

SECTOR-WIDE KPI PROJECT

Balanced Scorecard Approach

Working Group meeting
Amsterdam 21 & 22 May, 2015

SECTOR-WIDE KPI PROJECT

Balanced Scorecard Approach

Re-cap of Rome meeting 2012

Re-cap of Rome meeting 2012

Sector-wide KPI Project

WHAT WE WERE SEEKING –

- Common supply chain framework
- Standard terminology
- Common metrics with associated benchmarks and best practices

Re-cap of Rome meeting 2012

Objectives of Standardized KPIs: *Lessons Learned*

ADDRESSES KEY ISSUES FOR ORGANIZATIONS

1. Need Management support for SCM

- Show improvement trend
- Value of SCM
- Links to Program

2. Improve cooperation with external party

- Common targets

3. Establish internal targets on “best-in-class” examples

- How do you determine BIC?

4. No ability to show improvements made over time with use of KPIs

- Establish baselines and set targets

Re-cap of Rome meeting 2012

Value proposition for Standardized KPI

		STAKEHOLDERS									
		Organizations	Employees	Beneficiaries	Donors	Partners	Governments	Academia	Commercial	Military	
VALUE	Allows Links to Programs										
	Improve efficiency										
	Enable change management										
	Ability to benchmark										
	Learn of best practices										
	Evaluate own processes effectively										
	Pursue specific competitive advantage										
	Standard descriptions of process elements										
	Use benchmark / best practice data to prioritize										
	Communicate externally using common language and process definitions										
	Evaluate efficacy of alternatives										
	Improve cooperation with other organizations and service providers										
	Catalyst to push forward implementation organization wide of kpis										
	Increased leverage with management for focus and investment										

Re-cap of Rome meeting 2012

We asked, “Which model would help us to achieve Objectives of Standardized KPIs?”

Option #1:

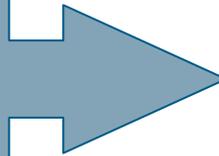
- Adopt SCOR/BSC type framework

Option #2:

- Adopt a lead organization’s framework

Option #3:

- Hybrid/combination



Consensus to adopt BSC

Re-cap of Rome meeting 2012

HUMANITARIAN SUPPLY CHAIN

Planning
Procurement
Transport

Warehouse
Management
Tracking and
Tracing

Customs
Clearance
Distribution



Re-cap of Rome meeting 2012

Balanced scorecard

WHAT does BSC do?

