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# EXPLORES...

Volume One

2004 SPRING/SUMMER

## IS YOUR METRICS PROGRAM MEASURING UP?

*Too often companies seize on the implementation of metrics as a panacea, and six months later, many of these same companies find that after expending time and money to put in "Scorecards," "Dashboards," or some other metrics flavor-of-the-month, they're not getting expected performance gains.*

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# CLM EXPLORES...

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- <sup>10</sup> For additional information, see <http://www.isixsigma.com> or similar reference sites.
- <sup>11</sup> For additional information, see <http://www.asq.org/basics/pdca.html> or similar reference sites,
- <sup>12</sup> Stephen Barr, "Postal Service Tries Pay-for-Performance System for Management," *Washington Post*, January 15, 2004, p B02
- <sup>13</sup> The Hawthorne effect refers to an increase in worker productivity produced by the psychological stimulus of being singled out and made to feel important. The concept was demonstrated in a research project (1927-1932) of the Hawthorne Plant of the Western Electric Company in Cicero, Illinois which was led by Harvard Business School professor Elton Mayo along with associates F.J. Roethlisberger and William J. Dickson.  
Source—Franke, R.H. & Kaul, JD "The Hawthorne Experiments: First Statistical Interpretation." *American Sociological Review*, 1978, 43, pp. 623-643

## The Building Blocks of a Successful Performance Management Program

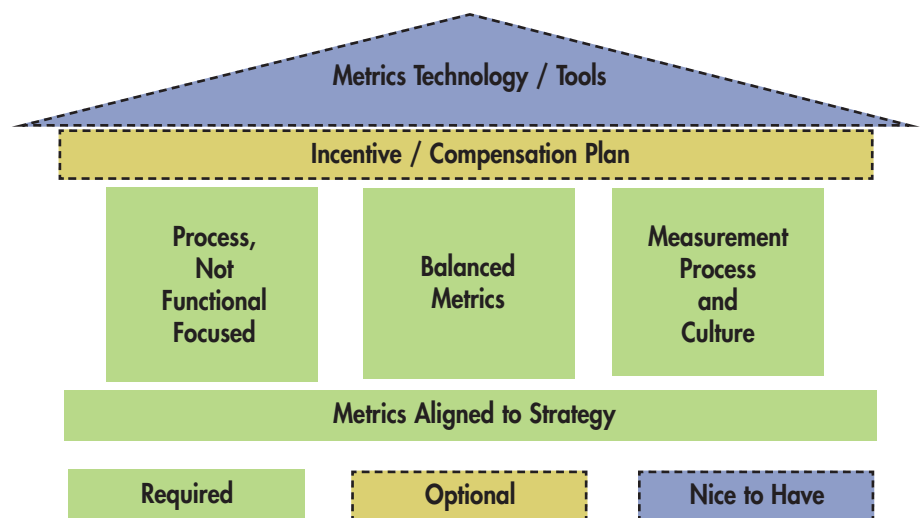
Metrics alone do not guarantee improved business results. All too often, many people fail to understand a fundamental point: a metrics program is not the same as a performance management program. While it's true that metrics are a necessary and irreplaceable element in performance management, as a stand-alone initiative, they're inadequate. The challenge facing business managers is in taking metrics to the next level, and creating a viable performance management process grounded in fact.

Peter Drucker said, "If you can't measure it, you can't manage it." Unfortunately, many well-intentioned managers have internalized the message as "measurement is management." In reality, metrics are just the launching point for effective performance management. Genichi Taguchi got closer to the essence of metrics when he said, "You cannot manage what you do not first measure." In order to properly use metrics, you must incorporate these metrics into a broader performance management process. The rallying cry for performance metrics should be, "You cannot improve measures you do not actively use."

No two successful performance management programs are the same, but all successful performance management programs share common principles. To help shed light on what separates a good company from a great company, please refer to the framework above right that shows the "foundation" and "building blocks" of a successful performance management program.

