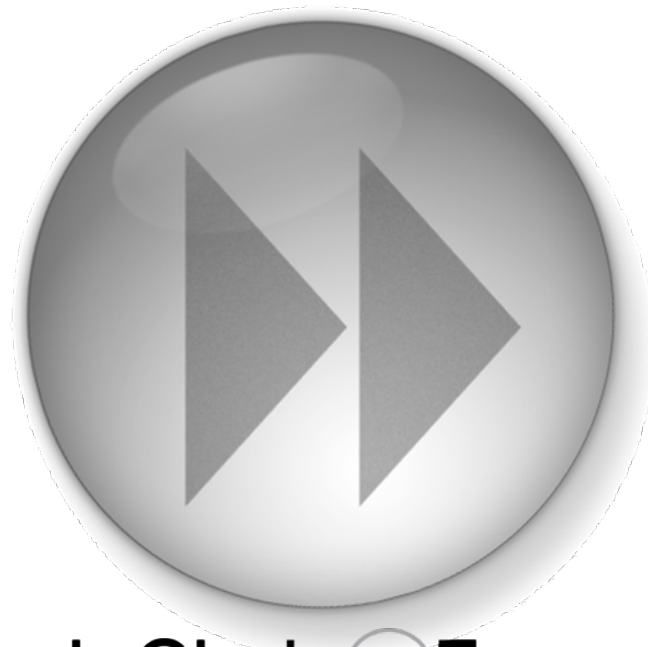




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Establishing And Using Practical Performance Standards

Track 2 Session 7



Supply Chain  **Forward.**

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Abstract

- ▶ **The gripe with traditional benchmarking is that no two benches are the same. In this lesson, we will provide a process for you to determine what key human and technology metrics to measure in your operation, and how to establish optimum goals. Then, we'll hear how to iteratively use and adjust the process for continuous performance improvement.**

Agenda

- ▶ **Why is Benchmarking Important?**
- ▶ **About Benchmarking**
- ▶ **A Method**
- ▶ **Priorities**
- ▶ **Reporting**
- ▶ **Summary**
- ▶ **Key Takeaways**
- ▶ **Questions**

My Agenda



Corporate Decisions

What is the

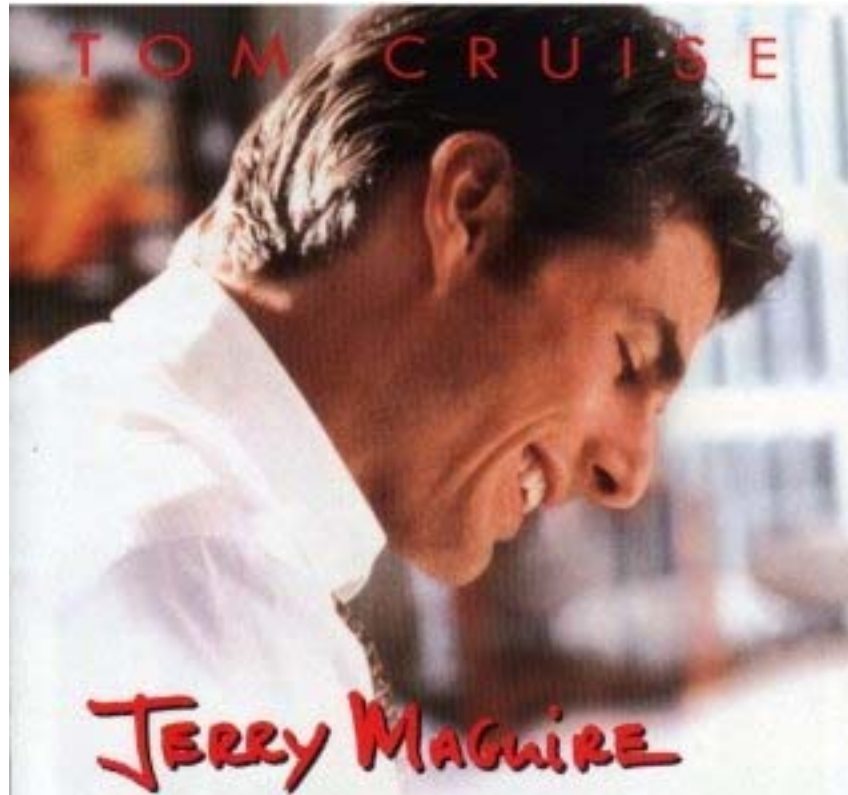
Number One Factor in

Corporate Decision Making ?

