

Hewlett-Packard: Performance Measurement In The Supply Chain

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SUPPLY CHAIN PERFORMANCE MEASUREMENT AND FINANCIAL ANALYSIS

Developing Supply Chain Performance Metrics

- involve customers and suppliers
- develop a tiered structure for the metrics
- identify metric "owners" and tie metric goal achievement to an individual's or division's performance evaluation
- establish a procedure to mitigate conflicts arising from metric development and implementation

Performance Categories

The Supply Chain-Finance Connection

Impacts the cost of fulfilling customer orders and transporting these orders to the customer, both of which impact the overall landed cost of the product.

Financial Statements

Income statement and balance sheet

The Supply Chain Financial Impact

The effectiveness of supply service impacts the level of revenue, return on assets.

The Revenue-Cost Savings Connection

$$\text{Profit} = \text{Revenue} - \text{Cost}$$

$$\text{Cost} = \text{DNO}(\text{DIN} \times \text{M})$$

$$\text{Rev} = \text{Price} \times \text{Revenue} = \text{DIN}(\text{Sales}) = \text{Revenue} \times \text{DIN}$$

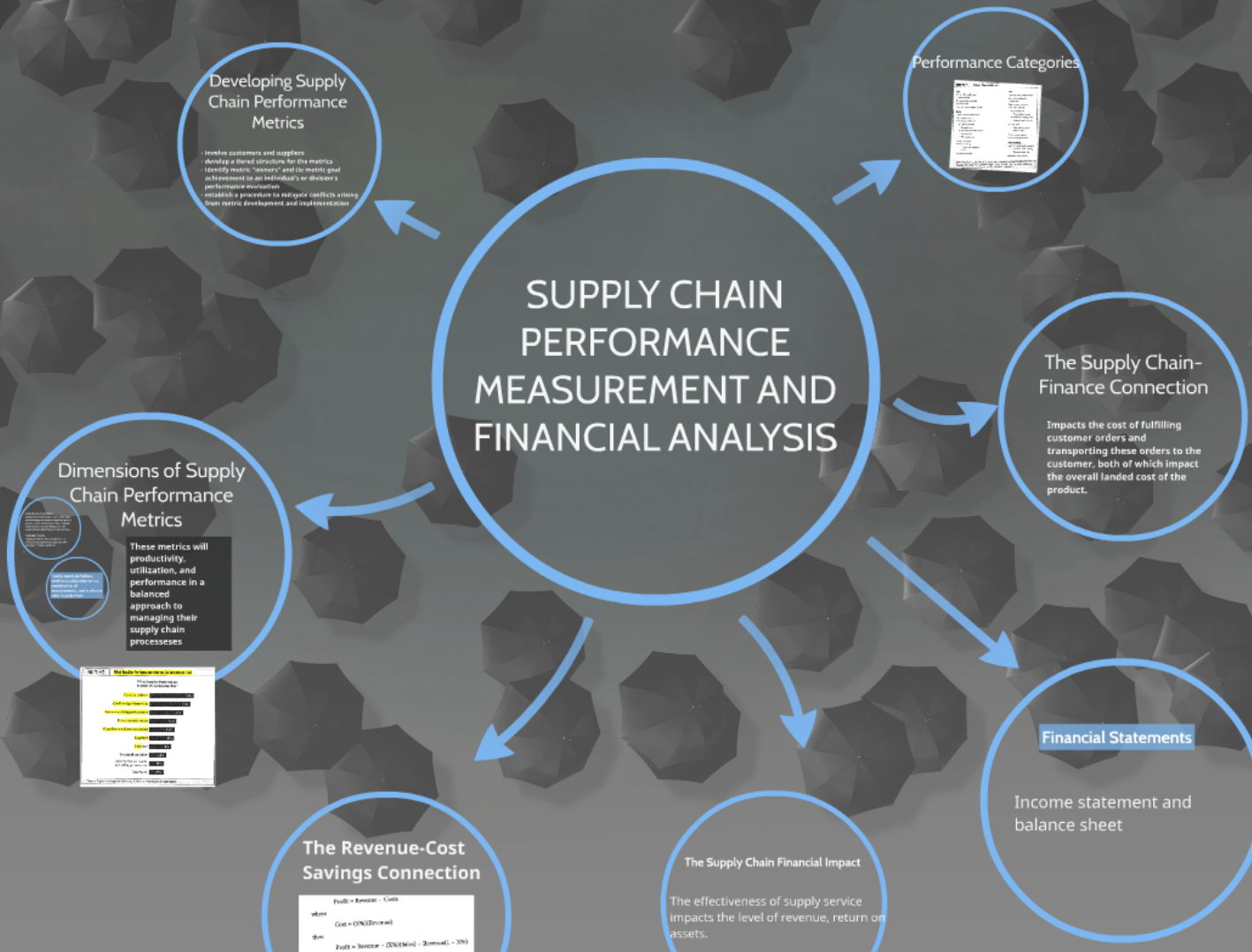
$$\text{Sales} = \text{Profit} / \text{Margin}$$

Dimensions of Supply Chain Performance Metrics

These metrics will productivity, utilization, and performance in a balanced approach to managing their supply chain processes

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Dimensions of Supply Chain Performance Metrics

WORLD-CLASS METRICS

Companies that look at cost, efficiency, and strategic measures together gain a greater understanding of their supply chain and its overall impact on the organization. But they are uncommon.

THE NEXT PHASE

"Going forward, the importance of efficient measurement systems will increase," Carter predicts.

metric needs definition, involves a calculation or is a combination of measurements, and is often a ratio. Supply chain

These metrics will productivity, utilization, and performance in a balanced approach to managing their supply chain processes

Figure 5-2

What Supplier Performance Metrics Do Companies Use?

What Supplier Performance Metrics Do Companies Use?

On-time delivery 90%