



## **Chapter XII**

# **Monitoring Supply Chain Flows through Improved Performance Measurement of Extended Processes**

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## **Abstract**

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*Increasing strategic importance of logistics-related processes demands a higher integration of performance management and supply chain management. Despite the increasing focus on supply chain management and business collaboration, studies in the area of performance management still narrowly look at the single enterprise and its “within-enterprise” processes. Most of these existing studies are losing relevance in today’s industrial dynamics, where business models, such as that of the supply chain, are merely the tip of an emerging trend in new organization alliances, boundary redefinition, and market structures. This chapter goes*

*beyond existing work to develop a better understanding of the issue of performance management from a supply chain management perspective. The goal is to demonstrate how today's manufacturing systems and processes could be measured and managed in the context of the extended business of which they are part—back through the supplier chain and forward into the distribution and customer chain. The chapter's intended major outcomes for its readers are: a clearer understanding of the concept of supply chain management through performance, and a process for designing a supply chain performance measurement system. Additional information emerges throughout the chapter.*

## Introduction

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Nowadays, market and production globalization and the network- and knowledge-based economy are triggering continuous changes in the way companies are organized and the way they do business. After four decades of focusing on optimization of internal operations, companies have realized that they have to invest in integrating their internal operations with those of their suppliers and customers. In manufacturing, logistics accounts for an ever-increasing percentage of the final product cost, ranging from 6% to 15% of the total turnover. Managers have finally realized that improving logistics and supply chain management (SCM) performance represents an important leverage of competitiveness. Both management and research emphasis today have, hence, shifted on to:

- Managing flows of information, goods, and knowledge within the supply chain;
- Managing extended processes within and beyond the single company's four walls<sup>1</sup>;
- Managing performance from a supply chain perspective;
- Creating and managing multidisciplinary teams;
- Deploying integrated information and communication technologies (ICT) across organizations; and
- Creating and sharing knowledge.

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