, M2.1, M3.2, D1.8)
- Material on Order
- Receipt Verification (ES.1, ES.2)
- (ES.9) Payment Terms
- Inventory Availability (P2.2, ES.4, M1.2, M2.2, M3.3, D1.8)

Inputs, outputs, and basic logic flow of process elements are captured.

An Example of SCOR Level 3 Process Element Logic Flow
Examples:

SCOR Level 3 Standard Process Element Definition, Performance Attributes and Accompanying Metrics

**Process Element: Schedule Product Deliveries**

**Process Element Definition**

Scheduling and managing the execution of the individual deliveries of product against an existing contract or purchase order. The requirements for product releases are determined based on the detailed sourcing plan or other types of product pull signals.

<table>
<thead>
<tr>
<th>Performance Attributes</th>
<th>Metric</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reliability</td>
<td>% Schedules Generated within Supplier's Lead Time % Schedules Changed within Supplier’s Lead Time</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>Average Release Cycle of Changes</td>
</tr>
<tr>
<td>Flexibility</td>
<td>Average Days per Schedule Change Average Days per Engineering Change</td>
</tr>
<tr>
<td>Cost</td>
<td>Product Management and Planning Costs as a % of Product Acquisitions Costs</td>
</tr>
<tr>
<td>Assets</td>
<td>None Identified</td>
</tr>
</tbody>
</table>

**SCOR Level 3 Best Practices and Features**

**Process Element: Schedule Product Deliveries**

**Best Practices**

- Utilize EDI transactions to reduce cycle time and costs
- VMI agreements allow suppliers to manage (replenish) inventory
- Mechanical (Kanban) pull signals are used to notify suppliers of the need to deliver product
- Consignment agreements are used to reduce assets and cycle time while increasing the availability of critical items
- Advanced ship notices allow for tight synchronization between SOURCE and MAKE processes

**Features**

- EDI interface for 830, 850, 856, and 862 transactions
- Supplier managed inventories with scheduling interfaces to external supplier systems
- Electronic Kanban support
- Consignment inventory management
- Blanket order support with scheduling interfaces to external supplier systems
Implementation of Supply-Chain Management Practices within the Company Occurs at Level 4 (and below)

Level 4

Process Element - D1.2

Tasks

Level 5

Task - D1.2.3

Activities

Level 6

1. Contact customer account rep.
2. Look up customer history
3. If necessary, account rep. calls sales manager to authorize additional credit
4a. Account rep. clears credit issue
4b. Account rep. refuses credit request
The Concept of “Configurability”

A supply-chain configuration is driven by:
- **Plan** levels of aggregation and information sources
- **Source** locations and products
- **Make** production sites and methods
- **Deliver** channels, inventory deployment and products
- **Return** locations and methods

SCOR must accurately reflect how a supply-chain’s configuration impacts management processes and practices.

Each Basic Supply-Chain is a “Chain” of Source, Make, and Deliver Execution Processes

Configurability

Each intersection of two execution processes (Source-Make-Deliver) is a “link” in the supply chain
- Execution processes transform or transport materials and/or products
- Each process is a customer of the previous process and a supplier to the next

Planning processes manage these customer-supplier links
- Planning processes thus “balance” the supply chain
- Every link *requires* an occurrence of a plan process category
How SCOR Logic Supports Horizontal Process Integration

Planning Process Type

Plan Source \(\rightarrow\) Plan Make \(\rightarrow\) Plan Deliver \(\rightarrow\) Plan Return

Sourcing Plan \(\rightarrow\) Production Plan \(\rightarrow\) Delivery Plan \(\rightarrow\) Return Plan

Execution Process Type

Source, Make, Deliver

Respond to Order or Plan Signal

Transform and Move Product
How SCOR Describes One SCM Trade-off
Make-to-Stock Configuration

Common SCM objective — achieve “market-winning” fulfillment time with the least inventory risk. Example: “pure” make-to-stock configuration. Plan Deliver and Deliver activities are taken upon receipt of Customer Order.

Common SCM objective — achieve “market-winning” fulfillment time with the least inventory risk. Example: replenish-to-order Deliver network. Plan Deliver activities are already in place and ready to be executed when Customer Order Signal is received.
How SCOR Describes One SCM Trade-off

Make-to-Order Configuration

Common SCM objective — achieve “market-winning” fulfillment time with the least inventory risk. Example: make-to-order configuration. Plan Make and Plan Deliver activities are already in place and ready to be executed when Customer Order Signal is received.

Common SCM objective — achieve “market-winning” fulfillment time with the least inventory risk. Example: make-to-order configuration that extends through the Source process. All inter-enterprise planning functions are already in place and ready to be executed when Customer Order Signal is received. This scheme requires some degree of intra-enterprise P1 Planning. See page 23.
Configuring Supply-Chain Threads

Configuring a supply-chain “thread” illustrates how SCOR configurations are done. Each thread can be used to describe, measure, and evaluate supply-chain configurations.

1. Select the business entity to be modeled (geography, product set, organization)
2. Illustrate the physical locations of:
   - Production facilities (Make)
   - Distribution activities (Deliver)
   - Sourcing activities (Source)
3. Illustrate primary point-to-point material flows using “solid line” arrows
4. Place the most appropriate Level 2 execution process categories to describe activities at each location
Supply Chain Threads are Developed from the
Geographic Product Flow
SCOR Process Maps are Used as a Basis for Evaluating/Understanding the Supply Chain

5. Describe each distinct supply-chain “thread”
   - A supply-chain thread ties together the set of Source-Make-Deliver supply-chain processes that a given product family flows through
   - Develop each thread separately to understand common, and distinct, execution and return process categories
   - Consider end-to-end threads in the inter-company case

6. Place planning process categories, using dashed lines to show links with execution processes

7. Place P1, if appropriate
   - P1 - Plan Supply Chain aggregates outputs from P2, P3, and P4
In a Classic Logistics World
A change in a supply chain often “ripples” through each linkage, affecting other areas.

The impact of a change can be felt both up and down the supply chain
- A change in supply caused by a “production planner” may impact a “materials planner” and an “inventory planner”
- Further, such a change may impact both your customer’s and supplier’s supply-chain planning

Effective Supply-Chain Management Requires Balancing Multiple Links Concurrently
SCOR Overview:

Summary

SCOR is a process reference model designed for effective communication among supply-chain partners.

• A standard language helps management to focus on management issues
• As an industry standard, SCOR helps management focus across inter-company supply chains

SCOR is used to describe, measure and evaluate Supply-Chain configurations

• Describe: Standard SCOR process definitions allow virtually any supply-chain to be configured.
• Measure: Standard SCOR metrics enable measurement and benchmarking of supply-chain performance.
• Evaluate: Supply-chain configurations may be evaluated to support continuous improvement and strategic planning.