The Foundation and each of the Building Blocks will be discussed in detail. The first four (noted as "required") are essential to the successful implementation and use of a performance measurement program. Getting the right measures in place, and establishing the culture to depend on these measures, should be completed first. This follows the general rule that process should be completed before the investment in technology is made. The "Optional" and "Nice to Have" components can be added later to enhance the value to the company once the culture is established and the desired results are being achieved.

## BUILDING BLOCKS OF A SUCCESSFUL METRICS PROGRAM



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## The Foundation: Aligning Metrics to Strategy

It's no coincidence that the foundation of a successful performance management program is grounded in having metrics aligned to a company's strategy. Consider the following reference from Lewis Carroll's *Alice's Adventures in Wonderland* where Alice asks the Cheshire cat for directions:

"Would you tell me, please, which way I ought to go from here?"

"That depends a good deal on where you want to get to," said the cat.

"I don't much care where," said Alice.

"Then it doesn't matter which way you go," said the cat.<sup>1</sup>

In business, it's essential to know where you want to go, or else you can end up channeling an entire corporation in the wrong direction. Nonalignment cripples change; it puts an organization at odds with itself.

## Metrics systems make vision statements real

Tom Malone, executive vice chairman of Milliken and Company, has stated, "Teams that don't keep score are only practicing."<sup>2</sup> This sports analogy can be extended to show how sports teams all over the world work to align their metrics and strategy. Take a football team for example.

"If you think of football, strategic planning is like creating a playbook for the next season," says Lori Mitchell-Keller of Manugistics. "Tactical planning is the game plan you create for any given Sunday. And planning at the execution level is the audible the quarterback calls at the line of scrimmage in response to what's happening with the defense."<sup>3</sup> The operational metrics are individual yardage gained (or prevented) on each play. These are used to adjust the execution plan during the game, and to evaluate and refine the tactical plan for the next situation. The overall strategic quantifiable metric is to maintain a positive margin between you and your opponent at the end of the game.

## Have you fallen into a measurement trap?

Many companies fall into a classical measurement trap—that is, employees have many performance metrics, but they're not linked to actionable plans that drive progress towards the company's goals. One example is a *Fortune* 50 company in which a director-level employee was demonstrating what a great job her company had done establishing measures.

They'd created scorecards for each department, and metrics were posted on an internal web site for all employees to review on demand. One could very quickly click through the site and look at the current measures for any group in the business unit. As she pulled up a scorecard, we randomly pointed to a metric and asked, "Is that a good thing or a bad thing?" She looked us straight in the eye and answered honestly that she had no idea.

This is not unusual. Many companies have fallen into the trap of establishing measures for the sake of measures, and haven't thought through how they'll be used to manage the business.

### The Vital Few: The importance of a handful of metrics that are the strategic focus of activities

"In the quest for data (and accountability), it's easy to end up measuring everything that moves, but learning little about what is important."<sup>4</sup> Managers have embraced the concept of a dashboard to provide a quick assessment of the current position of the business. The dashboard concept dates back to the French "Tableau de Bord (Management Chart)" concept from the 1900s which typically was a one-page summary or chart.

In today's environment, it's more likely to be an online, web-based presentation that draws information from a variety of sources in real time. However, studies have shown that people can only handle a small number of metrics at a given time.<sup>5</sup> In addition, it remains challenging to construct a summary view with a few critical

metrics for the CEO, and yet be able to perform "root cause analysis" to surface the underlying drivers of the top-level measures. Only by linking the shop floor metrics to the strategic metrics can these relationships be established and leveraged.

The concept that more measurement is better can lead companies astray. Forget quantity and focus instead on linking measures to strategic capabilities, customer expectations, and financial indicators.

## Building Block 1: Process, Not Functional Metrics

A survey of University of Michigan Business School executive development program attendees indicated that managers stood by as subordinates engaged in activities that clearly hurt the firm, but helped a key measure look strong.<sup>6</sup> These metrics are often created and managed at the functional "silo" level and individuals strive to achieve their results targets for their functions. Unfortunately, when left unchecked, people often "game" the system to meet their individual or functional goals.

