

SCOR EARLY ADOPTER ERICSSON AB CONTINUES TO BENEFIT FROM THE TOOL 15 YEARS LATER

Aligning supply chain processes with SCOR enables Ericsson AB professionals to achieve a unified, optimized and digitized global supply chain.

Goals

- Increase efficiency of supply chain processes and IT development
- Utilize a neutral and consistent set of definitions, metrics and standards
- Establish a cross-functional framework of defined processes, practices and skills across the enterprise
- Strengthen management's understanding of supply chain performance

Approach

- Make a long-term commitment to implement SCOR
- Re-brand internal supply processes and align job descriptions to correlate with SCOR
- Conduct SCM "awareness sessions" for employees to strengthen their understanding of supply chain performance
- Utilize SCOR scorecards and performance measurement

Results

- Global supply chain cost alignment
- Business warehouse design allows faster delivery of tangible solutions
- Alignment of development efforts based on a neutral reference model
- Capital reduction from well-designed supply solutions resulting in lower capital expenditures, which supports Ericsson's overall business strategy
- Reduce the time and cost to prepare quotes for customer contracts, going from weeks to days

Global telecommunications technology and services leader Ericsson AB was one of the early adopters of the Supply Chain Operations Reference (SCOR) model. The company began using SCOR in 1997, just one year after its development; SCOR then was applied more formally across Ericsson's global networks beginning in 2004. In the years since, SCOR has evolved to become the foundation of Ericsson's global outbound supply chain strategy. In fact, it is so integrated in the company's supply chain culture that no one employee or team is tasked with managing SCOR as a standalone part of his or her day-to-day activities.

"We do not need to highlight SCOR itself, as it has grown into our supply chain DNA," says Lars Magnusson, SCOR-P, the business architect at Ericsson who led the SCOR implementation efforts. "We have moved from a program-driven structure for specific issues to the applied use of SCOR in all supply chain processes and business-development activities."

Today, SCOR enables Ericsson to make significant, long-term performance improvements. By fully adopting the architecture and actively employing scorecards for performance measurement and benchmarking, the supply chain organization has achieved enhanced operational control, improved data quality, more efficient measurement and technology solutions, and meaningful bottom-line improvements.

The Early Adopter

Ericsson leaders first decided to implement SCOR in order to standardize metrics across the global outbound supply chain. While the methodology brought about immediate improvements, this preliminary effort was somewhat limited by the company failing to fully apply the process portion of the model.

Fast-forward several years, and the need for greater structure and metrics consistency was at the forefront once again. Ericsson decision-makers then chose to no longer be passive SCOR users, but to fully embrace the solution and all its possibilities. Ericsson then introduced SAP Business Warehouse to its supply chain. After 18 months of designing everything from raw data extractors to the graphical presentation layer, the business had the ability to create a single report. It was a valuable piece of knowledge, but so slow to load and inflexible to work with that its utility was compromised.

But when SAP incorporated SCOR metrics into its new product release in 2004, suddenly the business had access to a repository of SCOR-based reports spanning source, make, deliver and return.

"Being able to activate the most relevant reports transformed Ericsson's level of supply chain insight."

Ericsson held its first official in-house SCOR training in 2005, which led to continued progress in supply chain and sourcing processes as well as in information technology (IT) development. The model provided a common set of definitions and standards for team members who had been struggling with communications, particularly across continents.

Shortly thereafter, Ericsson rebranded both internal supply processes and job descriptions to correlate with SCOR. This made it much easier to link training opportunities to the requirements of certain roles and responsibilities. Employees would be invited to take part in SCOR, APICS Certified in Production and Inventory Management or APICS Certified Supply Chain Professional training, depending on their particular job functions.

The following year, the business began using SCOR skills definitions to develop internal roles and responsibilities. Then, in 2010, Ericsson restructured its SAP platform to align with SCOR Level 2 terminology (make-to-order, make-to-stock and engineer-to-order). More recently, the SCOR Project Model "racetrack" has been used to create an aligned delivery governance model for the large-scale, project-driven business. The front-loading of the process with early supply chain preparation is intended to deliver both capital and execution cost reductions.

Ericsson also is actively developing the Design Chain Operations Reference, Customer Chain Operations Reference, Product Life Cycle Operations Reference and Managing for Supply Chain Performance frameworks from the APICS enterprise model portfolio. Currently, all are being tested as part of the business architecture for the Ericsson group.

A SCOR-Centric Supply Chain

Ericsson employees report that the greatest benefits are the holistic supply chain understanding SCOR has given them and the ability to work from a common point of reference. As terminology and related issues are standardized, the internal process-development community also has grown more unified as team. Now, collaboration happens quickly, so there's no need to start from scratch on every project.

“Before SCOR, valuable time was lost defining supply chain basics.”

Ericsson professionals also note the advantages of aligning technology-development efforts from a neutral and consistent model and establishing a cross-functional framework of defined processes, practices and skills. These advantages have helped them complete projects faster and bring about significant savings. Furthermore, both formal and informal SCOR benchmarking enables the business to compare performance data to that of its customers, suppliers, competitors and others within the APICS community. “The SCOR-based alignment has been a significant enabler for our global supply chain management strategy,” Magnusson says.

Training and Awareness

Ericsson has enjoyed positive results from both on-site SCOR training with APICS and public courses led by APICS partners in Paris, Malmo, Dubai and Atlanta. To date, more than 100 supply chain employees have completed SCOR training and 20 have earned SCOR-P endorsement. One employee has been certified as a SCOR instructor and will oversee the in-house training going forward.

The company also holds supply chain management awareness sessions to strengthen people’s understanding of supply chain’s impact on overall company performance. More than 600 Ericsson employees — plus external audiences such as large customers and development partners — have participated in these sessions to date, further demonstrating that alignment under SCOR significantly improves the speed of change.

Ericsson continues to broaden its use of SCOR and the SCOR Project Model, and even more advancements are on the horizon: Currently, the business is participating in the testing and development of a SCOR digitization project. Once the work is mature, Ericsson leaders look forward to formally introducing the new digitized solution.

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