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<u>Topic: REA and Supply Chain Management</u>

Supply Chain Management (SCM) focus is on the physical flow of goods and services, and the business processes to manage this.

SCM involves as Resources, Events and Agents exactly as in the REA modelling. No wonder since the both relates to the same physical world.

What's different then? Resources is essential both for the SCM and for the REA model. Agents or persons are also involved in SCM as well as in REA model. Events are important in both REA modelling and in SCM especially unexpected events. But there might be a different in the events in the two?

REA tends to primary focus on the value adding events. Where as SCM knows, that no value is added, if there is no delivery on time, in the right quantity and quality.

In order to ensure (or try to ensure) the delivery meets the expectations (and some times promised) SCM will make a plan. This plan shall ensure the different involved processes are timed, so the delays and cost are minimized in order to meet the commitments according to a possible contract..

Execution according to the plan often involves a number of things that does not go as planned. This of course introduces the need for re-planning. In order to follow up the execution is often recorded, so an action can be taken in case of a deviation from the plan. Another important element is to establish and continuously improve a set of planning data, which is the foundation for the planning.

A number of key performance indicators can be set up for the performance of the supply chain, this takes more into account then the traditional accounting, but are intend to have a positive impact on the financial result but also based on a more diverts net of activities.

In comparison with the normal modelling examples in REA articles, the SCM needs to record the same events e.g.. Sell, Give, Take; but with a lot more details and higher frequency in the recording of the more steps in the processes taking place before an REA event is recorded.

The definition of an event as a pint in time of a process, which we want to remember / record. Recording can include certain attributes as time, person, location, comments etc..

A special set of events are the business events. A business event defined as an event that management wants to plan and follow up on. In REA non business events is name information events.

A special set of business events is the REA events, where certain states changes. E.g. the ownership changes from selling partner to buying partner.

SCM is concerned about all processes in the supply chain, but of course with different degree of management effort involved. When needed the level of details can be very frequent records of the stage in the process. In the other end SCM do not know what really happened and just refer to their expectations. The ideal situation for SCM is that as long as execution follows the plan, then no action is required, only in the case of deviations from the plan then an effort and action is required from SCM.

For SCM it is crucial to know the different stages in the processes as responsiblility / change of ownership since those have very high priority and focus. REA focus on those types of event. Therefore SCM can benefit from using REA model as a frame, but need to enhance with many more levels of details on the individual process and the possibility to plan on those and their dependencies.

List of some subtopics for discussion with in the topic REA and SCM:
- How can REA contribute to SCM? E-g- by focus on the commitments.
- Does the required levels of details in SCM conflict with the REA model and its focus?
- Flexibility for different levels of details at different point in time.
- Ability to plan against fulfilment of commitments
- Can automatic recording of events increase the number of recorded events in an implementation?