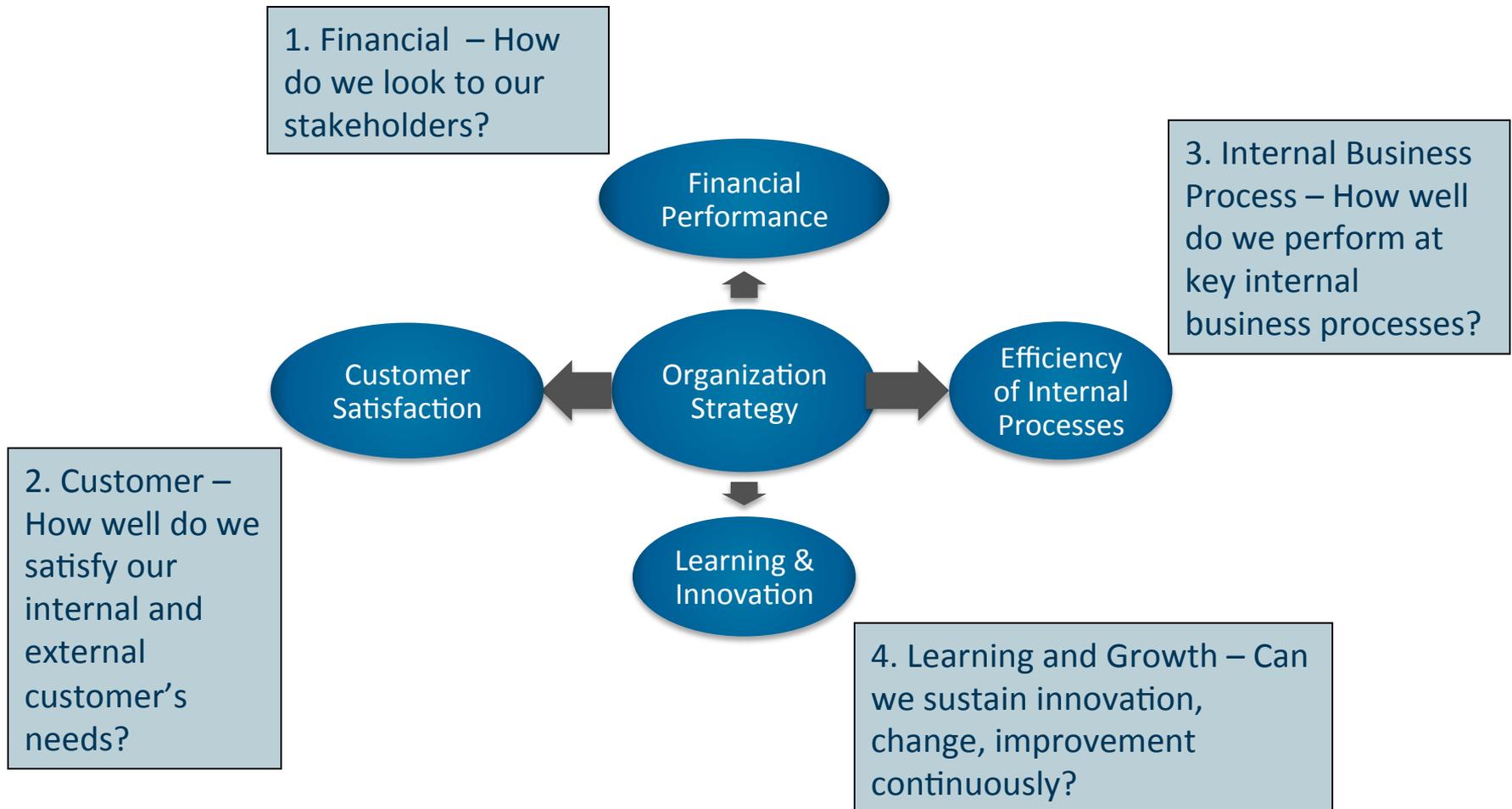
- Focus on finding a balance between financial and non-financial performance indicators
- Translation of vision and strategy of a company into tangible goals and performance indicators from different perspectives

