




Supply Chain Strategy and Financial Metrics

www.bramdesmet.com

My name is Bram ...



- Academic
 - 1998, Master in Mathematics, Gent
 - 2002-2004, Executive MBA, Vlerick Business School, Gent
 - 2006-2009, PhD in Operations Research, University Gent, “safety stock optimization in multi-echelon supply chains”
 - 2010-..., Adjunct Professor at the Vlerick Business School, teaching ‘statistics’, ‘decision sciences’, ‘supply chain’ in Masters and MBA courses
 - 2010-..., Visiting Professor at Peking University, teaching ‘statistics’, ‘decision sciences’
- Business
 - 1998 - 2003: IT manager, Arcelor-Mittal, Gent (Sidmar)
 - 2003 - 2016: Partner Strategy – SupplyChain – Operations, MÖBIUS Consulting
 - 2010 - ...: CEO, Solventure, S&OP software and advanced analytics
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BRAM DESMET

SUPPLY CHAIN STRATEGY AND FINANCIAL METRICS

THE SUPPLY CHAIN TRIANGLE OF COST,
CASH AND SERVICE



Available May 5th, 2018

More info on www.bramdesmet.com

On pre-order from Koganpage and Amazon websites

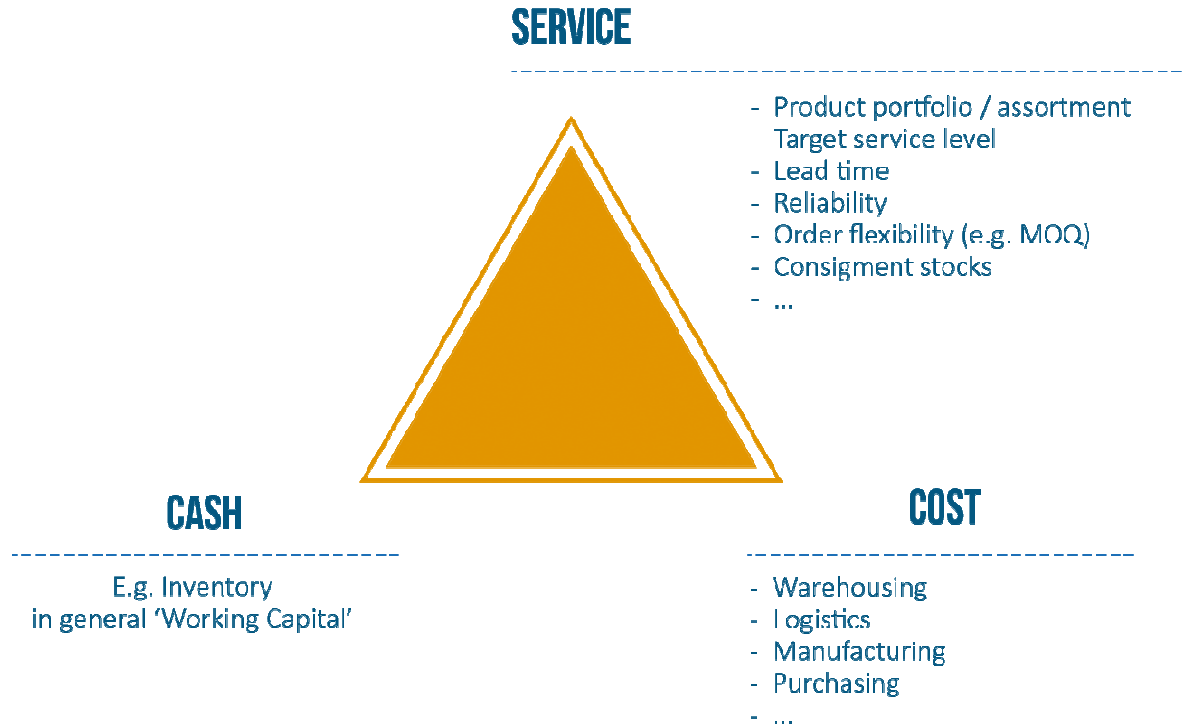
Agenda

- What is Supply Chain Management?
 - Linking Supply Chain and Finance?
- What is Strategy?
 - Linking Strategy, Supply Chain and Finance?
- Strategy-Driven S&OP Dashboard?

