

# Logistics & Supply Chain Forum Newsletter

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## Don't Measure What You Won't Change

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We've all heard the line that you can't manage what you don't measure. Well, Mike Ledyard of Supply Chain Visions has another piece of advice to add: Don't measure it if you aren't going to take action when the measures show things are going wrong.

Ledyard started with some of the basic wisdom of performance measurement before building up to his somewhat surprising comment. Measures must be aligned to strategy, he said. But it's important that measurements be linked to execution. Without that vital link and ample communication, the people performing the tasks in your organization won't see the value or the connection of what they are doing to the overall strategy. Strategies are a little too "up there" to be immediately significant at a functional level, so you must communicate. Measures, if you follow Ledyard's logic, may actually be a means to communicate the importance and relevance of the strategy.

The tougher part is making the measurements meaningful in the right way. Ledyard puts the customer needs and expectations first in importance of what you measure. Next, he stresses the need to take a process view rather than a functional approach. To do this, you must identify who owns a process and what drives the process.

Remember that you can't do it all at once, he cautions. You're most likely to take the items first that are causing the most pain. Communicate down to the shop floor level how the employee's actions will affect or support your overall strategy. Do some root cause analysis, and link measures to compensation.

To overcome the problem that people working to support a strategy often don't understand their role, break the strategy down into initiatives, and then into tactical steps.

Ledyard suggest segmenting measures. Which are the most important? Does the cost of the measurement balance with the value or benefit of measuring? Measuring customer satisfaction requires knowledge of what is important to the customer. An example of bringing these ideas together comes from a company that was measuring cost per loaded mile rather than total delivered cost. Clearly, the measurement that would link to the customer is total delivered cost. Measuring cost per loaded mile resulted in more effort spent

cramming product into every space on the trailer and sub-optimized other areas.

Another example of measuring on-time delivery

resulted in problems for the shipper because it was making deliveries within the 15-minute windows established but because the goods were less desirable to handle for the warehouse labor, the goods tended to be put aside at

receiving and dealt with at a later time.

When the shipper and consignee began to talk and examine the problem, the performance measurement of the shipper was accepted because the logs the shipper used were accurate and thorough (and included measurements when performance failed). So sometimes, having good measurement practices and disciplines can be an advantage outside the four walls of the organization. But, Ledyard reminds, good measurements must be quantitative, not subjective. You may also want to start measurements with someone other than your biggest customer or most profitable partner. Look for someone in your supply chain who may be experiencing the same pain, someone who may be willing to work with you on measurement in order to make some gains.