WHY use BSC?

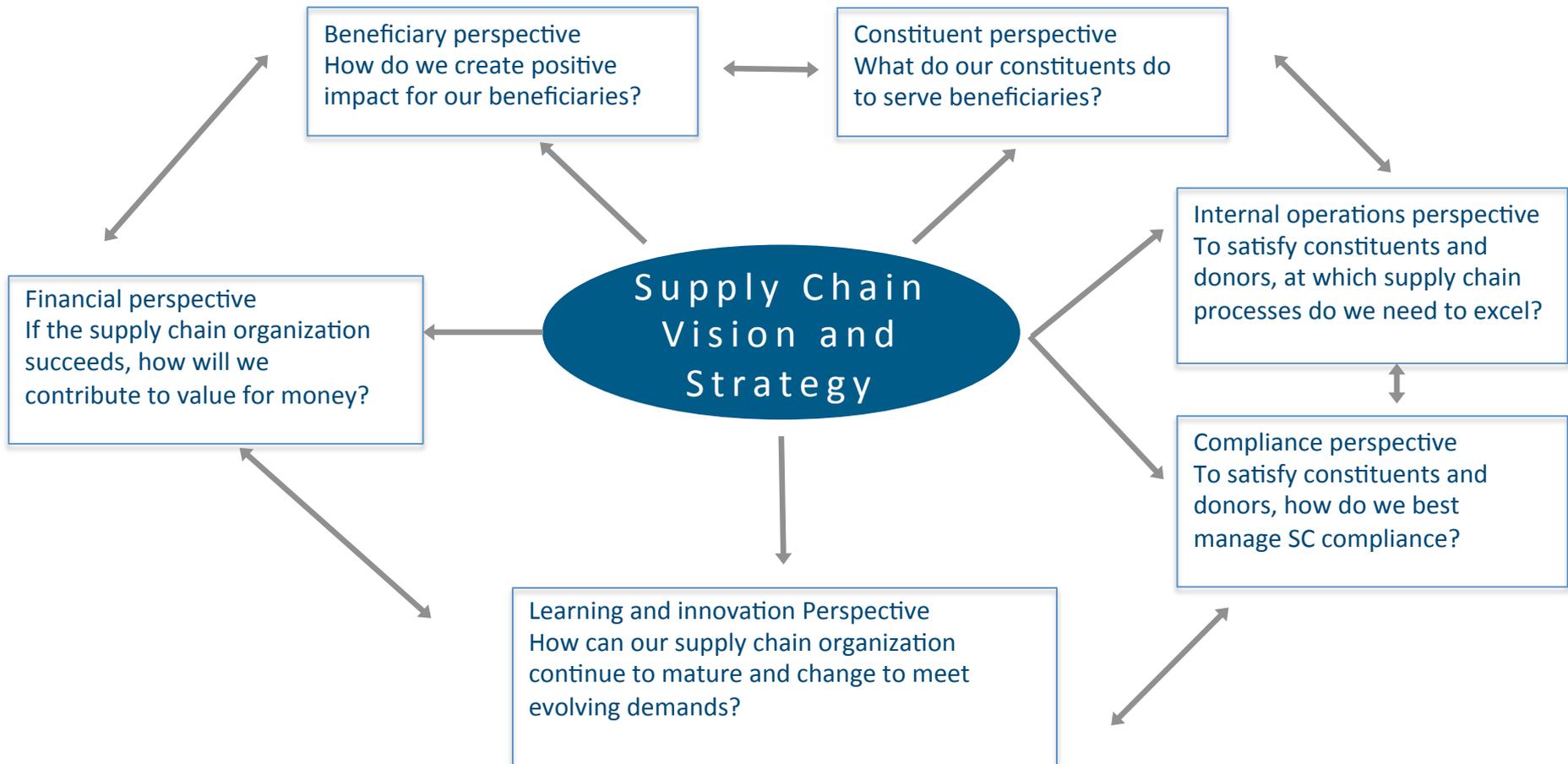
- Focus on relevant aspects, thereby minimising number of indicators
- Communication instrument to connect company goals to departmental goals, even down to individual goals
- Simple and comprehensible

