
CHAPTER 17 Supply Chain Metrics

The translation of process improvements into supplier and customer profitability provides a method for developing strategic and operational metrics.

Overview

The complexity associated with overlapping supply chains makes the development of supply chain metrics difficult. In this chapter, we provide a framework for developing supply chain metrics that translates performance into shareholder value. The framework focuses on managing the customer relationship management process and the supplier relationship management process 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. Management can use these metrics to identify opportunities to improve profitability and align objectives across firms.

After reading this chapter, you should be able to:

- Explain the importance of having the right metrics for measuring supply chain performance.
- Describe the problems associated with most existing supply chain metrics.
- Understand why time is not a good supply chain metric.
- Explain how the complexity associated with supply chains affects the ability to develop holistic measures of performance for a supply chain.
- Describe how customer and supplier segmentation addresses the complexity associated with supply chains.
- Explain the best measure of performance for each key relationship in the supply chain and provide reasons why.
- Demonstrate how process performance is measured in financial terms for a specific customer and supplier relationship.
- Understand why functional measures such as inventory turns are inadequate for measuring supply chain performance, how they contribute to sub-optimization, and if measures such as cash-to-cash cycles are better.
- Describe how to align non-financial performance measures where the work is done to high-level drivers of EVA®.
- Explain how customer relationship management and supplier relationship management form the links in the supply chain and how this provides the foundation for understanding and measuring supply chain performance.