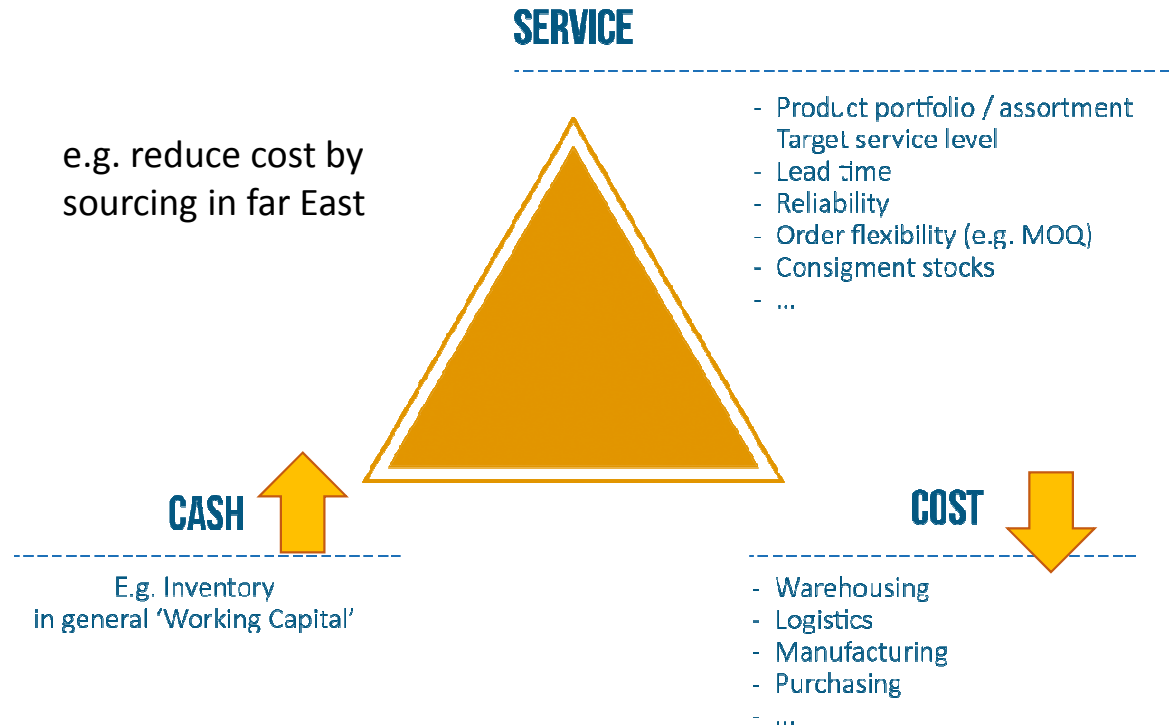


What is Supply Chain Management? Linking Supply Chain & Finance?

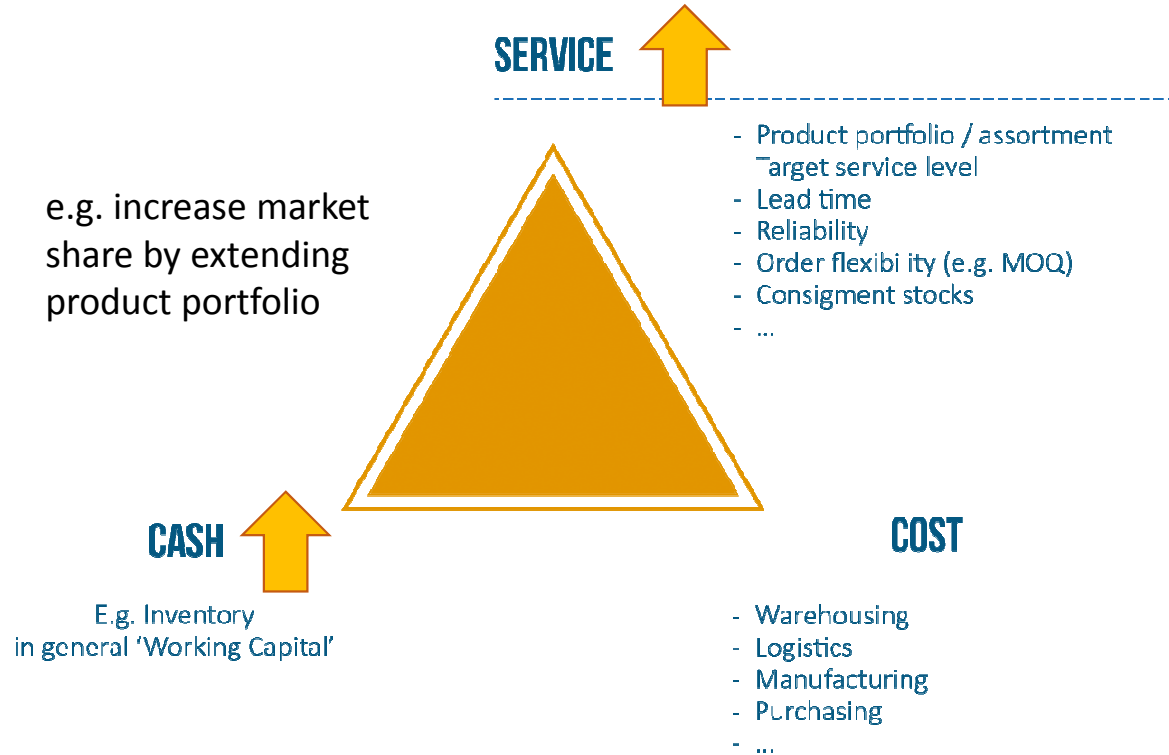
SCM = balancing the SC triangle of service, cost and cash



