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# Supply Chain, Meet Enterprise Performance Management

Apply Performance Management Across Your SCM Processes for Improved Insight into Your Supply Chain

by Siddharth Taparia, SAP

Organizations face a dual challenge in today's marketplace. Externally, market conditions are riskier and more unpredictable, requiring rapid response and nimble planning cycles. Internally, supply chains are lengthier and more complex, making improvements difficult.

In response, companies have continued to focus on controlling costs, in part by attempting to streamline their supply chain processes. But they are also looking for new revenue sources. A major driver of new revenue generation is the ability to have the right products available at the right time and in the right place. In markets such as consumer electronics and toys, for example, companies are under pressure to not only get the right products to market, but also to ramp up production to profitably meet customer demand.

Adding to the complexity is the need to better manage both the supply side and the demand side of the risk equation. This need for proactive risk mitigation was a painful lesson companies learned from the recent economic crisis. Your supplier can face performance or financial challenges that result in its failure to meet the demand for components or raw materials and, in turn, cause customer delays and penalties. On the other hand, your customers may have liquidity or credit troubles, resulting in unwanted inventory write-offs and an increase in days sales outstanding.

Given these challenges, how can companies achieve better visibility and performance across the supply chain? More and more companies are looking to apply performance management techniques and tools to their supply chain processes.

## A Big-Picture Approach to Performance Management

The concept of performance management has been around for some time, but it's usually piecemeal, taking a narrow look at specific parts of the supply chain. For example, companies may choose to optimize supply chain performance by department, tasking the logistics department with on-time delivery.

Unfortunately, this siloed approach may have unintended consequences: one department's key performance indicators (KPIs) may be optimized at the expense of another's, or individual KPIs may not achieve the organization's overall goals (for example, balancing on-time delivery with transportation costs). And, as more and more data from various departments and systems accumulates, it becomes more difficult for supply chain managers to have one version of the truth to rely on to make decisions.

What has been missing is the ability to apply performance management techniques holistically across supply chain processes, rather than focusing only on individual departments. Using performance management throughout the supply chain, companies can improve financial performance by reducing costs, increasing working capital, and strengthening customer loyalty.

Any software solution that can support this approach must fulfill three key criteria:

- Tightly integrate with the overall business processes across the supply chain
- Use standard metrics frameworks that support the organization's overall goals and enable benchmarking within the industry



**Siddharth Taparia** ([siddharth.taparia@sap.com](mailto:siddharth.taparia@sap.com)) is the Senior Director of Solution Marketing at SAP, responsible for SAP business analytics solutions in manufacturing industries. In his current role, he helps customers realize the full value of combined SAP and SAP BusinessObjects solutions. In the past, Siddharth has consulted on technology and strategy with Fortune 500 companies in industries like high tech, oil and gas, healthcare, and retail. He holds a master's degree from Texas A&M University and is based in Dallas, Texas.

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- Leverage technology that can build upon existing investments and enable self-service for supply chain departments

**SAP BusinessObjects Supply Chain Performance Management**, one of the SAP BusinessObjects enterprise performance management (EPM) solutions, provides end-to-end supply chain visibility and follows the industry-standard Supply Chain Operations Reference (SCOR) model to enable both departmental and organizational performance management. In addition, it is designed with prepackaged metrics and analytics to enable rapid time-to-value.

Let's see an example of how SAP BusinessObjects Supply Chain Performance Management can benefit companies in industries such as manufacturing and consumer products.

### From 30,000 Feet to the Ground Level

Every organization has a certain number of business processes that differentiate it from the competition. These processes must be aligned with the company's overall goals and strategies, such as improving customer service or reducing costs. To help attain this alignment, SAP BusinessObjects Supply Chain Performance Management takes a business-process-centric view of the organization. It then translates these objectives into driver KPIs and sub-KPIs that enable root-cause analysis of factors (like increased inventory levels) that may be causing snags in the supply chain processes.

For example, consider a high-tech manufacturer that is focused on reducing costs and uses cash-to-cash cycle time as one of its key performance objectives. By leveraging prebuilt workflows and a metrics hierarchy in SAP BusinessObjects Supply Chain Performance Management, a supply chain manager at the

company can quickly look at the contributing KPIs that make up the cash-to-cash cycle time, including days receivables outstanding and inventory days of supply (see **Figure 1**). The application can then provide analytics so the manager can graphically look at the historical performance and trend for each of these KPIs and measure any deviation from the target. If one of the KPIs, such as inventory days of supply, is underperforming, the manager can drill down further to see the factors that impact it, such as production schedule achievement and forecast accuracy. The manager can continue this process until he or she understands the business issue and can determine the appropriate actions that may be needed.

In this example, we started from a top-down, department-agnostic view of corporate objectives and translated this information into relevant KPIs and metrics that must be balanced to obtain optimal overall performance. A standard model (SCOR framework) helps overcome the "language barrier" by enabling companies and their ecosystems to agree on and measure the same KPIs consistently.

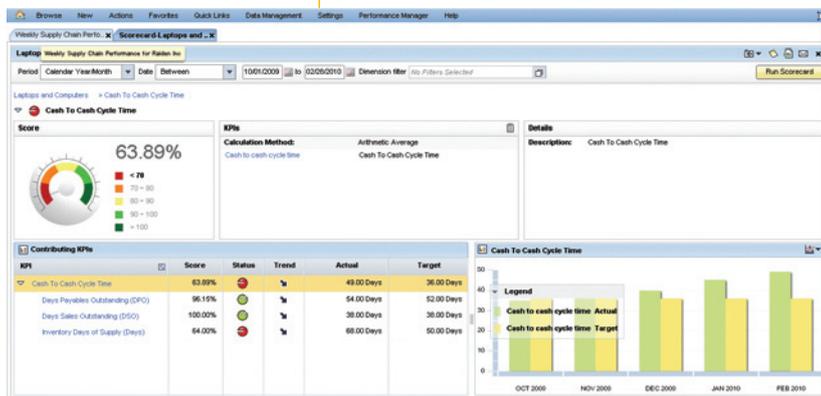
### Don't Forget Quality Data

While a comprehensive performance management solution is an integral component of addressing supply chain challenges, high-quality data is necessary to make these metrics meaningful and trustworthy. Any analytical solution should conform to IT's standards for data governance and master data management, while avoiding departmental data duplication. To address this need, SAP BusinessObjects Supply Chain Performance Management has prebuilt connectors to several SAP data sources, enabling a company to maximize existing technology investments. The application can also integrate with, and clean data from, heterogeneous systems and third-party sources, enabling rapid time-to-value while preventing data replication — which is often an IT nightmare.

### Summary

By deploying a solution like SAP BusinessObjects Supply Chain Performance Management that offers prebuilt alerts, dashboards, analytics, workflows, and more than 350 constituent metrics, your supply chain organization can not only get up and running quickly, but also enable tight alignment with the overall strategy of your company. Visit <http://tinyurl.com/sap-scpm> to learn more. ■

**FIGURE 1** ▼ With SAP BusinessObjects Supply Chain Performance Management, a manager can view the contributing KPIs of a key performance objective, such as cash-to-cash cycle time



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