

Overview

Most discussions and articles about supply chain metrics are, in actuality, about internal logistics performance measures.¹ The lack of a widely accepted definition for supply chain management and the complexity associated with overlapping supply chains make the development of supply chain metrics difficult. Despite these problems, managers continue to pursue supply chain metrics as a means to increase their “line of sight” over areas they do not directly control, but have a direct impact on their company’s performance. We provide a framework for developing supply chain metrics that translates performance into shareholder value. The framework focuses on managing the interfacing customer relationship management and supplier relationship management processes at each link in the supply chain. The translation of process improvements into supplier and customer profitability provides a method for developing strategic and operational metrics that enable management to identify opportunities for improved profitability and align objectives across firms in the supply chain.

Introduction

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It is generally believed that a well-crafted system of supply chain metrics can increase the chances for success by aligning processes across multiple firms, targeting the most profitable market segments, and obtaining a competitive advantage through differentiated services and lower costs. The lack of proper metrics for a supply chain will result in failure to meet end customer expectations, suboptimization of departmental or company performance, missed opportunities to outperform the competition, and conflict within the supply chain. However, there is no evidence that meaningful performance measures that span the entire supply chain actually exist. Many factors contribute to this situation including: the lack of a supply chain orientation, the complexity of capturing metrics across multiple organizations, the unwillingness to share information among organizations, and the inability to capture performance by customer, product or supply chain. A major contributor to the lack of meaningful supply chain management performance measures is the absence of an approach for developing and designing such measures.

¹ This chapter is adapted from Douglas M. Lambert and Terrance L. Pohlen, “Supply Chain Metrics,” *The International Journal of Logistics Management*, Vol. 12, No. 1 (2001), pp. 1-19.