Re-cap of Rome meeting 2012

Balanced scorecards: *development*



Humanitarian balanced scorecard



Re-cap of Rome meeting 2012

Top 5 strategic supply chain issues for organizations

From Rome 2012 meeting, and 2015 discussions:

1. Link to Programme
2. Effective HR Policies
3. Cost Optimization
4. Effective and appropriate systems
5. Cash and Cash Voucher Programme*

*This was not mentioned in 2012

Other issues raised in 2012:

*Management Support and recognition of Supply Chain

*End to end management

Balanced Scorecard Approach

Developing measurements addressing

Six key perspectives:

1. Beneficiaries
2. Constituents
3. Internal Operations
4. Financial
5. Compliance
6. Learning and Innovation

From strategies to outcomes and measures...

Organization:							
	Strategies	Outcomes	Measure	FY 15 Target	FY16 Target	Initiative	Owner
Beneficiary							
Constituent							
Internal Operations							
Compliance							
Learning and Innovation							
Financial							

Next, our focus will be on crafting the SCM strategies and expected outcomes.

Strategies should enable the achievement of your value proposition and strategy.

Beneficiary and constituent perspective

How do we create positive impact for our beneficiaries?

Beneficiary perspective

Mitigate poverty

Relieve suffering

Save lives

Constituent perspective

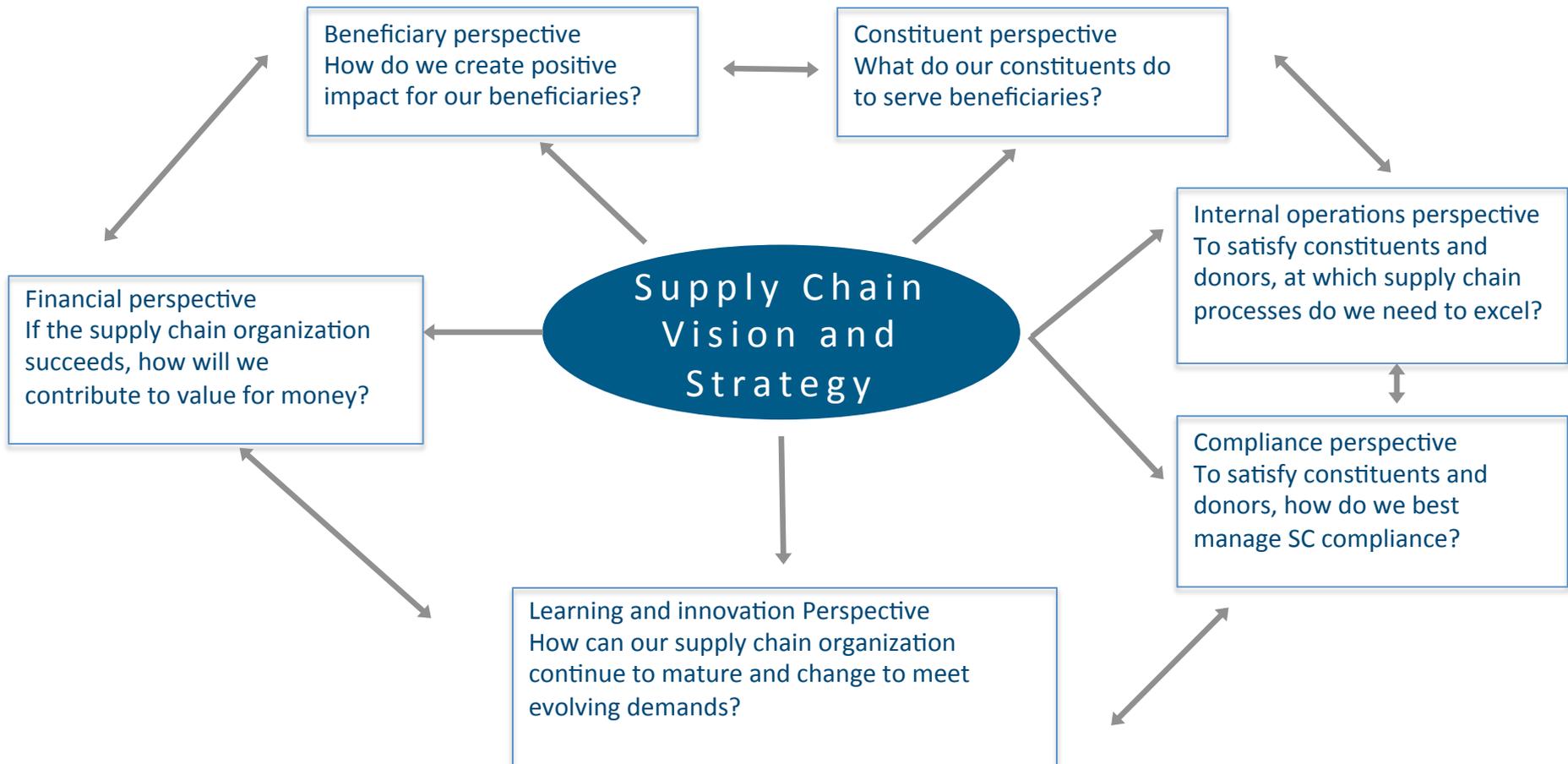
Programme:
Implement projects (WASH, livelihoods)

CD: Create new projects and ensure proper planning and supply chain involvement

Programme:
Respond to emergencies

What do our constituents do to serve beneficiaries?

Humanitarian balanced scorecard



Internal operations perspective: Seven elements

- Link with Programmes
- People Management
- Preparedness
- Partners
- Information and Knowledge
- Operational Excellence
- Responsible Sourcing

Strategies internal operations perspective

Improve link to Programme to ensure right product, right time, right SC

Streamline recruitment and management of staff to recruit and retain right number of staff

Develop preparedness to ensure supply chain readiness to respond to emergencies

Source responsibly to meet organizational strategy

Increase involvement of supply chain in selection and training of partners to improve their capabilities

Develop information and knowledge management to enable decision making and staff productivity

Effect supply chain design, planning and execution to improve material and service delivery as appropriate

Internal operations perspective – Link with programmes

STRATEGY: Improve link to programme to ensure right product, right time, right supply chain

POTENTIAL SCM OUTCOMES

- Programme creates short term and long term plans based on realistic Lead Time, cost and funds availability
- Standard and reusable specifications are applied where necessary to benefit Programme and Supply Chain with speed and quality of repeated purchases
- Supply Chain understands future needs and trends, and is involved early in design and planning of new projects
- Every project has well thought-out supply chains

Internal operations perspective – People management

STRATEGY: Streamline recruitment and management of staff to recruit and retain right number of staff