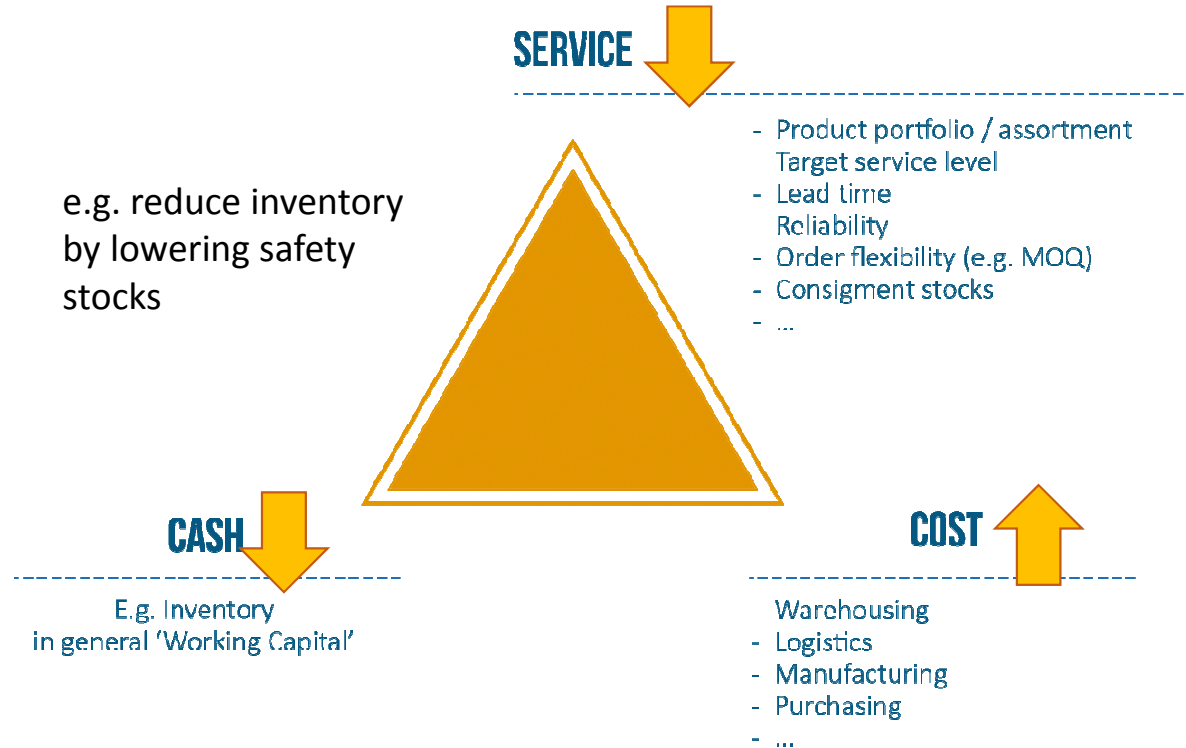
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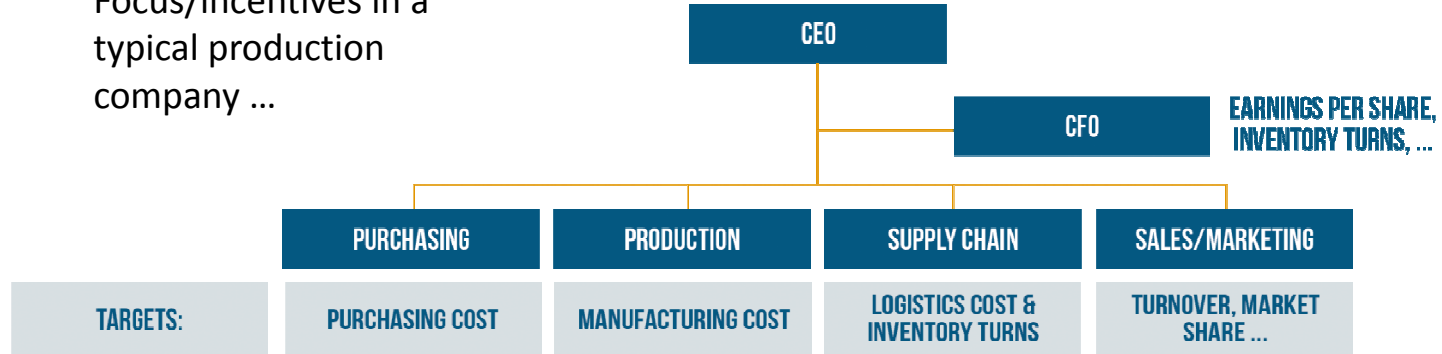


