

Chapter 8

Achieving Operational Excellence and Customer Intimacy: Enterprise Applications

LEARNING TRACK 2: BUSINESS PROCESSES IN SUPPLY CHAIN MANAGEMENT AND SUPPLY CHAIN METRICS

SUPPLY CHAIN PROCESSES

Many processes and subprocesses are involved in managing the supply chain to expedite this flow of information and materials. The Supply Chain Council (SCC) developed a Supply Chain Operations Reference Model (SCOR) as a cross-industry process reference model for supply chain management. (SCC members are organizations interested in applying and advancing state-of-the-art supply chain management systems and practices.) SCOR defines a common set of supply chain processes to help companies better understand supply chain management issues and set goals for supply chain improvement. SCOR identifies five major supply chain processes: plan, source, make, deliver, and return (see Figure 8-2).

Plan: Consists of processes that balance aggregate demand and supply to develop a course of action to meet sourcing, production, and delivery requirements

Source: Consists of processes that procure goods and services needed to create a specific product or service

Make: Consists of processes that transform a product into a finished state to meet planned or actual demand

Deliver: Consists of processes that provide finished goods and services to meet actual or planned demand, including order management, transportation management, and distribution management

Return: Consists of processes associated with returning products or receiving returned products, including postdelivery customer support

Logistics plays an important role in these processes, dealing with the planning and control of all factors that will have an impact on transporting the correct product or service to where it is needed on time and at the least cost. (Logistics accounts for 12 to 14 percent of a typical manufacturer's cost of goods sold.) Supply chain management provides an opportunity to optimize the movement of materials and goods among different members of the supply chain.

To manage the supply chain, a company tries to eliminate redundant steps, delays, and the amount of resources tied up along the way as it manages relationships with other supply chain members. Information systems make supply chain management more efficient by providing information to help companies coordinate, schedule, and control procurement, production, inventory management, and delivery of products and services.

FIGURE 8-2 Key supply chain management processes.

The five supply chain management processes consist of many subprocesses performed by members of the supply chain.