POTENTIAL SCM OUTCOMES

- Projects have right number of qualified staff
- Budget holders plan positions based on realistic recruitment lead-times, project scale and funds availability
- People are hired as planned (scale up and down as needed)
- Employee turnover is predictable and planned for
- High performing staff continue to work with the organization
- Organizations have appropriate pool of candidates to draw from
- Staff productivity is understood and analyzed
- Staffing and process options can be compared

Internal operations perspective - Preparedness

STRATEGY: Develop preparedness to ensure supply chain readiness to respond to emergencies

POTENTIAL SCM OUTCOMES

- Supply chain management aspects are addressed in contingency and long term planning
- Where specified in contingency plans, supply chain is ready to start operating according to planned specifications
- Supply chain is ready to support new projects and unforeseen emergencies

Internal operations perspective – Partners*

STRATEGY: Increase involvement of supply chain in selection and training of partners to improve their capabilities

POTENTIAL SCM OUTCOMES

- Institutionalized selection process for (supply chain) partners is in place
- Supply Chain is involved on ongoing basis in partner assessment and support/training
- Qualified partners are required to implement supply chain activities well
- Partners have access to market data for use in analysis of products, services, and markets, in support of procurement strategies

*Partners are defined as entities that share common objectives and support delivery of results in line with the organizations' mandate

Internal operations perspective - Information and knowledge

STRATEGY: Develop information and knowledge management to enable decision making and staff productivity

POTENTIAL SCM OUTCOMES

- There is a clear understanding of what knowledge is worth capturing and keeping
- Information is reliable, readily available, and readily usable
- People understand, use, and update/share knowledge through a system
- Information on all supply chain transactions is systematically maintained and used to manage supply chain performance
- All transactions flow through the systems
- Tools are available and used, and support work as intended

Internal operations perspective – Operational excellence*

STRATEGY: Effect supply chain design, planning and execution to improve material and service delivery as appropriate

POTENTIAL SCM OUTCOMES

- Core Supply Chain elements meet the need of organization
 - Right cost
 - Right quality
 - Right reliability
- Supply chain is optimally designed, and is set to meet programme needs:
 - Adaptable (scale up/down)
 - Aligned (cross-cutting)
 - Agile (responsive)

*The supply chain strategy is in line with the Value Disciplines of Operational Excellence versus Customer Intimacy, or Innovation (Treacey, Wiersema, *The strategy of market leaders*, 1995)

Internal operations perspective – Responsible sourcing

STRATEGY: Source responsibly to meet organizational strategy

POTENTIAL SCM OUTCOMES

- Knowledge about sourcing options and the local market is available
- Partners expand knowledge of the local market
- Strategies exist to identify and mitigate possible negative side effects of local purchasing
- There are effective supply chain management processes for market based interventions (such as Cash and voucher programmes)
- Minimum rules and regulations are established and adherence to them is ensured
- Market data analyses of products and services, in support of procurement strategies, are prepared and available

Strategies financial perspective

Manage stock, vehicle, staff and other assets well

Pay appropriate prices for items, transport and services

Manage working capital well

Address linearity in quarterly spend

Manage Gifts In Kind effectively and efficiently

Financial perspective: Five elements

- Manage stock, vehicle, staff and other assets well
- Pay appropriate prices for items, transport and services
- Manage working capital well
- Address linearity in quarterly spend
- Manage Gifts in Kind effectively and efficiently

Financial perspective

STRATEGY: Manage stock, vehicle, staff and other assets well

POTENTIAL SCM OUTCOMES

- There are no obsolete stocks or assets
- Assets are well utilized, maintained, and in good condition
- At the close of a project there are minimum unused stocks

Financial perspective

STRATEGY: Pay appropriate prices for items, transport and services

POTENTIAL SCM OUTCOMES

- Purchasing budgets are not exceeded
- There is disciplined analysis of market prices and prices paid
- People are aware of instances when they overpaid or made a good bargain

Financial perspective

STRATEGY: Manage working capital well

POTENTIAL SCM OUTCOMES

- Administration of supply chain working capital is transparent and comprehensive
- Working capital is available to pre-finance purchases and stocks
- Prepositioned materials are available regularly and are effectively utilized in programmes

