Julie Fraser: Shifting supply chain performance measures

As conditions change, are your supply chain metrics actually boosting business performance? What you measure matters. So it behooves companies to review performance metrics to ensure continued strategic alignment with business objectives.

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Economic conditions in the past year have led to many companies seeing their demand volume drop - and the mix change. Have companies re-weighted supply chain metrics to accommodate those shifts? For example:

• As consumer goods demand moved from high-price to value-oriented items and from non-essential to essential goods, are companies not only changing the forecast, but also the target service levels? They should go up for those essential, lower-priced items and may be able to drop for luxury items. This may also shift which items are considered A, B, and C for planning purposes.

• Have industrial equipment and machinery makers adequately accounted for a shift in demand from new products to spare parts or refurbished units, and possibly from products to services? Final assembly areas should be focused on speed of reaction, not utilization, and spare parts may take priority over new production on some lines. If the company offers service, product quality targets may need to be higher to reap strong profits on that business line.

• In the downturn, companies looked to work inventories down. Are companies prepared to increase those levels again when the economic pressure is lifting, and demand starts to rise? Some countries will recover faster than others—so it's not only a matter of having enough inventory, but having it in the right places.

Specialized supply chain analytics applications can accelerate success.

When conditions change, metrics must as well. This may involve setting new targets and shifting which performance metrics are most important. Forecast and order accuracy, productivity, and shrinkage should continue to improve. Ensuring appropriate updates entails some dramatic changes to a performance dashboard. Think of a traditional gasoline-powered car's dashboard compared to that of a hybrid or electric car—the top speed may be different, and the fuel gauge may be less important than the battery charge gauge, yet many items are the same.

For a supply chain manager, this is fundamentally a process challenge—ensuring a review and update of operational metrics, not just periodically, but as conditions change. Analytical applications can not only support dashboard views, but also make changes to them easier. While any business intelligence (BI) system can produce those views, specialized supply chain analytics applications can accelerate success.

Specialized providers of supply chain analytical applications include Llamasoft, Oco Inc., Pelyco Systems, PivotLink, QlikView, and Silvon Systems. A few of the BI vendors, notably IBM Cognos, MicroStrategy and SAS, have packaged up templates for supply chain analytics. And a number of ERP and supply chain suite players offer specialized supply chain analytics, including CDC Software, i2, Infor, JDA, Lawson, Logility, Manhattan, Oracle, and Supply Chain Consultants.

Most companies have literally hundreds of supply chain metrics in place. Which ones matter, and what appropriate targets are, will change over time. Are your metrics (still) driving the behavior —and the results —you want and need to succeed?