For example, a company rewarded its procurement people on purchase price variance, and its manufacturing people on machine efficiency. A purchase of a less expensive raw material slowed down the production equipment and increased the overall cost of goods. However, the procurement manager was paid his bonus, and the manufacturing manager was "dinged" as a result. Functional metrics can drive suboptimization, waste time and money, and sap an organization of its vital energy.

### BUILDING BLOCKS OF A SUCCESSFUL METRICS PROGRAM

#### Foundation:

Metrics Aligned to Strategy

#### Building Blocks:

1. Process, Not Functional Metrics
2. Use Balanced Metrics
3. Embed Metrics in Your Culture
4. Link Metrics to Compensation
5. Use Tools & Technology

### COMPANIES SHOULD STRIVE FOR "BALANCED" MEASURES THAT ARE MORE PROCESS AND STRATEGIC IN NATURE

<b>Reliability</b>	<ul style="list-style-type: none"> <li>• Fill rates by customer, commodity</li> <li>• Available for customer pickup per request</li> <li>• Errors by line item, activity, reason code, etc.</li> <li>• Cycle count accuracy</li> </ul>	<ul style="list-style-type: none"> <li>• On-time delivery to commit, request</li> <li>• Order cycle time variability</li> <li>• Order processing accuracy</li> <li>• Forecasting accuracy</li> <li>• Planning accuracy</li> <li>• Manufacturing schedule adherence</li> <li>• Stock-outs against forecast</li> </ul>	<ul style="list-style-type: none"> <li>• Perfect order fulfillment (right item, right quantity, right place, right time, defect free, correct documentation)</li> <li>• Overall customer satisfaction</li> </ul>
<b>Flexibility &amp; Responsiveness</b>	<ul style="list-style-type: none"> <li>• Order fulfillment lead time by customer, commodity</li> <li>• Fill rates by customer, commodity</li> <li>• % expedite requests fulfilled by customer</li> <li>• Capacity load &amp; utilization</li> </ul>	<ul style="list-style-type: none"> <li>• Backlog &amp; back orders</li> <li>• Aggregate cycle times by activity</li> <li>• Order cycle time</li> <li>• Lead time from order receipt to manufacturer complete</li> </ul>	<ul style="list-style-type: none"> <li>• Upside production flexibility</li> <li>• Forecasting/planning cycle time</li> <li>• % expedite requests fulfilled</li> <li>• Order fulfillment lead time</li> </ul>
<b>Cost</b>	<ul style="list-style-type: none"> <li>• Costs per line, per order, per activity, per shift, etc.</li> <li>• Load factors, lines per order, quantity per line, etc.</li> <li>• Freight costs per pound by mode and destination</li> </ul>	<ul style="list-style-type: none"> <li>• Logistics costs (order management + distribution + freight) as a percentage of sales</li> <li>• Freight costs as a percentage of sales to customer</li> <li>• Distribution costs as a percentage of sales</li> <li>• Inventory shrink and obsolescence as a % of sales</li> <li>• Labor productivity analysis</li> <li>• Over, short, damage as % of sales</li> <li>• Returns as a percentage of sales</li> </ul>	<ul style="list-style-type: none"> <li>• Total supply chain management cost as a percentage of sales</li> <li>• Total delivered cost</li> </ul>
<b>Asset Utilization</b>	<ul style="list-style-type: none"> <li>• Inventory turnover</li> <li>• Days of inventory</li> <li>• Return on investment</li> <li>• Return on assets</li> </ul>	<ul style="list-style-type: none"> <li>• Days of inventory in entire supply chain by activity</li> <li>• Total safety stocks as % of total inventory</li> <li>• Safety (hedge) sticks by customer</li> <li>• Dedicated inventories by customer</li> <li>• Local support inventories</li> </ul>	<ul style="list-style-type: none"> <li>• Cash-to-cash cycle time</li> <li>• Net asset turnover, return on net assets</li> </ul>