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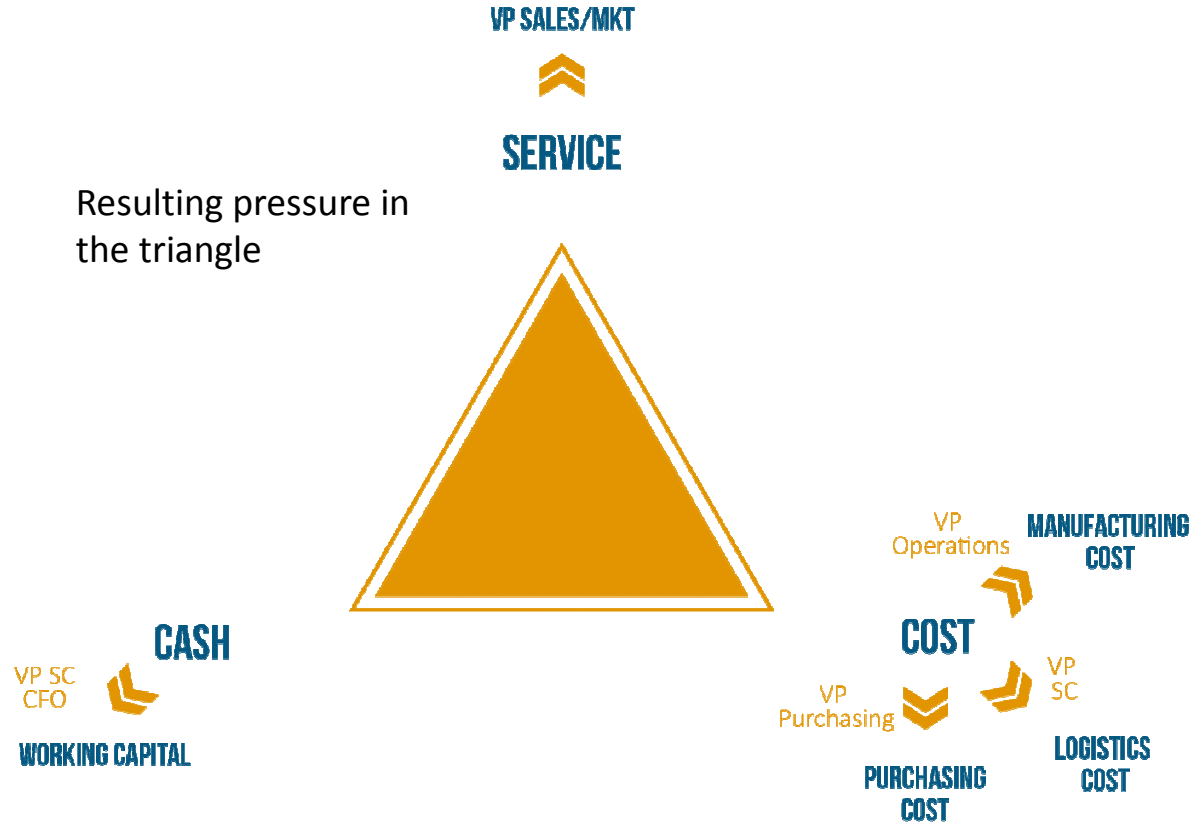


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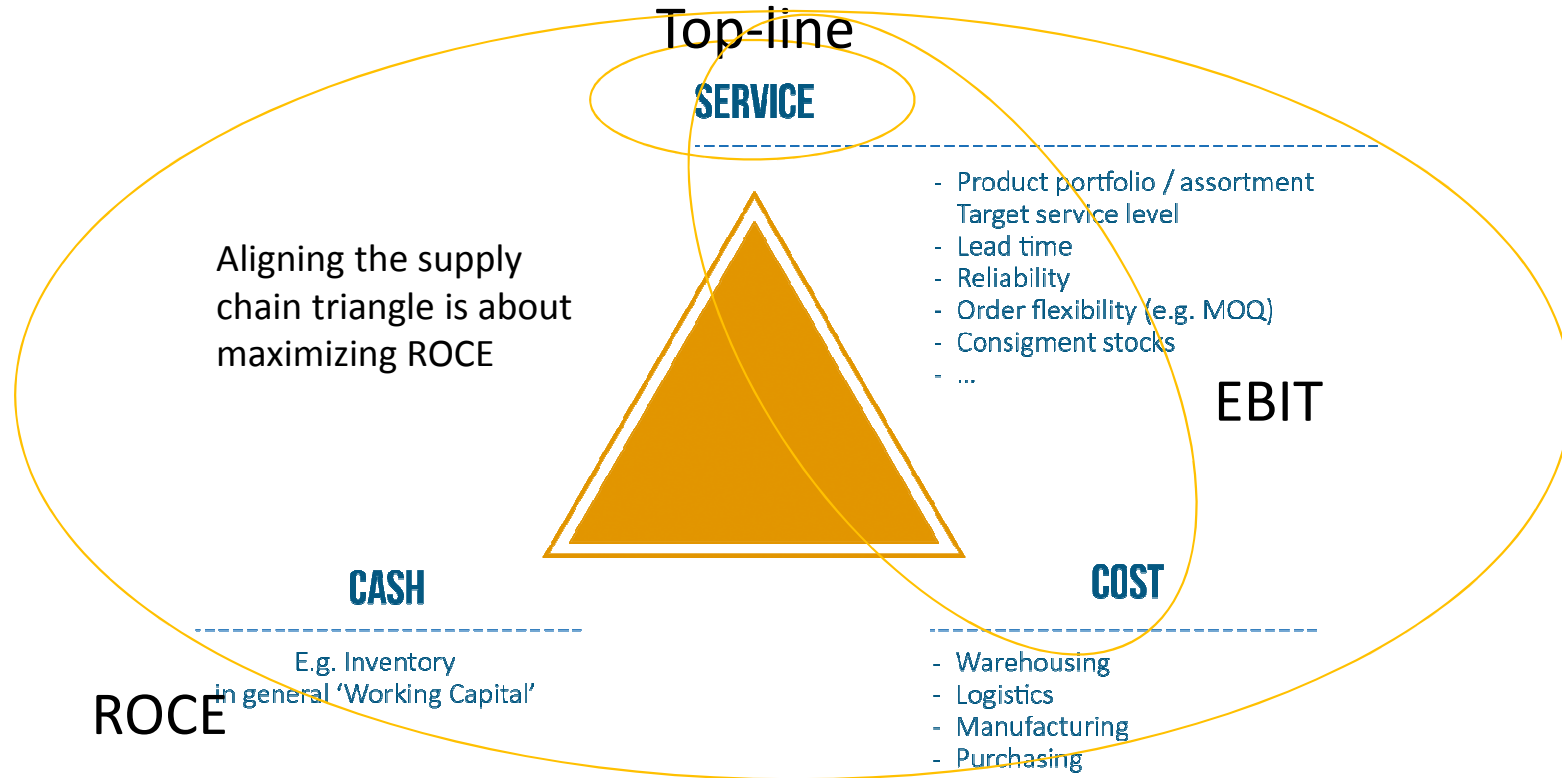
Focus/incentives in a typical production company ...



