

Gartner®

Gartner for Supply Chain

Strengthening Supply Chain Performance Improvement Initiatives

The Unique Benefits of Gartner Supply Chain Benchmarking




Introduction

Supply chain leaders constantly seek opportunities to improve supply chain performance — in part by leveraging benchmark data to evaluate improvements that other leading organizations have achieved. Through our interactions with hundreds of organizations, we find many supply chains struggling to improve their performance. These organizations share several similar characteristics, including:

- Operating in functional silos across the supply chain
- Low end-to-end supply chain maturity
- Misaligned supply networks

Our research shows that the success of a benchmarking project is about getting the right data, analyzing it logically and leveraging it as one of many inputs to drive investments in supply chain improvement initiatives. A common mistake of benchmarking is often taking the best-in-class values and setting these as internal goals. This research elaborates on the benefits gained for all industries through a systematic approach to transforming benchmark data into information and information into insights.



“This is extremely helpful for us, and I would say possibly the most valuable benchmarking exercise for supply chain that we have seen to date.”

Supply chain executive at a global firm

Benchmarking End-to-End Supply Chain Performance

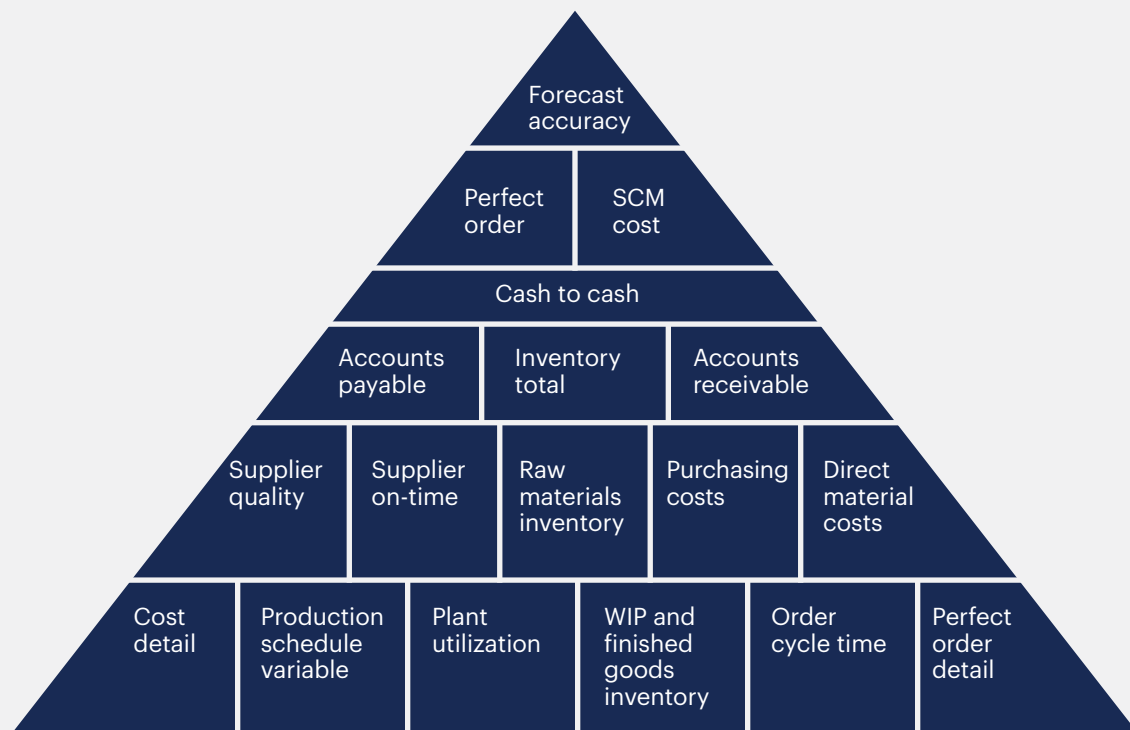
Benchmarking is a widely practiced, yet often misunderstood, technique.

The most common misunderstanding is that benchmarking identifies performance gaps that, once addressed, will enhance an organization's competitive advantage.

In contrast, leading supply chain organizations use benchmarking as a data point for establishing best practices. They leverage benchmarks in conjunction with an in-depth understanding of their own capabilities, customer requirements and business priorities to develop the full potential of their supply chains. In leading organizations, success is defined by alignment of performance with business needs and priorities versus a strict comparison to quantitative benchmark data.

The Gartner framework for supply chain benchmarking leverages a hierarchy of metrics (Figure 1), slightly modified to facilitate calculation and collection, to provide supply chain leaders with a holistic comparison of end-to-end supply chain performance.

Figure 1: The hierarchy of supply chain metrics



Source: Gartner

Building supply chain excellence is a balancing act. Supply chain leaders must constantly make choices (or trade-offs) to optimize performance. However, making the right trade-offs requires insight into how interdependencies impact outcomes.

It is the relationship between benchmarked metrics—versus the comparison of each metric in isolation—that make the Gartner framework for supply chain benchmarking useful.

The first step is to collect benchmark data and assess it against results existing in the specific industry database.

The next step is to identify opportunities for improving performance. It's typical when benchmarking to focus on lower relative performance on one or more metrics. However, it is important to recognize that many of the metrics tracked for supply chain are interdependent on others; for example, forecast error, finished goods inventory and perfect order; supplier on-time, supplier quality and inventory levels; and forecast error, plant utilization and inventory levels.

Once the gaps in outcomes and interdependencies are revealed, supply chain leaders should start exploring appropriate initiatives to realize measurable improvements (Table 1).

Table 1: A framework for identifying supply chain initiatives

Business priority	Metric(s)	Possible interdependencies	Possible gaps to investigate
Supply assurance	Supplier on-time Plant utilization	Forecast error Raw materials inventory Supplier quality	Low maturity in demand/supply planning process; heavy reliance on sales forecasting and product complexity; opportunity in supplier relationship management
Customer service	Perfect order (on-time and in-full)	Demand/supply planning and procurement processes Inventory levels and logistics costs	Low maturity in S&OP; poor demand/supply translation; centralized procurement process with KPIs misaligned with the rest of the supply chain; supply network design not optimized for service and cost; siloed goals
Working capital optimization (through inventory reduction)	Inventory levels	Supplier performance Forecast error OTIF	Poor supplier relationship management; long supply lead time; increased risk due to supply network design
Cost optimization	Plant utilization Logistics costs (warehousing and transportation)	Schedule adherence Forecast error OTIF	Lack of a consensus plan; lack of accountability of demand forecasts; constrained demand/supply planning, insufficient manufacturing agility

About the Gartner Hierarchy of Supply Chain Metrics

Long regarded as the industry standard for end-to-end supply chain performance measurement, the Gartner supply chain benchmarking service enables you to compare key performance metrics with peers. Unlike other benchmarking methodologies that compare metrics in isolation, the Gartner methodology looks at the interdependencies between supply chain metrics to identify improvement opportunities and make better business trade-offs.

Our dynamic benchmark database includes more than a dozen metrics across seven core supply chain process areas spanning multiple industries. Our research team will analyze your metrics and provide you with a customized report rating your performance against industry peers to identify areas of supply chain leadership and opportunities for improvement.

To learn more about the custom data and analysis that our 2,500+ supply chain leader clients use to improve decision making, [visit us online](#).

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