This gets to the heart of the first building block—that companies need to focus on process, not functional results metrics. An integrated measurement system is a mechanism for balancing the tendency toward functional suboptimization at the expense of the enterprise’s overall results. Strategic measures must be in place to serve as cross-functional regulators. These cross-functional metrics, if selected correctly, identify and track the measures critical to overall success. Going back to the football analogy...it’s nice to have the star player get all the yardage, but at the end of the day, the key goal is to get the most points. If the star player has played well, but the team has failed to score, they will lose the game.

Companies should align targets and metrics across the organization. Examples of typical functional “Results” measures, cross-functional “Process” measures, and corporate-wide “Strategic” measures are shown in the exhibit on the lower half of the previous page. Companies should remember that it’s very important to lay the foundation first—start with the strategy, not with the measures themselves.

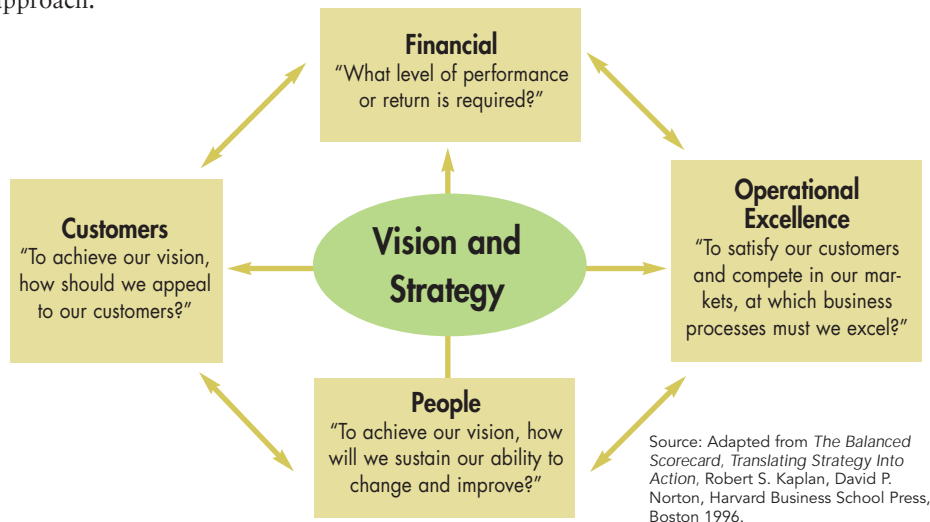
The lesson is simple. Manage your business with process metrics, and evaluate your business using results and strategic metrics. The numbers must work together. Know what you are measuring, and understand cause and effect. Done properly, process metrics drive the desired results. Remember, people will try to “game” the system. Careful selection and balancing of measures will help limit the games, and drive the behaviors you seek.

## Building Block 2: Use Balanced Metrics

In the early 90s, Kaplan and Norton wrote their first article on the concept of the Balanced Scorecard.<sup>7</sup> Over time, they established a new standard for the principles of performance measurement and management. The most apparent change introduced by the Balanced Scorecard methodology was the integration of other performance dimensions beyond a purely financial view, hence the “balanced” view on organizational achievement.

Kaplan and Norton’s Balanced Scorecard Framework supports equal emphasis on internal and external perspectives.<sup>8</sup> Studies have found that companies that use a balanced set of strategic measures—both financial and nonfinancial—outperform their less-disciplined rivals in performance and management.<sup>9</sup> One key reason for this is that companies that look only at financial metrics are analogous to driving a car by looking in the rear view mirror—because financial measures tend to be lagging indicators.

The diagram below shows the key elements of Kaplan and Norton’s Balanced Scorecard approach.



