

Supply chain management metrics

[Business](#), [Management](#)



Selecting the key metrics to measure performance along the supply chain can be crucial, as clear connections have to be made between the metrics and the business goals in order for the business to achieve the results they are looking for and also to achieve growth within the market place.

Management should identify the key performance indicators they need to focus on, measuring these indicators can help them in reaching the company's goals.

We have identified Total Throughput Time, Right First Time and On-Time Shipment Delivery as key supply chain metrics to measure across the supply chain.

Total Throughput Time The total throughput time of an organisation captures the time the customer sales order is received to the time the product is ready to ship. This time is an accumulative of all the time spent from procuring the raw material to manufacturing and releasing the finished product to ship. This KPI is key to analysing the direct impact each internal and external process has on the customer receiving the order on time. It provides management with an overall view of the critical steps and the relationship each step has on getting the finished product to the customer. This time is usually measured in minutes or in working days.

Management can work with the relevant department managers to set the target needed for each of the critical processes that have a direct impact on the customer order. Each department can then manage internally their individual KPI and work to the pre-determined target. Management can then monitor the KPI's weekly or monthly.

This will provide management with a clear view on how each process is performing and can highlight any issues that could have a direct impact on the customer not receiving the order on time. Monitoring the KPI's will quicken response times to resolving issues if and when they arise.

The customer will also be informed of this time so they can build this into their own forecast, the customer can then use this measure as the time it will take to receive their order on time from the supplier. The customer then knowing the capacity constraints of the supplier can eliminate the risk of over ordering and not receiving the product on time.

Right First Time Measuring right first time internally on the product manufactured is an important factor for the organisation, it can identify the quality of the supply chain from start to finish, and how many deviations are occurring on the product right through the supply chain process. Right first time is usually measured in percentage, this percentage is based on the number of good product manufactured against the customer demand or manufacturing plan, any deviations along the supply chain process would have a negative effect on this percentage.

Management will set out a target percentage for the organisation to achieve, and this has to be met by the organisation if the customer is to receive the order on time. This can then be monitored weekly or monthly by management.

Right first time can be viewed either positively or negatively by the customer. If the supplier has a high right first time percentage, this can be

viewed as a positive by the customer that the suppliers supply chain is strong with little deviations to the process. If on the other hand the supplier had a low right first time percentage, the customer could be worried that the suppliers supply chain is weak, which could have negative implications on the demand in the future, or that there is an issue with the quality of the product, this could lead to product re-calls and jeopardise the suppliers long term future with the customer.

On-time shipment delivery The key performance metric I have chosen to discuss is On-time shipment delivery. This is the measurement within McAfee from the time the product ships from one of our fulfilment sites to successful delivery at a customer's site. The incoterm we use is FOB Origin which means the customer is invoiced for the product upon shipment and is responsible for the products in transit. We offer a pre pay and add solution that requires Mfe to manage the delivery to agreed service levels throughout the EMEA region.

Each countries service level is unique depending on the physical location in EMEA , our broad rule is we will deliver within 2 - 4 business days to all EU major cities, our contracted forwarder (TNT) are responsible to achieve these targets and report daily on exceptions, weekly on performance & quarterly on the previous 12 weeks performance during our strategic business review. This service level agreement & reported performance is more importantly the Mfe logistics promise to our customer.

We manage this KPI on a weekly performance report to Mfe corporate in North America, exceptions are clearly identified & clear corrective actions

implemented when non performance trends are visible. This allows Mfe to clearly identify inherent weaknesses in a partner's delivery chain & assign important resources to provide resolution.

This simple key performance indicator allows me to identify where issues rest in our regional supply chain, when we include additional regions & consolidate this report it allows clear visibility in a simple to read format of where we need to assign technical expertise. This simple KPI provides enormous value to our global supply chain and is an integral part of our relationship with McAfee customers & McAfee contracted suppliers.

Conclusion When an organisation sets out to select metrics to measure their supply chain the critical goal that is common across all industries is that the metrics have to be aligned with the overall business strategy, doing this will help the organisation to become profitable and competitive, if this is not the case such heights will be harder to achieve as the focus will be on the wrong areas. Achieving the pre-determined metrics across the supply chain will have an end result of satisfying the customer.