Financial perspective

STRATEGY: Address linearity in quarterly spend

POTENTIAL SCM OUTCOMES

- Peaks in spend are anticipated and planned for
- Procurement department easily scales up during peaks
- Non-linearity of spend is accommodated by aligning procurement with receipt of funds (include payment terms)
- Spending is in accordance with programme plan
- Q4/end of project spend is similar to other quarters (no finance driven end of year spend peaks)

Financial perspective

STRATEGY: Manage Gifts In Kind effectively and efficiently

POTENTIAL SCM OUTCOMES

- People show disciplined use of cost-benefit analysis to make the right supply chain choices for GiK
- Total landed costs of GiK are understood
- Total price calculated is based on appropriate regulations
- People are aware of instances where good choices were made
- GiK arrangements are integrated in supply chain design (appropriately selected, arranged, and tested in advance of operational needs)
- Targeted beneficiaries are reached and their needs satisfied timely

Strategy compliance perspective

Align Supply Chain
with organizational
procedures to ensure
accountability

Compliance perspective: One element

- Align supply chain with organizational procedures to ensure accountability

Compliance perspective

STRATEGY: Align Supply Chain with organizational procedures to ensure accountability

POTENTIAL SCM OUTCOMES

- Exceptions are minimal because procedures that are established are simple, uncomplicated, and accord with the organization's way of working
- Organization established and adheres to the relevant standards as much as possible

Strategies learning and innovation perspective

Support staff training on key evolving competencies

Develop supply chain management capabilities and technologies to support new trends

Create culture of continuous process improvement through PDCA or similar and adoption of best practices

Learning and innovation perspective: Three elements

- Support staff training on key evolving competencies
- Develop logistics capabilities & technologies to support new trends
- Create culture of continuous process improvement through PDCA or similar and adoption of best practices

Learning and innovation perspective

STRATEGY: Support staff training on key evolving competencies

POTENTIAL SCM OUTCOMES

- Projects with either traditional or new needs, have qualified staff
- Training programs are in step with anticipated programme requirements

Learning and innovation perspective

STRATEGY: Develop supply chain management capabilities and technologies to support new trends

POTENTIAL SCM OUTCOMES

- Supply chain is proactively involved in planning of new activities
- Supply chain actively defines needed supply chain management capabilities and works to ensure proper investment is both made and available
- Tools are available and accessible to staff as anticipated
- Staff are trained in, and utilize, new technologies
- Technologies create the intended benefit over time

Learning and innovation perspective

STRATEGY: Create culture of continuous process improvement through PDCA or similar and adoption of best practices

POTENTIAL SCM OUTCOMES

- Agency-wide adherence to continuous performance improvement is in evidence everywhere
- Personal Development Plans align with programme strategy (career path)

KPIs Internal operations strategy: Link with programmes

STRATEGY: Streamline recruitment and management of staff to recruit and retain right number of staff

POTENTIAL SCM
OUTCOMES

OXFAM KPIs

SUGGESTED KPIs

24 May, 2015 NOTE:

- Oxfam/CRS' KPIs were reviewed for select outcomes in the afternoon of 21 May.*
- The slides used during that discussion have been removed and have been replaced with the final, agreed strategies, outcomes and KPIs that emerged.*

Beneficiary perspective

Mitigate poverty

Relieve suffering

Save lives

Constituent perspective

Programme:
Implement projects
(WASH, livelihoods)

CD: Create new projects and
ensure proper planning and
supply chain involvement

Programme:
Respond to
emergencies

Internal operations/
Key levers perspective

Improve link to
Programme to
ensure right product
right time, right SC

Streamline recruitment and
management of staff to recruit
and retain right number of
staff

Develop preparedness to
ensure supply chain readiness
to respond to emergencies

Source responsibly
to meet
organizational
strategy

Increase involvement of
supply chain in selection
and training of partners
to improve their
capabilities

Develop information and
knowledge management to
enable decision making and
staff productivity

Effect supply chain design,
planning and execution to
improve material and service
delivery as appropriate