While it’s necessary to keep in mind that having a balanced set of measures is important, there are many methods a company can use to help select balanced measures. For example, from our experience, one company used the simple approach that all metrics they used had to fall into three categories: Quality, Service, and Productivity. Its reasoning was that quality measures were critical to getting customers, service-oriented measures (such as fill rate, on-time delivery, and cycle time performance) were essential to maintaining customers, and lastly, productivity (financial) measures were what was going to make the company profitable.

## Building Block 3: Embed Metrics in Your Culture

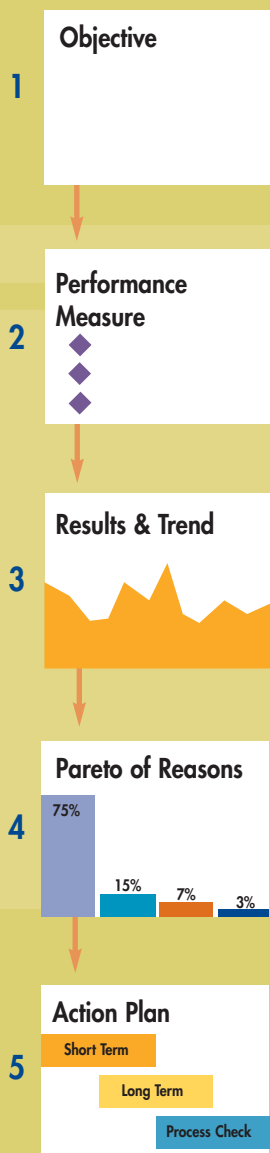
Strategy is not just about what you want to do, it’s also about how you’re going to do it. In order to get people to buy in and commit to what’s going to happen, they must understand their role in achieving the company’s goals. Many times, management fails because the top team treks up the mountain to set strategy without regard to how the organization—with its own unique culture and variety of individuals—will be able to understand and implement its vision.

Instead of coming back with the directive to “grow the business by 3%,” management needs to specify its desire to “increase the widget division from \$350 million to \$425 million by introducing three new widget SKUs that will directly address customer needs for these new products.”

So, how do you build continuous improvement into an organization and get the results you desire? Answer: integrate measurement into the organization’s culture. Culture is the sum of an organization’s norms, values, and beliefs, along with organizational artifacts, such as the processes, systems, and structures that support them. In many organizations, measurement is used as a club. It’s a tool for continuous punishment rather than continuous improvement. As such, it’s a tool to be avoided, subverted, or undermined rather than a source of valuable information for managing people and predicting business performance.

Successful companies embed the measurement process and metrics in their culture. Putting a measurement process in place ensures frequent, constructive reviews of the metrics. This enables individuals, teams, and units to make timely course corrections. Used properly, measures can become the means of communication between the boardroom and the shop floor.

The key is to show workers how their performance affects the overall business, then work with them to facilitate the selection and implementation of the measures. Granted, that’s easier said than done, but it definitely can be done, and has been done by a number of companies following a few simple rules. These five steps are similar to Six Sigma DMAIC methodology.<sup>10</sup>



**1. Clearly articulate the objective(s) to be met.** Do your people understand your strategy? Do they understand their role in helping you achieve that strategy? Have operational and functional tactics been linked back to the strategic objectives?

**2. Link specific measures to the objectives. Set targets.** This will help translate the strategic objective into a tactical common denominator. For example, if the overall objective is to “increase customer service,” one key measure might be to improve customer service levels in the call center by reducing wait time. The goal could be to “answer 80% of all customer calls in 20 seconds.”

Clearly linking a tactical measure to a broader objective will help employees understand on what to focus. An important step is to determine the measure of success—or target—so employees will readily know when they’ve reached the goal.

**3. Measure the progress.** Once clear expectations have been set, measure progress against the goal. Statistical Process Control (SPC) methods are good for identifying where a process has variance. However, many companies are very successful using informal tools such as Excel spreadsheets—or even simple graph paper—to plot their progress against their goals. The main focus should be that employees can easily understand and track their performance against the company’s objective.

