



Supply Chain

PERFORMANCE Management

KEY OPERATIONAL METRICS INCLUDE:

Financial

- Revenue
- Gross Margins
- Materials Cost
- Production Cost
- Distribution Cost
- Inventory Cost
- Cash-to-Cash

Demand

- Forecast Trend
- Forecast Accuracy
- Order Fill-rate
- Fill Rate to CR
- Fill Rate to CCD
- Order to Delivery-
Lead-time

Inventory

- Days-in-Inventory
- Inventory Turns
- Inventory Write-off's
- Finished Goods
- Work-in-Process
- Raw Material

Operations

- Resource Utilization
- Distribution Plans
- Production Plans
- Sourcing Plans
- Performance to Plan
- Production Yield
- Production On-time

Material

- Vendor Sourcing
- On-time Performance
- Slow Moving Material
- Age of Material

WHY PERFORMANCE MANAGEMENT

If a company can look into the future and predict supply chain key performance indicators (KPI's) it will understand what needs to be changed in order to meet financial goals. Planning is the ability to look into the future and proactively change it. The plan provides the critical information required to generate the KPI's of the future. Although not everything can be predicted, the right KPI's allow problems to be identified early, so that new plans can be created to get back on track.

The right metrics can also enable a company to set priorities as to what is the most important problem to address first. Creating a good plan is critical, but it also has to be communicated to all the stakeholders in the extended enterprise, including customers and suppliers to quickly get agreement and alignment. The plan then needs to be monitored by management to insure that the company is on track. Companies have shown that world-class supply chain planning combined with solid performance management can have a significant impact on profits and Return-on-Assets. Other results include increases in customer service levels by up to 30%, reduction in inventory by up to 35%, with further reductions of 5%-10% in COGS.

THE CHALLENGE YOU FACE

Putting in place a best-in-class planning and performance management system has its challenges. It can be difficult to identify, track, and communicate the plan and metrics that measure and predict company performance. Visibility to the plan and performance measurements must be made available to each individual, at the appropriate level. This means that executives need to have access to management level scorecards related to tracking metrics such as revenue, COGS, days-of-inventory, on-time performance, and resource utilization. Planners and personnel executing the plan need to have access to summarized information, and capability to drill down into details when necessary. Moreover, operational KPI's change over time. A closed loop process is required in which KPI's are derived from plans. This will show the direction of the enterprise, as it is constantly measured against the actual performance.

Determining what information to track, while delivering it in a customized, secure, and cost effective manner to the right people is the challenge.

"If only I could have seen that coming I could have saved a lot of money"