SCM = balancing the SC triangle of service, cost and cash



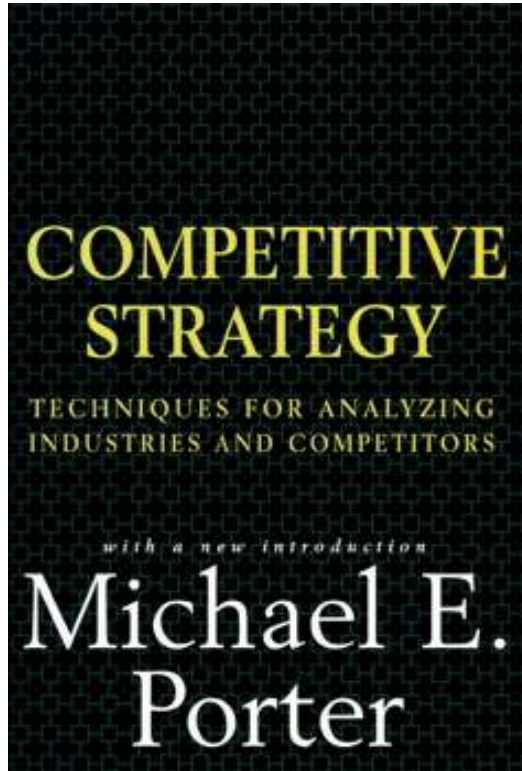
Balancing the triangle = optimizing ROCE





What is Strategy? Linking Supply Chain, Strategy and Finance?





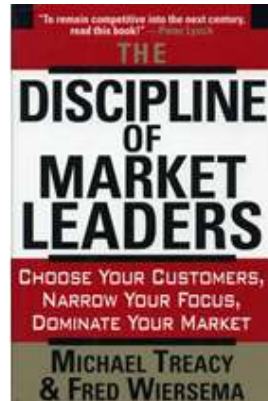
Michael Porter - 2 options:

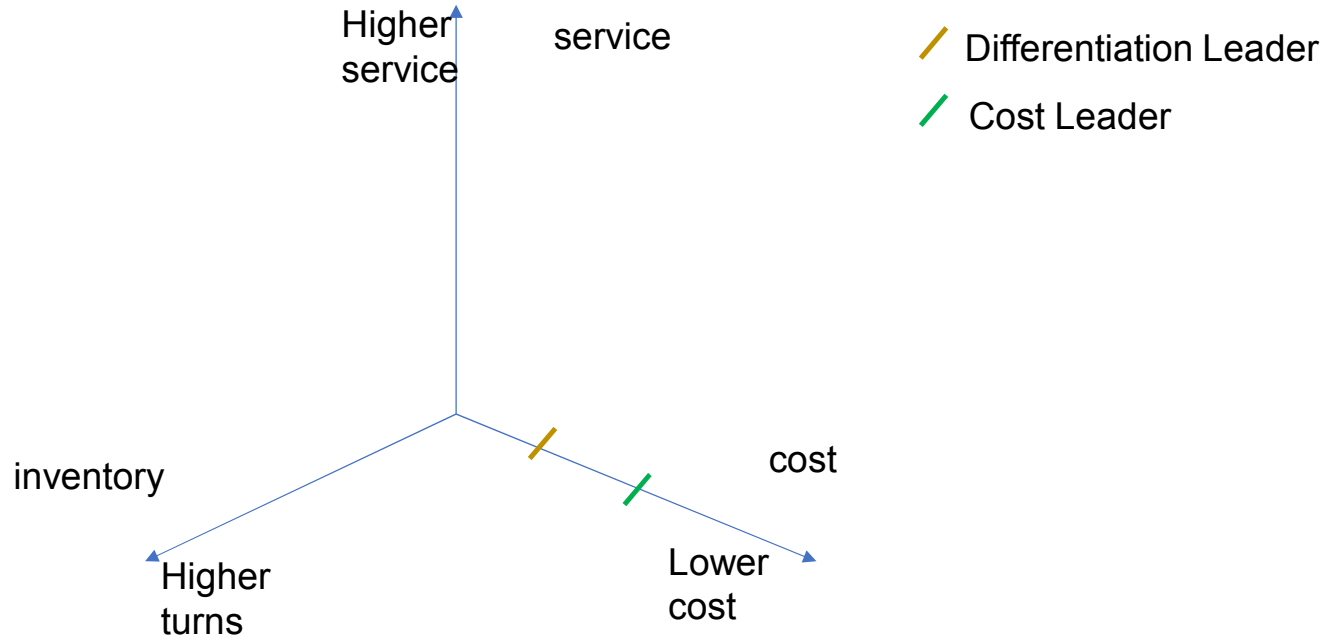
- cost advantage →
- differentiation advantage

