Welcome to the seventeenth lesson of the DoD Supply Chain Fundamentals module, SCOR Level One Best Practices.

In this lesson you will learn to recognize the characteristics of the following SCOR level one best practices; Collaborative Planning, Forecasting and Replenishment (CPFR); Regionalized Procurement Representatives; Lean; Assess Supplier Performance.

You will be given an opportunity to test out of this lesson. If you pass the test question, you can decide to continue, or skip to the next lesson.

**Which of the following is a characteristic of Assess Supplier Performance?**

A. Aligns and communicates activities across organizations.

B. Measures actual supplier performance against internal and/or external standards.

C. Develops plan to transition from the current state to the future state.

D. Calculates key metrics to evaluate the achievement of business goals.

**Feedback:**
The correct answer is "Measures actual supplier performance against internal and/or external standards".

You can immediately improve the performance of your supply chain by applying the "best practices" put together by members of the Supply Chain Council and made available to all members. This lesson introduces you to the practices that are described in greater detail on the Supply Chain Council website.

## Learning Objective

- Recognize characteristics of the following SCOR® level one best practices; Collaborative Planning, Forecasting and Replenishment (CPFR); Regionalized Procurement Representatives; Lean; Assess Supplier Performance.

While reading about the eight collaborative tasks for "Collaborative Planning, Forecasting and Replenishment (CPFR)," you'll be reminded of similar business tasks you learned for setting goals, identifying significant events, forecasting demand, determining ordering/delivery requirements, generating orders, shipping, and assessing performance.

As you read the characteristics of "Lean," you will probably recall prior training you've had on continuous process improvement (CPI). Additionally, you will recall earlier descriptions in this module of the "As-Is" and "To-Be" process maps. They are used in "Lean" as part of the Value Stream Mapping (VSM) process.

## Examples of Best Practices:

- Collaborative Planning, Forecasting and Replenishment (CPFR)
- Co-Located Procurement Representatives
- Lean
- Supplier Performance Assessment System

The CPFR reference model provides a general framework for the collaborative aspects of planning, forecasting and replenishment processes. The model is considered a "guideline" for trading partner collaboration, which should be tailored specially for the industry and company readiness and maturity.

## CPFR defines eight collaboration tasks:

**1. Collaboration Arrangement is the process of setting the business goals for the relationship, defining the scope of collaboration and assigning roles, responsibilities, checkpoints and escalation procedures.**

## CPFR defines eight collaboration tasks (continued):

2. The Joint Business Plan then identifies the significant events that affect supply and demand in the planning period, such as promotions, inventory policy changes, store openings/closings, and product introductions.

3. Sales Forecasting projects consumer demand at the point of sale.

4. Order Planning/Forecasting determines future product ordering and delivery requirements based upon the sales forecast, inventory positions, transit lead times, and other factors.

5. Order Generation transitions forecasts to firm demand.

## CPFR defines eight collaboration tasks (continued):

**6. Order Fulfillment is the process of producing, shipping, delivering, and stocking products for consumer purchase.**

**7. Exception Management is the active monitoring of planning and operations for out-of bounds conditions.**

**8. Performance Assessment calculates key metrics to evaluate the achievement of business goals, uncover trends or develop alternative strategies.**

Based on this general framework, CPFR discusses collaboration scenarios (like replenishment collaboration or collaborative assortment planning), collaboration roles (who of the two partners involved is responsible for collaboration tasks), and organizational implications within partner companies.

Regionalized Procurement Representatives are positioned in local markets to support corporate/procurement goals. Companies realize support is needed when cost and delivery objectives are not consistent with organizational goals. This leading practice involves identifying local procurement personnel to assist in creating a supply base to meet internal and external product requirements.

These local representatives will perform all procurement related activities for the organization. Co-located procurement personnel bring the knowledge of the local supply base; understand their organizations demand and supply signals; and communication capability to work with company global commodity leadership.

For companies expanding their sourcing scope and distance, having personnel local to the market is a crucial element to maintaining supply chain performance. Local personnel are used to support the understanding of the demand and supply signals, production and logistics decisions. Companies that have sourced globally, but have not added local resources find challenges that diminish supply chain response time.

**Some major factors include:**

- Communication (time, language, cultural)
- Lead time
- Hidden costs (taxes, tariffs, etc.)
- Quality Returns and Repairs
- Political and Geography Risks
- Units of Measure

Cost is the huge driver in this Best Practice. For example, decisions affecting the supply chain can be made more accurately and in a timelier manner by experts in the field who can experience the day-to-day activities.

"Lean" is a term coined in 1990 in the book *The Machine that Changed the World* by MIT researchers to describe the effectiveness and efficiency of the Toyota Production System in comparison to the traditional mass production approach to manufacturing.

"Lean" practices actually date back to the early 1900s when Sakichi Toyoda introduced jidoka (autonomation) into his loom operations. The modern understanding of "lean" comes from the Toyota Production System developed by Taiichi Ohno, which was inspired by Henry Ford's River Rouge moving assembly line.

"Lean" thinking is a focus on creating process "flow" through the reduction of waste. The waste reduction in production environments is typically targeted at the seven wastes: overproduction, waiting, transportation, inappropriate processes, inventory levels, unnecessary motion, and defects. Lean Thinking is applicable to all processes.

