

# Supply chain report card

David Jacoby, President of management consulting firm Boston Strategies International, offers a self-assessment checklist to rate your company's supply chain performance



**D**uring periods of dramatic change like we have experienced in the recent economic recession, 20 per cent of all people shift jobs. At least that is what my e-mail box tells me based on the frequency with which e-mails bounce, and that is consistent with the turnover experienced in the 2000-01 recession.

This means that if your company is like most, you need to take stock of your organisation and rebuild skills and capabilities to make sure you can satisfy your customers' needs as the economy rebounds.

Here are 30 questions that will help you to gauge the effectiveness of your company's supply chain today. Score each question (10 means "I totally agree" and one means "I totally disagree"), then add up the scores. If the total is more than 200, you are on track. If it's between 100 and 200, it is average, and if it's below 100, run for your life because your competitors are gaining ground on you rapidly!

Hopefully your company turns out to be a superstar. But if not, this is a perfect time for a tune-up. For more

benchmarks and metrics, you may wish to consult *The Guide to Supply Chain Management*, which was written by me and recently published by *The Economist* and *Bloomberg Press*. It provides hundreds of supply chain process and performance benchmarks for over a dozen industries, as well as 50 best practices for adding value to differentiate your company from the competition.

Whether your company is a manufacturer or a logistics service or solution provider, supply chain management can be a source of competitive advantage. By applying its principles, you can facilitate the process change, information design, and organisational leadership that is needed to innovate rather than just cut costs, thereby enabling higher value added for the end customer. And that means higher margins and higher profits. So the outlook is truly brighter than ever before. Race you to the top! 🍌

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## Rate your supply chain

Give your company a score between one and 10 for the following questions. One means "I totally disagree" and 10 means "I totally agree"

### Supply chain strategy

- 1. There is a documented and widely known corporate or business unit mission
- 2. The supply chain planning process is linked to corporate and business unit objectives
- 3. A network model has been used to optimise the end-to-end supply chain in the past three years
- 4. Supply chain management is a source of competitive advantage for my company

### Supply chain organisation

- 5. A senior executive leader has authority for coordinating all supply chain activities
- 6. The cycle time for strategic and budgetary decisions is responsive to market needs
- 7. Employees are cross-trained and routinely participate in cross-functional projects
- 8. There is a desirable career path for young employees in supply chain management

### Demand planning

- 9. Swings in demand at the ultimate customer cause equal or smaller changes at the ultimate supplier
- 10. The difference between actual and forecast demand is measured and small
- 11. Capacity is well-sized to demand
- 12. Few orders are lost due to inability to increase production capacity rapidly
- 13. Demand planning is done collaboratively with key supply chain partners

### Procurement

- 14. Procurement decisions are made on a total cost basis
- 15. Suppliers contribute to new product development and innovation

- 16. Suppliers prices are reasonable, according to objective outside benchmarks
- 17. The cycle time to implement a supplier contract is reasonable
- 18. Purchase requisitions and orders are processed quickly

### Logistics and operations

- 19. Target service levels are defined and measured
- 20. Most jobs or orders are perfect (right quantity, right time, right paperwork, etc.)
- 21. Inventory is as low as it can be to achieve the stated service level objectives
- 22. The cost of poor quality (scrap, rework, returns and inspection) is low

### Budgeting

- 23. Working capital and cash flow are healthy compared to industry averages
- 24. The variance for capital and operating budgets is small
- 25. Supply chain risk is measured and monitored
- 26. There is a contingency plan in place for supply chain disruption

### Information systems

- 27. Effective tools are in place for SRM, DRP, APS, WMS, TMS, CRM and PLM
- 28. Data is integrated, with visibility across applications and integration with financials
- 29. Data is up to date and accurate and changes are reflected rapidly in all systems
- 30. Information flows and funds transfers with supply chain partners are electronic

My score is:

200-300 Excellent, 100-200 Average, 0-100 Below average