**4. Find the underlying reasons.** Establish a process for root cause analysis and development of corrective action plans. So far, so good—but now comes the hard part.

What do you do if you’re not meeting your goal? The obvious problem (material was not available) is usually not the root cause (material was not ordered, the need for additional or special material was not identified, etc.). In order to keep the problem from recurring, the team must drill down to find the underlying reasons for the problem. Continuous improvement methodologies, such as the Deming Wheel PDCA (Plan/Do/Check/Act),<sup>11</sup> or the Six Sigma DMAIC (Design/Measure/Analyze/Improve/Control) are good guidelines to follow.

For companies that are not familiar with or haven’t invested in wide-scale process improvement methods such as Six Sigma, a simple Pareto chart technique works wonders. The purpose of a Pareto chart is to help determine the root cause of why employees are not meeting their goal. In simple terms, what are the top reasons that a problem exists? The investigation into root causes should be done by the working team that is performing the function to determine the barriers standing between them and success. Asking “why” 2-5 times usually yields the root cause.

**5. Fix the problem. Take action.** This is where results begin. Employees who understand the problem or barrier to meeting an objective can develop an action plan to fix the problem.

## Building Block 4: Link Metrics to an Incentive/Compensation Plan

When performance measures are linked to incentives, there’s a carrot at the end of the stick. This concept is not revolutionary, and is meeting with increasing acceptance every year. Even the US Postal Service has implemented a plan for 2004 after a successful pilot in 2003. “The pay of postmasters, managers, and supervisors will hinge on how well they meet customer service goals, improve workplace safety, and control overtime and other costs that can be measured.”<sup>12</sup>

A leading food manufacturer provided another interesting example to the author. Some years ago, the VP of supply chain pulled his department heads together to inform them that from then on, a small percentage of their variable compensation would be based on the total time, cost, and quality across the entire supply chain—not just within their individual departments as had been done previously.

After listening to several protests from individual managers about how they were unable to control what went on in other departments, the VP informed them, “Among all of you, you control the whole thing. Work it out!” This forced the managers to work together to determine how decisions made in one area affected another. The managers soon learned that a great commodity deal that required the purchase of three month’s worth of material suddenly didn’t look as good, and that running smaller production lots was sometimes cheaper. The percentage of their variable compensation based on the total measures has increased each year since because the value to the company was apparent in the bottom-line results.

Linking metrics to compensation should include the following basic steps:

- Adopt a process view of measurement to drive the desired behavior you want.
- Link the incentive compensation system to specific measure targets.
  - If we achieve “X” overall rating, your bonus will be “Y” target times “Z”%.
- Use a combination of “line-of-sight” (direct departmental control) metrics

and “process/group” metrics to facilitate cooperation and coordination with peers and other functions to achieve optimal results and prevent suboptimization. For example:

- Department leads have 60% line-of-sight metrics and 40% process metrics.
- Functional managers have 50% line-of-sight metrics and 50% process metrics.
- Functional directors have 25% line-of-sight metrics and 75% process metrics.
- The vice president has 100% process-oriented metrics.
- Start with a small (but increasing) percentage of middle and upper managers’ incentive compensation tied to a process measure they cannot control in and of themselves (per the food manufacturer example above). Increase the percentage over time as the organization and employees get used to new process-focused measures.

A formal incentive and/or reward structure is not required to achieve success. Simply letting employees know that management will be using metrics as an indicator of their performance can have a positive impact. This concept is known as the Hawthorne Effect, and was demonstrated in a research project led by Harvard Business School professor Elton Mayo. The Hawthorne Effect has been described as the rewards you reap when you pay attention to people. The mere act of showing people that you’re concerned about them usually spurs them to better job performance. The Hawthorne Effect is also widely known as the “Somebody Upstairs Cares” syndrome.<sup>13</sup>

While most companies don’t tie compensation bonuses to their performance metrics programs, many companies do use the annual review process to structure measurable goals for employee advancement. Best Practice companies also use performance measurement systems together with qualitative measurement initiatives to get a complete picture, since not everything can be reduced to digits and decimals. Performance measures become enablers of change by supplying data for these initiatives, rather than simply lagging indicators of performance levels.