Financial perspective

Manage stock,
vehicle, staff
and other
assets well

Pay appropriate
prices for items,
transport and
services

Use Gifts In
Kind cost
effectively

Manage
working
capital well

Address
linearity in
quarterly
spend

Compliance perspective

Align Supply Chain with
organizational procedures
to ensure accountability

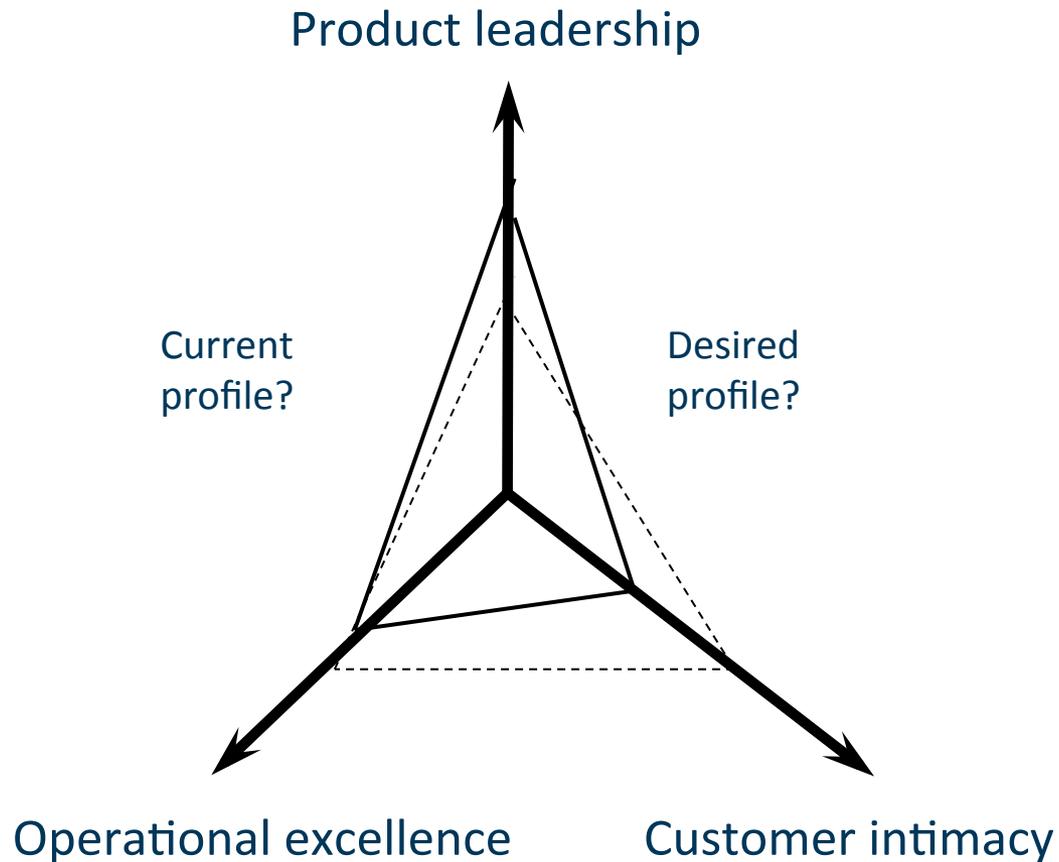
Learning
and innovation
perspective

Support staff training
on key evolving
competencies

Develop supply chain
management
capabilities and
technologies to
support new trends

Create culture of
continuous process
improvement through
PDCA or similar and
adoption of best
practices

Input for supply chain strategy: three value disciplines



Operational excellence model

DEFINITION

- Providing customers with reliable products or services, with minimal differences at competitive prices, and delivered with minimal difficulty or inconvenience

CHARACTERISTICS

- Products at best price
- Minimise costs and hassle for customers
- Encourage and constantly seek efficiency improvements
- Minimise inconvenience for customers
- ... but reliable & state-of-the-art products/services

AAA supply chain

- AGILE
 - Respond quickly to sudden changes in demand
 - ADAPTABLE
 - Evolve over time as economy, political arena, demographics, technologies shift
 - ALIGN
 - Align interest of parties in supply chain
- OBJECTIVES:
- Respond quickly to short-term changes
 - Adjust supply chain design to accommodate market changes
 - Establish incentives for supply chain partners to improve performance of the entire chain

Internal operations perspective – Link with programme (1 of 3)

STRATEGY: Improve link to programme to ensure right product, right time, right supply chain

SCM OUTCOMES AGREED BY WORKING GROUP

Programme creates short– and long term plans, based on realistic lead time, cost, and funds availability

KPIs AGREED BY WORKING GROUP

STRATEGIC PLANNING

- a. % of country offices with supply chain plans that are updated in line with country office strategic planning processes
- b. Supply Chain staff is considered a primary stakeholder in the project management cycle (*yes or no*)
- c. % of countries that can provide a supply chain expert who can add value to programme design.