Corporate Decisions

- ▶ **Culture**
- ▶ **Client Service**
- ▶ **Sustainability**
- ▶ **Good Corporate**
- ▶ **Profitability**
- ▶ **Revenue Growth**
- ▶ **Cost Reduction**
- ▶ **Citizen Risk**

Jerry MaGuire



Corporate Decisions

Executive Compensation

I am from the Government and I am Here to Help



Government Initiatives on Compensation

- ▶ **Say on Pay**
- ▶ **Limits on Pay**
- ▶ **Executive Clawbacks**
- ▶ **Disclosure**
- ▶ **Sec. 162(m)**

Industry Response

▶ **FM Global**

- ◆ **Profitability - 50%**
- ◆ **Client Retention - 40%**
- ◆ **New Clients - 10%**

▶ **AEP**

- ◆ **Cash Flow**
- ◆ **CFO Magazine, June 2009**

Reporting to C-Level

- ▶ **Delivered Cost per SKU**
- ▶ **Profit per SKU**
- ▶ **Accuracy**
- ▶ **Timeliness**
- ▶ **Capital Employed**
- ▶ **Volume**
- ▶ **Risk**

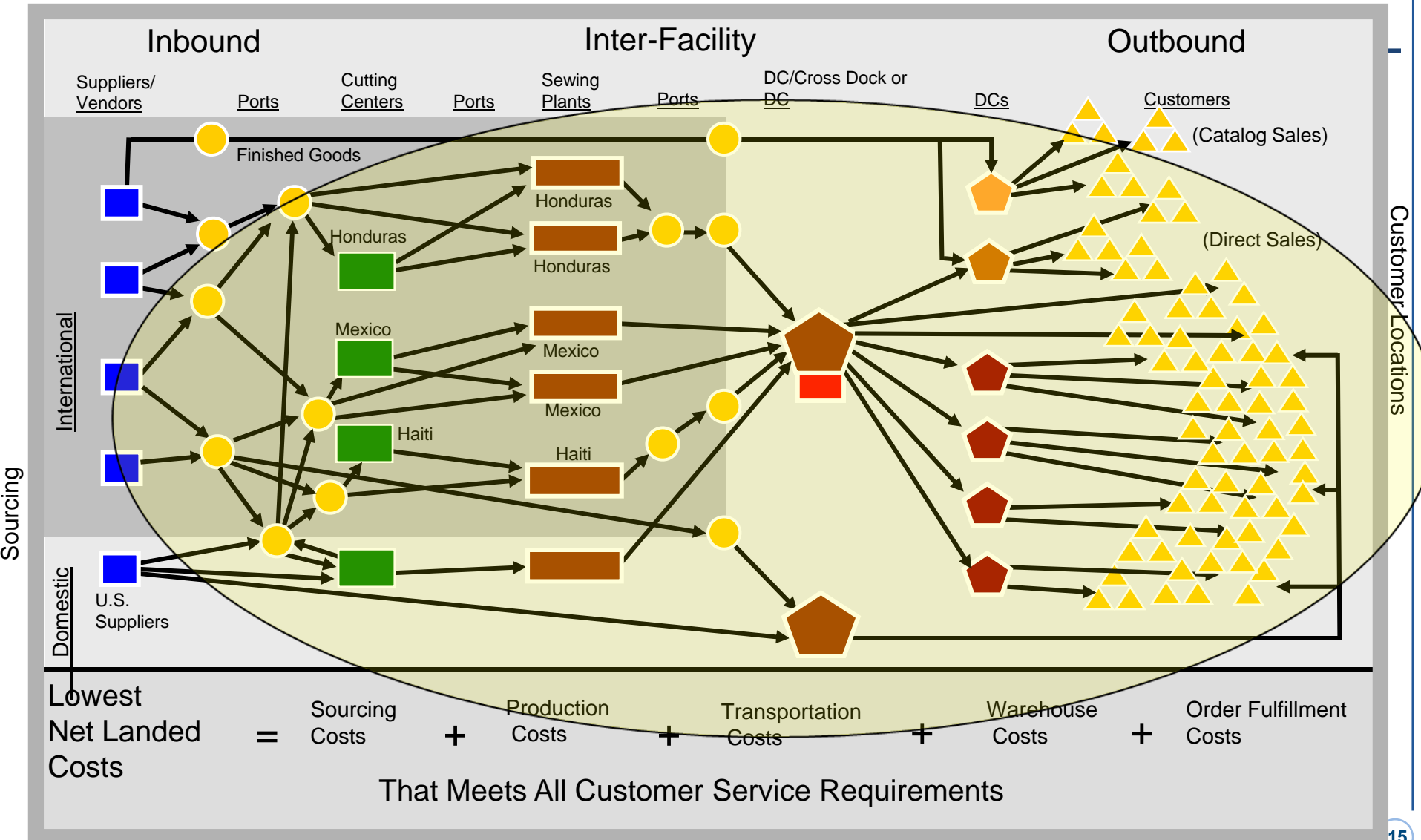
Balancing Cost, Service & Risk

Companies are beginning to recognize that it is no longer possible for supply chain decisions to be based strictly on Cost & Service