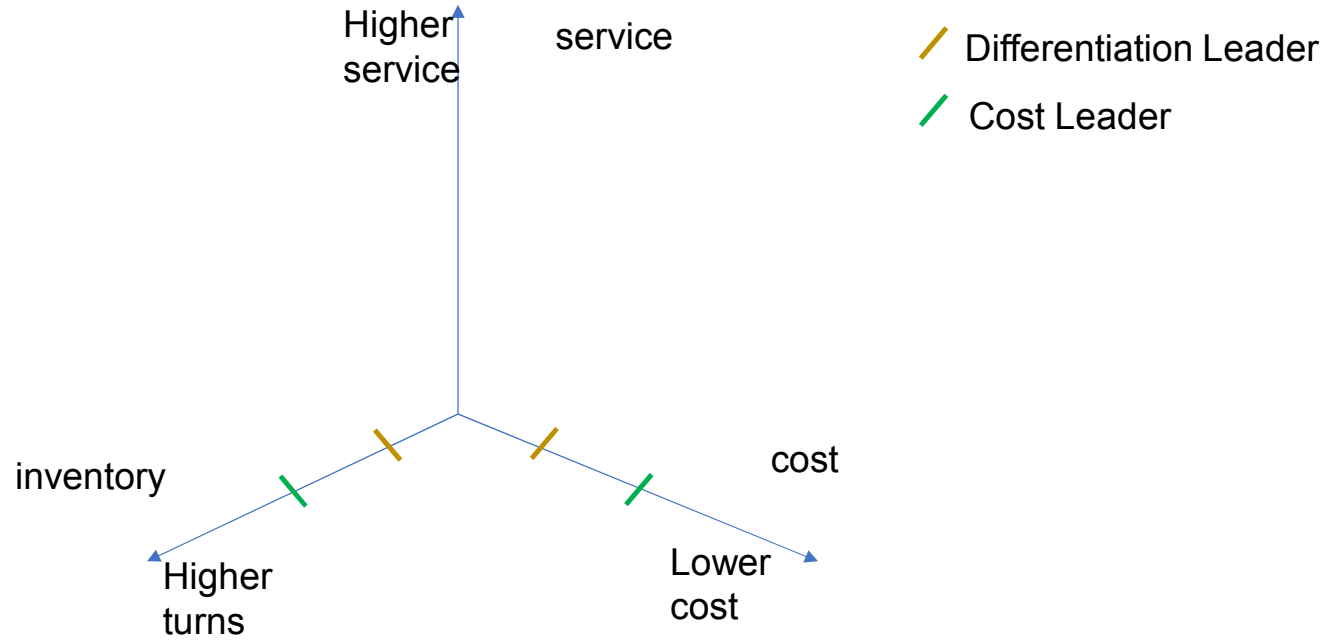


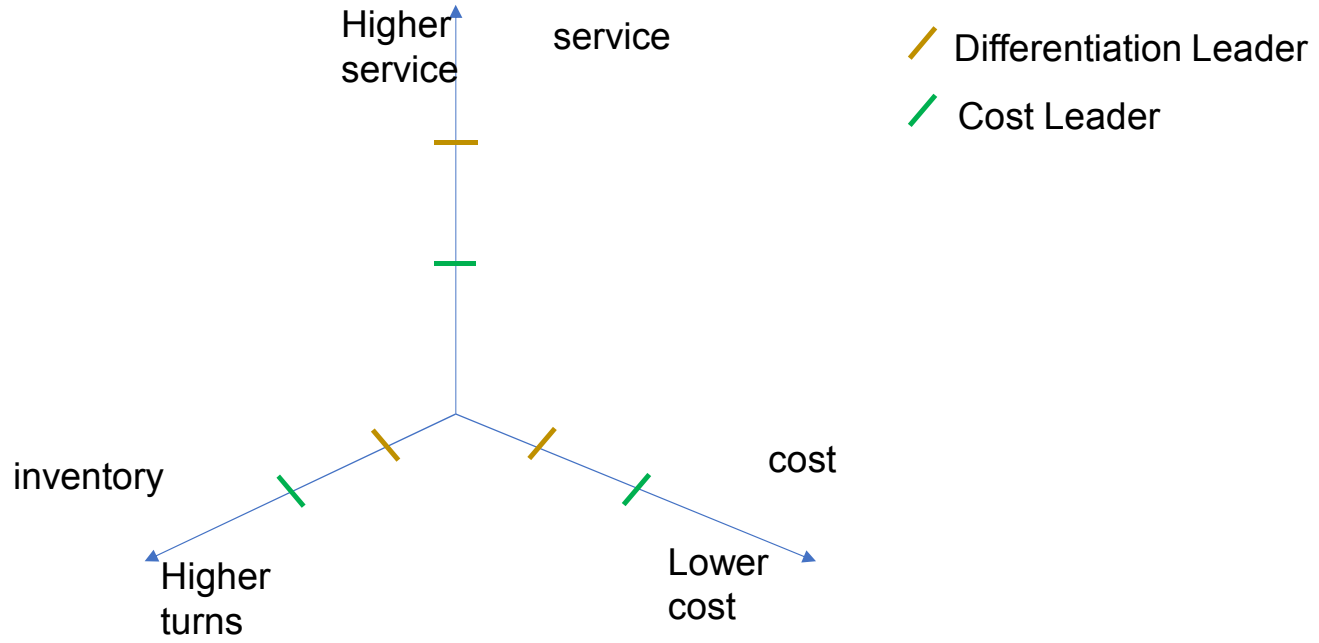
Treacy & Wiersema – 2 options for differentiation