The typical enabler for lean improvement is through the use of Value Stream Mapping (VSM). VSM is the process of walking and drawing the process steps (material and information) for one product family from beginning to end, typically within a single facility, to create a current state map. Current state maps are designed to highlight the process flow of an item through the value stream. Following the current state map, a future state map is created. Future state maps are then developed to identify process improvements that eliminate waste. Finally, a detailed implementation plan is developed to transition from the current state to the future state, typically within an 8-12 month period. VSM can also be applied similarly across suppliers to create supply chain value stream maps.

While lean excels at improving process efficiency, there are some limitations to lean application. Lean implementations are typically limited by the inability to systematically identify and prioritize lean projects, measure the effects of changes on the supply chain system's bottom line, and align and communicate activities across organizations. See the Best Practice on "Convergence of SCOR®, Six Sigma and Lean Methodology" to overcome this limitation.

"Assess Supplier Performance" is the process of measuring actual supplier performance against internal and/or external standards, providing feedback to achieve and maintain the performance required to meet the customers' business and/or competitive needs.

**The supplier management program at a representative company has six elements:**

1. Viability of supplier: Financial credit rating via D & B, Risk rating associate with overall financial health
2. Supplier Capability: Quality of supplier deliveries in PPM for Engineering programs and Production parts
3. Dependability: On-time delivery for Engineering programs and Production deliveries, number of stock outs, average days of stock out
4. Responsiveness: Part lead time, inventory turns
5. Competitiveness: YTD part cost savings, number of parts on pull processes (JIT), electronic data exchange
6. Technical ability: Global reach, Engineering ability, Technology roadmaps

Each month, the source data is extracted from ERP software for each supplier. A report card is created and communicated to suppliers. Performance data is monitored by commodity managers with the expectation that supplier responds to any variance to goals or expected results.

This supplier performance data can be used to select suppliers for a preferred supplier program. Preferred suppliers are given preference for all new business awards and supporting Engineering development programs.

## Collaborative Planning, Forecasting and Replenishment (CPFR):

- think "Collaborative." There are eight tasks of a process for working "collaboratively" with trading partners that starts with setting business goals and ends with assessing the achievement of these goals.

## Regionalized Procurement Representatives:

- think "local reps" of the organization. These local representatives know the territory and use the knowledge to help organization adapt to supply and demand needs of the supply chain.

**Lean:**

- think of cutting the "fat" from bloated work processes.

**Assess Supplier Performance:**

- think of regularly measuring the supplier's performance against a "yardstick" standard and giving feedback.

**Which of the following is a characteristic of Collaborative Planning, Forecasting and Replenishment (CPFR)?**

A Typically limited by the inability to align and communicate activities across organizations.

B Includes eight collaboration tasks.

C Involves identifying local procurement personnel.

D Monitored by commodity managers; supplier responds to any variance to goals.

**Feedback:**
The correct answer is, "Includes eight collaboration tasks."

You have completed the learning portion of the SCOR Level One Best Practices lesson. Next you will be given three attempts to demonstrate mastery of the learning objective.

If you fail all three attempts, you can still progress to the remaining lessons and graduate; however, you are encouraged to restudy the lesson to increase your understanding of the content.

## Which of the following is a characteristic of Regionalized Procurement Representatives?

A. Tasked with measuring actual supplier performance against internal and/or external standards.

B. Considered a "guideline" for trading partner collaboration.

C. Positioned in local markets to support corporate/procurement goals.

D. Focused on creating process "flow" through the reduction of waste.

**Feedback:**
The correct answer is, "Positioned in local markets to support corporate/procurement goals."

## Which of the following is a characteristic of Assess Supplier Performance?

A. Uses Value Stream Mapping (VSM).

B. Calculates key metrics to evaluate the achievement of business goals, uncover trends or develop alternative strategies.

C. Measures actual supplier performance against internal and/or external standards.

D. Identifies local procurement personnel in creating a supply base to meet internal and external product requirements.

**Feedback:**
The correct answer is, "Measures actual supplier performance against internal and/or external standards."

**Which of the following is a characteristic of Collaborative Planning, Forecasting and Replenishment (CPFR)?**

A. Discusses collaboration scenarios, collaboration roles, and organizational implications within partner companies.

B. Targets waste reduction in production environments.

C. Walks the process steps (material and information) for one product family from beginning to end, typically within a single facility.

D. Extracts source data each month from ERP software for a report card to suppliers.

**Feedback:**
The correct answer is, "Discusses collaboration scenarios, collaboration roles, and organizational implications within partner companies." This was your third and final attempt, but you will be allowed to progress to other lessons and graduate. Review This Lesson

In this lesson, you became familiar with some SCOR® level one "best practices" to include collaborative planning with partners, operating with regional representatives, trimming fat for leaner processes, and assessing supplier performance. In the next lesson, you will learn about the characteristics of SCOR® level one people section.

**Can you recall from a previous lesson which of the following is a characteristic of a PBL strategy and not a DoD traditional support strategy?**

A Buy parts to address failures.

B Relies on purchasing the elements of support.

C Based on input measures.

D Seeks to resolve obsolescence.

**Feedback:**
The answer is "Seeks to resolve obsolescence."

You have completed the content for this lesson.

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