Supply Chain measurement and monitoring activities must consider highly probable, high impact supply chain risks in balance with cost and service objectives

Delivered Cost per SKU



Why Benchmark

- ▶ **Believability**
- ▶ **Ideas for Process Improvement**
- ▶ **How good are we?**
- ▶ **Others?**

Types of Benchmark

- ▶ **Engineered Standard**
- ▶ **Exemplar Benchmark**
- ▶ **Different Internal Operations**
- ▶ **History of Operation or Process**
- ▶ **Industry Reporting**

Benchmarking

- ▶ **Identify Key Processes**
- ▶ **Collect Data**
- ▶ **Identify the Exemplar**
- ▶ **Set Priorities**
- ▶ **Identify Gaps/Low Performance**
- ▶ **Develop Roadmap**
- ▶ **Improve Processes**

Supply Chain Process

- ▶ **Warehouse Functions Section 4.2**
 - ◆ **Receiving and Inspection**
 - ◆ **Material Handling and Put Away**
 - ◆ **Slotting**
 - ◆ **Picking and Packing**

Supply Chain Process

- ▶ **Warehouse Functions section 4.2**
 - ◆ **Storage and Inventory Control**
 - ◆ **Load Consolidation and Shipping**
 - ◆ **Shipment Documentation**
 - ◆ **Warehouse Management Systems**