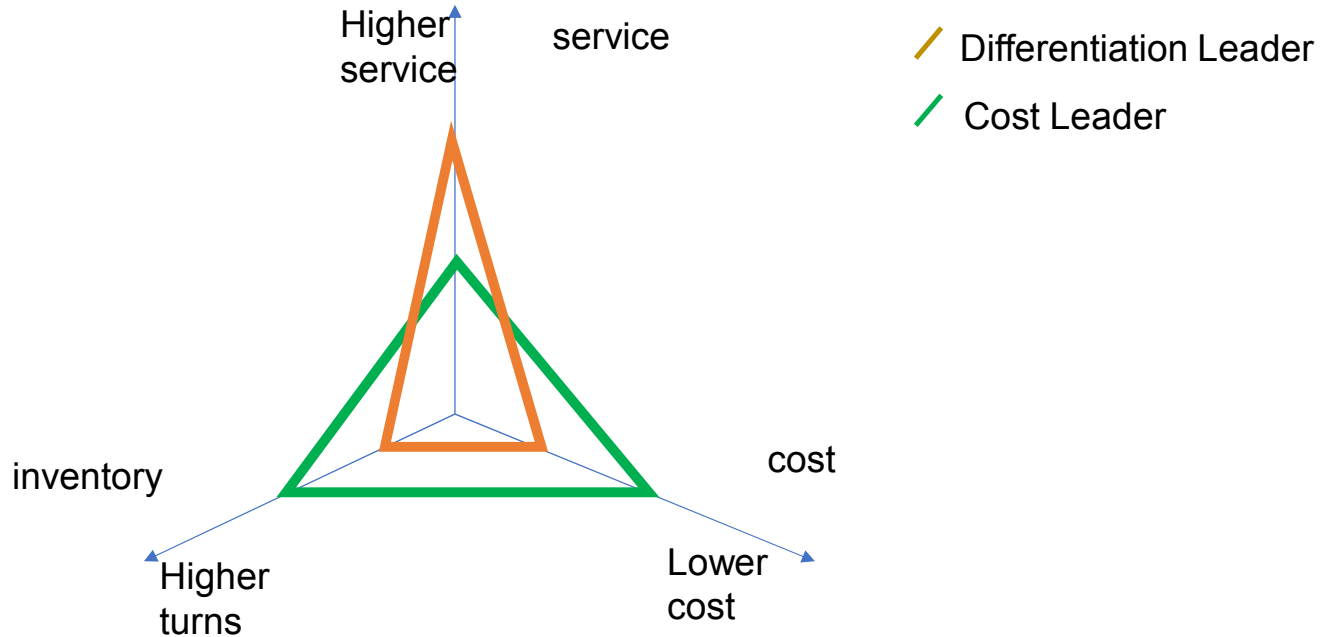
- Best total solution advantage →
- Best product advantage