## Building Block 5: Use Tools and Technology to Make Metrics Tracking Easier

The marketplace for software solutions to automate metrics collection and reporting is rapidly growing. Products packaged, marketed, and sold as “business performance management” tools are targeted at financial managers, such as CFOs and controllers. Consistent with this trend, initiatives for business performance management from Oracle and PeopleSoft have come out of their financial application groups as extensions to the core financial applications.

Today, most companies don’t use integrated software to run their businesses. So getting all the data to feed a dashboard or metrics scorecard can present a challenge. The success and growth in every business activity—from manufacturing to customer service—is dependent upon how an organization utilizes its critical data. Effective data warehousing can help a company extract key data for easier performance management.

It’s important to capture the widest range of metrics from the transaction system. The challenge, however, is to balance the availability of large numbers of metrics with the added complexity it represents from the broad user community of the data warehouse. The goal is to produce aggregate views with few metrics for the CEO while still maintaining the data needed in support of “root cause analysis” questions that will come back down from management.

For example, many CEOs and CFOs are beginning to look at cash-to-cash cycle time. In order to determine corrective actions though, data must be captured that allows analysis by supply chain segment, and perhaps by major customer, in order to isolate areas for improvement. The vital few measures must “roll up” from the local level, where employees understand the measure, take ownership of the data, and drive the results.

It’s essential that software provide management with measures of such activities as on-time and complete shipment performance, costs against budget, inventory management, and the like. But it’s equally important for the software to find data errors and restore data integrity. IT can and must automate processes up and down the supply chain to eliminate redundant operations. Fixing errors, especially in logistics, is a costly and time-consuming event for one’s own staff, but consider the impact on customers when the data is wrong.

### Summary

No two successful performance management programs are the same, but all successful performance management programs share common principles. It’s important for managers to understand if their metrics program contains the “required” building blocks for a successful performance management program. Metrics should be aligned to strategy. They should be balanced between financial and nonfinancial measures. Metrics should be process-focused, not functionally-focused. Lastly, a company’s measurement process and culture must promote the active use of measures to drive positive change.

### How Does Your Metrics Program Measure Up?

The chart on the following page will help you assess your own metrics program, and highlight the areas in which change is required. These standards were compiled by individuals utilizing academic research, as well as on-site observations of companies in practice. The following are representative of the sources used to compile the information in the chart:

- white papers/case studies from companies specializing in benchmarking and best practices research, such as the Performance Measurement Group, Bain and Company, Best Practices LLC, and various universities, etc.
- journals and trade magazines such as *Supply Chain Management Review*, *Journal of Business Logistics*, *Logistics Management*, *DC Velocity*, *Inbound Logistics*, *American Shipper*, and *International Journal of Logistics Management*
- functional white papers from sites such as WERC, APICS, American Productivity, and Quality Center, etc.
- best practices as identified in The Supply Chain Council’s SCOR model

In addition, the researchers have done site visits to over 250 locations to observe practices in action.