Internal operations perspective – Link with programme (2 of 3)

STRATEGY: Improve link to programme to ensure right product, right time, right supply chain

SCM OUTCOMES AGREED BY WORKING GROUP

Supply Chain is involved early in design and planning of new projects

KPIs AGREED BY WORKING GROUP

DESIGN

- a. % of proposals with value of (*minimum \$ amount*) for which completeness and correctness of supply chain assumptions, and data used, have been verified before sign-off

STARTUP

- a. % of projects with detailed supply plans at startup phase

Internal operations perspective – Link with programme (3 of 3)

STRATEGY: Improve link to programme to ensure right product, right time, right supply chain

SCM OUTCOMES AGREED BY WORKING GROUP

Supply Chain is involved early in design and planning of new projects

KPIs AGREED BY WORKING GROUP

IMPLEMENTATION

- a. % of program portfolio deviating from standard procedures
- b. % of customer satisfaction with supply chain service
- c. % of planned vs. unplanned spend

CLOSE-OUT AFTER FACT

- a. % of proposals requiring grant extension because of supply chain issues (includes project extensions)

Internal operations perspective – People management (1 of 3)

STRATEGY: Streamline recruitment and management of staff to recruit and retain right number of staff

SCM OUTCOMES AGREED BY WORKING GROUP

Projects have right number of qualified staff

KPIs AGREED BY WORKING GROUP

- a. % of projects in which actual number and level of supply chain roles match recommended standard

Internal operations perspective – People management (2 of 3)

STRATEGY: Streamline recruitment and management of staff to recruit and retain right number of staff

SCM OUTCOMES AGREED BY WORKING GROUP

Budget holders plan positions based on realistic recruitment lead-times, project scale, and funds availability

KPIs AGREED BY WORKING GROUP

- a. % of positions filled on time

Internal operations perspective – People management (3 of 3)

STRATEGY: Streamline recruitment and management of staff to recruit and retain right number of staff

SCM OUTCOMES AGREED BY WORKING GROUP

Employee turnover is predictable and planned for

KPIs AGREED BY WORKING GROUP

- a. % of **Regrettable turnover**
- b. % of staff requests fulfilled with >80% of required competencies on (standard) job profile for the role

Internal operations perspective – Operational excellence* (1 of 2)

STRATEGY: Effect supply chain design, planning and execution to improve material and service delivery as appropriate

SCM OUTCOMES AGREED BY WORKING GROUP

Core supply chain elements meet the needs of organization:

- Right cost
- Right quality
- Right reliability

KPIs AGREED BY WORKING GROUP

COST

- a. Total supply chain cost

QUALITY

- a. % of goods received in agreed condition
- b. % of audit recommendations on quality systems implemented

*The supply chain strategy is in line with the Value Disciplines of Operational Excellence versus Customer Intimacy, or Innovation (Ibid. Wiersema)

Internal operations perspective – Operational excellence* (2 of 2)

STRATEGY: Effect supply chain design, planning and execution to improve material and service delivery as appropriate

SCM OUTCOMES AGREED BY WORKING GROUP

Core supply chain elements meet the needs of organization:

- Right cost
- Right quality
- Right reliability

KPIs AGREED BY WORKING GROUP

SERVICE RELIABILITY:

- % of orders within lead times
- % of very essential items in stock rupture over X time period
- # of complaints over x period
- # of complaints responded to

*The supply chain strategy is in line with the Value Disciplines of Operational Excellence versus Customer Intimacy, or Innovation (Ibid. Wiersema)

Path forward

Phase I

- Balanced scorecard KPIs created with Oxfam and CRS
- Shared with Working Group

Phase II

- A) Test with 2 new organizations the specific Balanced scorecard KPIs
 - Mercy Corps: Use Cash Programme as area of interest for Working Group organizations
 - UNICEF: SCOR and Balanced scorecard linkage already in progress; opportunity to progress further
- B) Continue with Oxfam/CRS to fine-tune Balanced scorecard KPIs

Path forward (*cont'd*)

1. Working Group

Current members will continue

2. Create sub-committee to address specific areas at future stage

3. Meetings

Telephone conferences and face-to-face

Next meeting teleconference June 17, 2015