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Match Priorities

▶ **Corporate Goal**



Functional Goal

▶ **Sales Growth**

Improve Throughput

▶ **Profitability**

Reduce Cost per SKU

▶ **Improve Quality**

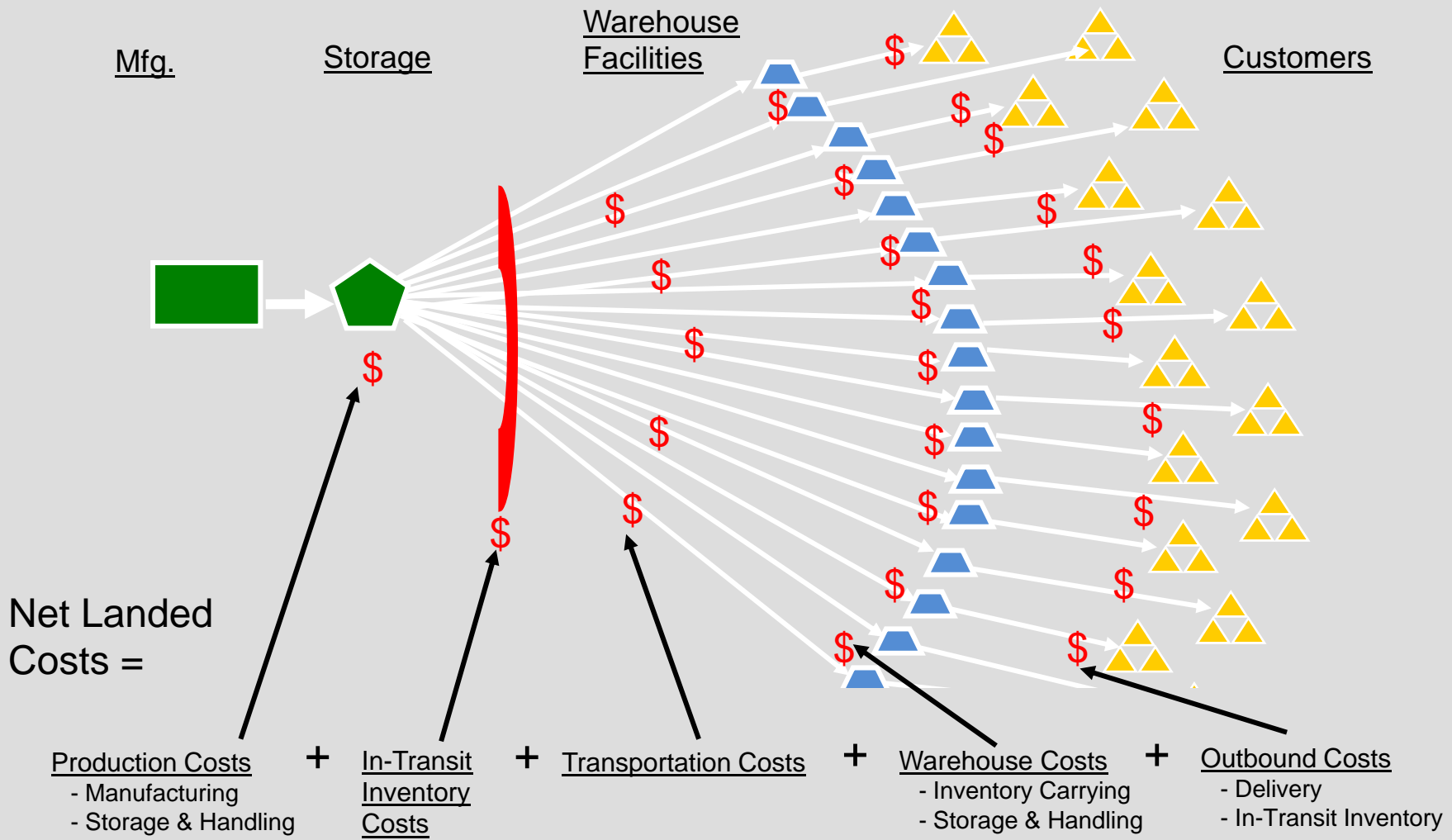
Retail Compliance

▶ **Client Satisfaction**

Best in Class

Order Fill Rates

Delivered Cost per SKU



Supply Chain Process

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Supply Chain Process

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Priorities Roadmap

▶ **Process**

Poor Common Good Best

▶ **Receiving**

▶ **Picking**

▶ **Storage**

▶ **Shipping**

	Poor	Common	Good	Best
Receiving		★		
Picking		★		
Storage			★	
Shipping	★			

Benchmarking

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Priorities Roadmap

▶ Process	Strategic Impact	Cost/Perform	Total	Gap
▶ Receiving	3	2	5	
▶ Picking	2	2	4	
▶ Storage	1	1	2	
▶ Shipping	3	3	6	

