



Accelerating Performance
Managers · Teams
New Product Development

Accelerating Supply Chain Performance! Maps, Metrics and Scorecards

Everyone has probably heard that what you measure is what you get. But:

- Are you measuring what's most strategically important?
- Are your supply chain goals aligned with the organization's strategy?
- Are you meeting a goal, but throwing the system out of balance?

In this world of accelerating business complexity supply chains lead the race for increasing complexity. And they are more difficult to manage as they grow more dependent on intangible assets like people, processes, culture and ideas. Some economists believe that in the last twenty years the value of intangible assets as a part of US corporate value has gone from 38% to over 70%. How can you manage and measure such a complex, intangible structure?

The greatest impact from performance improvement comes when improvements are aligned with the corporate strategic value chain. The strategic value chain is the chain of linked activities that take an organization's inputs and create value added outputs for its customers.

The Usual Way of Increasing Supply Chain Performance

One of the usual ways of building a performance management system is to gather together the "usual suspects," put them in a room, brainstorm a gargantuan list of supply chain metrics, pick a few that look appropriate and then track them in printed reports.

"Insanity is doing the same thing over and over again and expecting different results."
- Einstein

While this approach can create improvement, it won't be optimal. In fact, it incurs risks. One risk is that the metrics are usually disjointed and unrelated. They are not unified under a hypothesis about how the supply chain works and what strategy should be used to improve its performance.

Another problem is that the metrics are not selected to give a balanced view of the larger system. Optimizing for one set of metrics may produce a negative impact elsewhere. For example, consider an organization that is pushing to reduce transportation costs. By focusing solely on optimizing transportation costs they may produce a negative affect on order cycle time, increase damages, increase inventory and reduce customer satisfaction.

Creating a Performance Measurement System that Supports Organizational Strategy

There is another way to select and monitor metrics. The description that follows describes a supply chain performance measurement system that keeps the supply chain aligned with organizational strategy and gives managers a balanced view. The approach that follows builds a supply chain performance management system using the Supply Chain Operations Reference-model (SCOR), Strategy Maps and a Balanced Scorecard.

Tor Consulting, Inc.

2965 Jason Drive

Santa Rosa, CA 95405

Tel 707.568.6976

Fax 707.568.1359

www.torconsulting.com

Mapping Supply Chain Metrics

Rather than brainstorming all possible metrics for your supply chain begin by creating a map of your supply chain using Supply Chain Reference-model (SCOR) Level 1. SCOR is a process reference model that has been endorsed by the Supply-Chain Council. Level 1 is the 30,000' view that defines Plan, Source, Make and Deliver process types common to all industries with accepted definitions.

Using this visual map, identify the important leading (driving) metrics and lagging (results) metrics for each component on the map. You are looking for metrics that drive or indicate measures of strategic success. You are not looking for operational metrics.

Now identify the strategic themes your supply chain will use to contribute to your organization's strategic success. Common supply chain strategies are: cost, time, flexibility, quality, customer satisfaction and societal. (Societal factors could be a Green initiative or including minority-owned suppliers.) Which of the metrics on your SCOR map impact your supply chain strategy? Identify them and you have identified the metrics that will align your supply chain strategy with organizational strategy.

Identify Performance Objectives on a Strategy Map

Now you need to figure out the objectives that will improve the supply chain and adhere to your supply chain strategy. Do this with another map known as a Strategy Map. The Strategy Map is built on a grid. Horizontal rows show four perspectives or views into your supply chain organization. From top to bottom these rows are Financial, Customer, Internal Operations, and Learning & Growth (people, culture and IT).

These four perspectives (rows) into the supply chain enable you to watch the supply chain from multiple points of view to make sure it stays in balance. As the earlier example explained, optimizing just one area of a system often produces a negative impact on the whole system.

Overlay your performance objectives on the Strategy Map. Objectives are usually drawn as ovals on the map. For example, an objective in the Learning & Growth perspective might be to train more Lean/Six Sigma Black Belts (SSBB). An objective in the Internal Operations perspective might have be to increase the number of performance improvement projects using Lean/Six Sigma. An arrow from the "Train More Lean/SSBB" oval to the "Performance Improvement Projects" shows where one objective impacts another.

For each of these objectives identify its most important success measure. Select the 12 to 24 success measures that are most important to strategic success. Work with all participants to identify the baseline or history of the indicator and define target values for specific points in the future.

Your finished Strategy Map will show the objectives you need to execute to improve supply chain performance, which perspectives they are in, and their measures of success. How are you going to monitor this?

Monitoring with a Balanced Scorecard

Just as a jet pilot monitors the aircraft with an instrument panel you can use a Supply Chain Balanced Scorecard to monitor your supply chain's performance. You want to keep it on altitude, on airspeed and on track. In one computerized display you can see the 12 to 24 measures of success. A good scorecard will show on one screen a mini-chart of each metrics history, a colored alert showing whether a metric is "in the green" or "in the red," and show you the metric's current value compared to the target value.

Microsoft Excel and Microsoft PowerPoint are widely used to build scorecards. Microsoft Excel can calculate and chart almost any type of statistical, Lean or Six Sigma analysis. It also can automate the data retrieval by pulling data from reports printed to disk or linking directly to back office software.

How do Balanced Scorecards compare to operational dashboards? Microsoft Excel also supports dashboards that give you an immediate view into the details you need for operations and troubleshooting. While immensely helpful, operational dashboards will not show how well your supply chain is aligned with strategy and they will not help you keep all perspectives of your supply chain in balance.

A Supply Chain Balanced Scorecard built with this process can help increase your supply chain performance, keep it in balance and aligned with strategy.

Author:

Ron Person founded Tor Consulting to help organizations translate strategy into high performance results through the use of Strategy Maps, Balanced Scorecards and operational dashboards. Ron was one of Microsoft's first consulting partners. He has written four international best-selling business computer books with almost four million copies in print. Ron has an MBA in finance and marketing, an MS in physics and is a Six Sigma Black Belt.

(707) 568-6976

ron@torconsulting.com

www.torconsulting.com