

Supply Chain Management Process Standards

Second Edition

INTRODUCTION

Many corporate leaders now recognize what logistics professionals have always known: logistics performance can have a significant financial impact on an organization's market share and profitability. The evidence is compelling. Best-in-class companies spend 35% to 50% less on supply chain management than median performers, according to the Performance Measurement Group.

Due to this recognition, logistics performance management has become a very popular topic. Kaplan and Norton popularized the notion of a "Balanced Scorecard," many companies are applying the concept of a "dashboard" to measure end-to-end process improvement, and industry associations and universities are offering seminars and workshops on performance metrics. The Council of Supply Chain Management Professionals recognized this topic as well by providing access to best practice data, in the form of the first edition of the *Standards*, and a broad-spectrum of information on performance management through education, publications, and research material.

However, too many people still fail to understand a fundamental point: improvement in performance measurement is driven in large part by implementing improved processes. Too often, companies view the implementation of performance metrics as a panacea. Six months later, many of these same organizations find that after expending time and money to implement "scorecards," "dashboards," or some other popular metric system of the moment, the end result is not the expected performance gains. Performance metrics alone are no guarantee of improved business results. While it is true that performance metrics are a necessary and irreplaceable element in performance management, it's essential to combine your business measurement efforts with *qualitative process analysis and viable improvement efforts on core processes*. Managers must also consider the cost of service as well. Simply spending less does not always translate into excellence.

PURPOSE OF THE STANDARDS

Popular trade magazines, consulting companies, and industry associations share best practices and case studies, but, until the first edition of the *Standards* were published, there was no comprehensive reference guide for comparing a considered "minimum standard" guideline for logistics and supply chain processes. The *Standards* address this need.

The *Supply Chain Management Process Standards* are meant to be used as a reference tool to help companies identify potential gaps across a broad spectrum of their supply chain processes. Practitioners can use this tool to identify process strengths and weaknesses, and then focus their attention on those areas where improvement efforts will drive the most benefit. Results can be shared and compared (with discretion) with other organizations in your supply chain to improve overall effectiveness.

CSCMP recognizes that not all industries are the same and compiled the *Standards* for general use by as many industries as possible. The *Standards* are intended to be used "out of the box" and they apply to most industries. Different industries, companies within the same industry, and even different locations of the same company may have practices which are best for them—but different from those used by others. The *Standards* are meant to be **general guidelines** to help companies assess their current processes.

CSCMP realizes that not all industries are the same and compiled the *Standards* for general use by as many industries as possible. CSCMP recognizes that what may be a best practice in one industry may be a common practice in another. As such, the researchers tried to provide a tool that could be used by as broad an audience as possible. Practitioners are cautioned to critically judge which processes they should strive for best practice in their industry in conjunction with their corporate strategy.

The same considerations apply to application of the *Standards* in a global setting. While the researchers included processes and practices involved in international logistics, there are additional processes which may be required in various geographies that are not included.

It should also be noted that no company should attempt to achieve best practice across all processes as this would be cost prohibitive. Companies need to determine which processes and attributes are essential to their industry and competitive strategy, and focus their energies on achieving best-practice goals in these areas, while maintaining minimum standards in all other applicable areas.