# HOW DOES YOUR METRICS PROGRAM MEASURE UP?

	Poor Practice	Inadequate Practice	Common Practice	Good Practice	Best Practice
<b>Metrics Aligned and Driven by Corporate Goals</b>	<ul style="list-style-type: none"> <li>Key Performance Indicators (KPIs) are poorly defined with weak links to goals.</li> </ul>	<ul style="list-style-type: none"> <li>The KPIs required to achieve company goals are clearly defined.</li> </ul>	<ul style="list-style-type: none"> <li>The KPIs required to achieve company goals are clearly defined and measured.</li> </ul>	<ul style="list-style-type: none"> <li>KPIs are defined, performance is measured, and targets are set.</li> <li>A top 10 list (or similar) drives functional behavior and company goals.</li> </ul>	<ul style="list-style-type: none"> <li>Each KPI is clearly defined with an actual-to-target gap analysis and improvement plan.</li> <li>An embedded metrics hierarchy exists to associate functional metrics to a top 10 list, and to provide drill downs as needed (e.g. nested measures with red/yellow/green indicators).</li> </ul>
<b>Balanced Scorecard of Performance Measures</b>	<ul style="list-style-type: none"> <li>Financial measures are the primary measures of performance.</li> </ul>	<ul style="list-style-type: none"> <li>Each functional department or work team measures the performance of its own process.</li> <li>Manipulation or gaming of metrics occurs to achieve desired results (e.g. on-time fill rate to commit vs. request).</li> </ul>	<ul style="list-style-type: none"> <li>Each functional department or work team measures the performance of its own process.</li> <li>Functional measures are aggregated to form a company-wide view.</li> </ul>	<ul style="list-style-type: none"> <li>A balanced scorecard of market, process, and financial measures is used to make informed decisions and track performance.</li> <li>Process metrics and results metrics are balanced to prevent suboptimization.</li> </ul>	<ul style="list-style-type: none"> <li>A balanced scorecard of customer, operational, employee, and financial measures is used to make informed decisions and track performance.</li> <li>Improvement targets and plans are in place to support each measure.</li> </ul>
<b>Measurement Process and Culture</b>	<ul style="list-style-type: none"> <li>Metrics are used sporadically—either functionally or individually.</li> <li>Metrics offer little ability to capture or track data for nonfinancial measures.</li> </ul>	<ul style="list-style-type: none"> <li>Metrics are reported on a regular basis, but often used by only a few individuals.</li> <li>Data integrity leads to a mistrust of measures.</li> </ul>	<ul style="list-style-type: none"> <li>Metrics are clearly displayed within the company, and communicated company-wide (e.g. intranet, etc.).</li> <li>Definitions are clear and agreed upon.</li> <li>Reports are “seen” but not “used” by the majority of employees.</li> <li>Most managers don’t use reports to drive the business.</li> <li>Data integrity issues may exist—but are actively being addressed as they’re discovered.</li> </ul>	<ul style="list-style-type: none"> <li>Metrics are used as a part of regular review meetings for all functions to drive business improvements.</li> <li>Data is turned into information to make decisions.</li> <li>Metrics reports are used by key employees and managers to drive the business.</li> </ul>	<ul style="list-style-type: none"> <li>Metrics are used as a part of regular review meetings across all functions and levels (e.g. linking strategy to shop floor metrics to ensure all employees are marching to the beat of one drum).</li> <li>Metrics are used to drill down and change the process to get the desired results.</li> <li>Metrics are clearly displayed within the company, and have been made a part of the culture.</li> </ul>
<b>Process Focused Metrics</b>	<ul style="list-style-type: none"> <li>Financial measures are the primary measures of performance.</li> </ul>	<ul style="list-style-type: none"> <li>Functional and financial metrics are used, but may be driving suboptimization.</li> <li>There is no clear linkage between functional metrics and their financial leverage.</li> <li>No measure of Perfect Order is maintained.</li> </ul>	<ul style="list-style-type: none"> <li>Elements of process metrics are collected, but not actively aligned to drive process behavior.</li> </ul>	<ul style="list-style-type: none"> <li>A clear understanding of the financial impact of metrics exists across all levels.</li> <li>Elements of process metrics are in place and actively viewed from a process perspective on a regular basis.</li> <li>Indexing (such as Perfect Order Index) is performed on an ad hoc basis.</li> </ul>	<ul style="list-style-type: none"> <li>Active indexing (such as the Perfect Order Index) is used with key metrics—root cause drill down is readily available through linkage.</li> <li>Measures are used with customers to agree upon process improvements.</li> </ul>

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