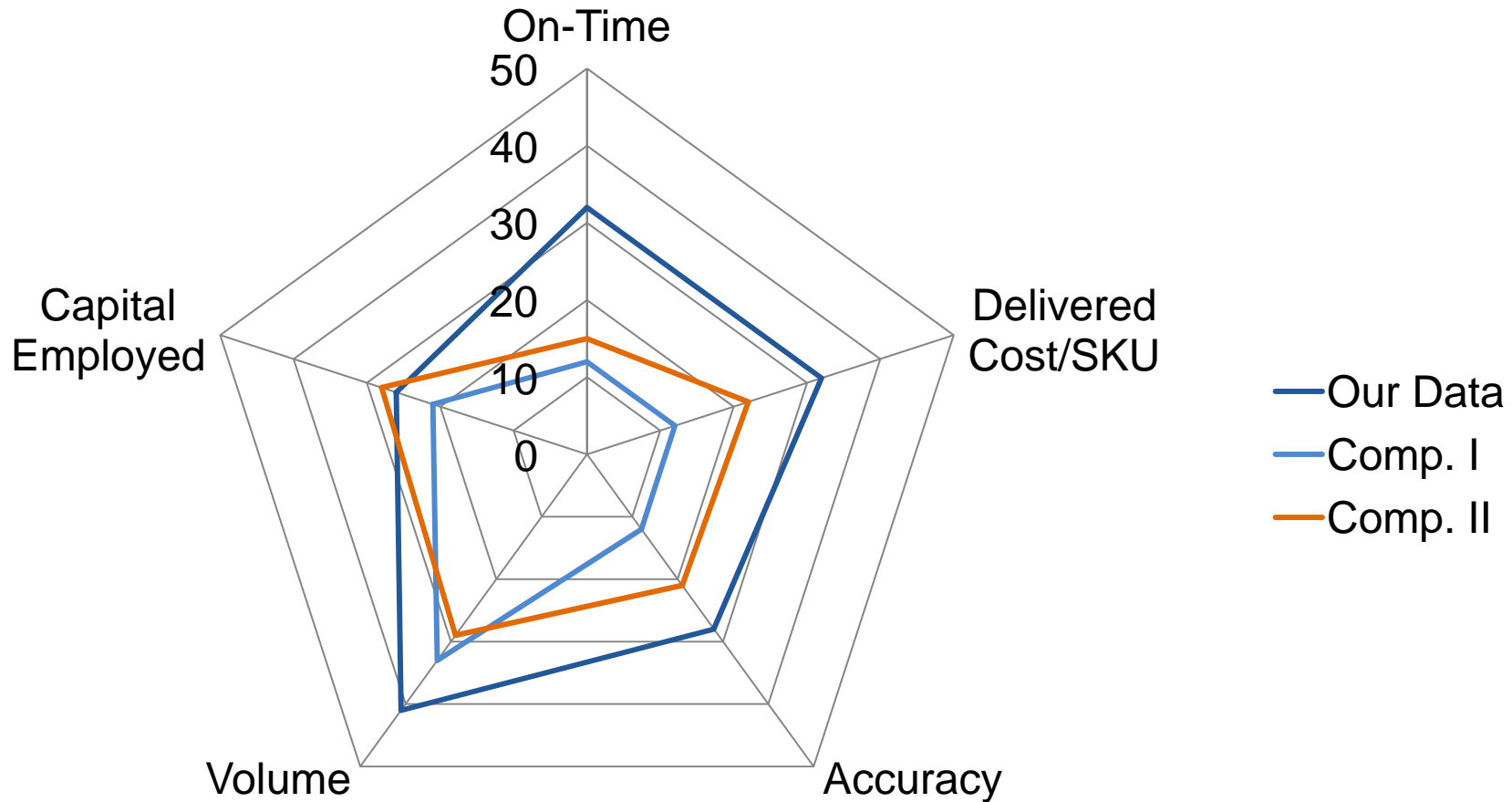
Sources of Data

- ▶ **Industry Databases**
- ▶ **Consultant Data Bases**
- ▶ **Government Data**
- ▶ **Association Studies**

Reporting



Reporting

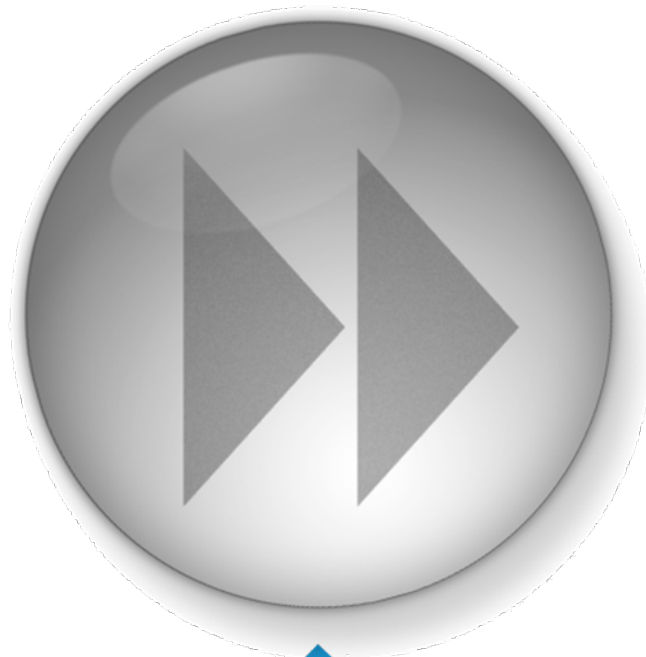


Key Takeaways

- ▶ **Align with Corporate Strategy**
- ▶ **Communicate with Metrics**
- ▶ **Compare Against Optimal**
- ▶ **Compare Against Exemplars**

Sources of Information

- ▶ **CSCMP**
 - ◆ www.CSCMP.org
- ▶ **WERC**
 - ◆ www.WERC.org
- ▶ **APQC**
 - ◆ www.APQC.org
- ▶ **Supply Chain Visions**
 - ◆ Kate Vitasek
- ▶ **Competitive Insights**
 - ◆ Richard Sharpe



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Questions?