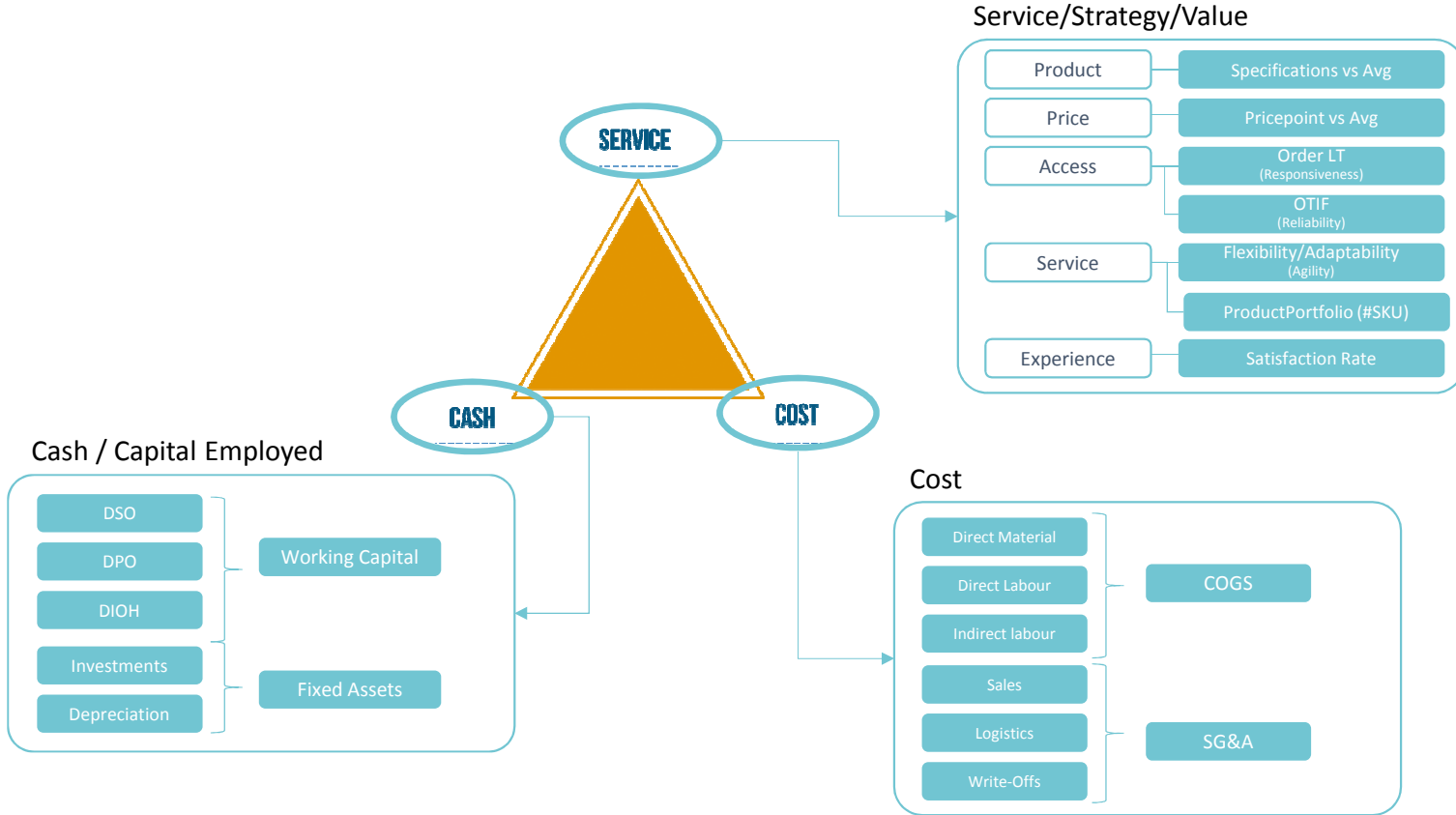


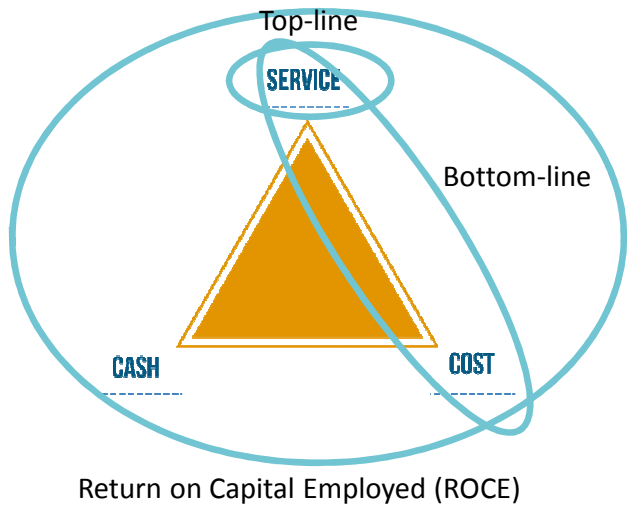
Different strategies lead to different trade-offs in the Supply Chain Triangle!!!
→ Different strategies lead to different targets for key financial metrics!!



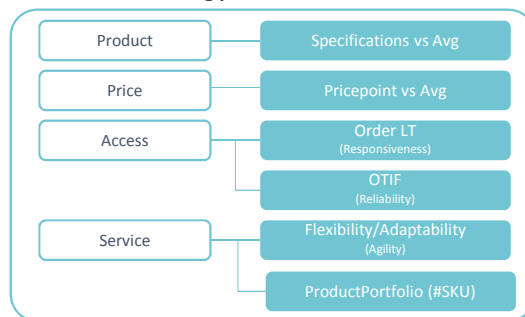
Strategy-Driven S&OP Dashboard



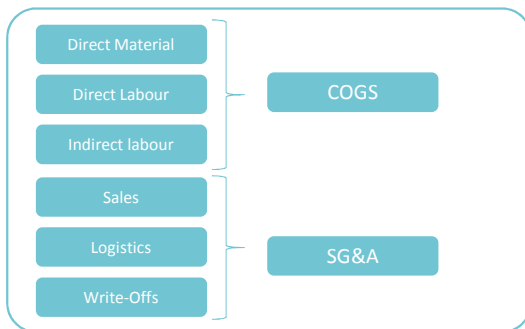




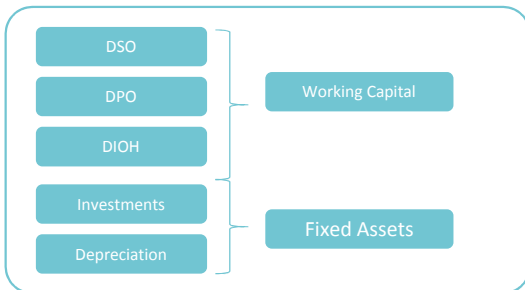
Service/Strategy/Value



Cost



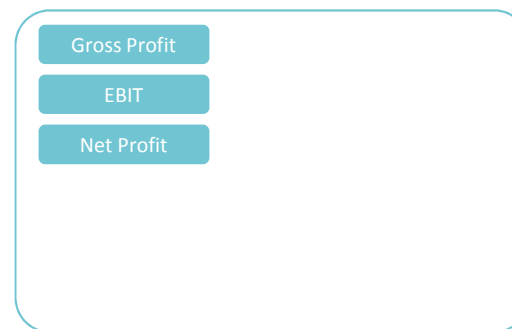
Cash / Capital Employed



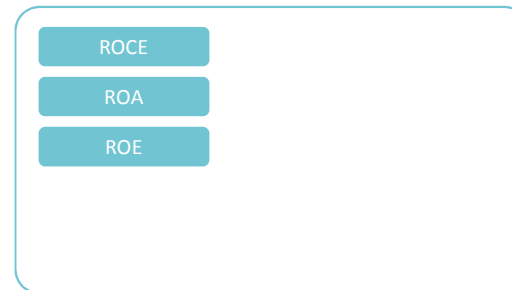
Top-line



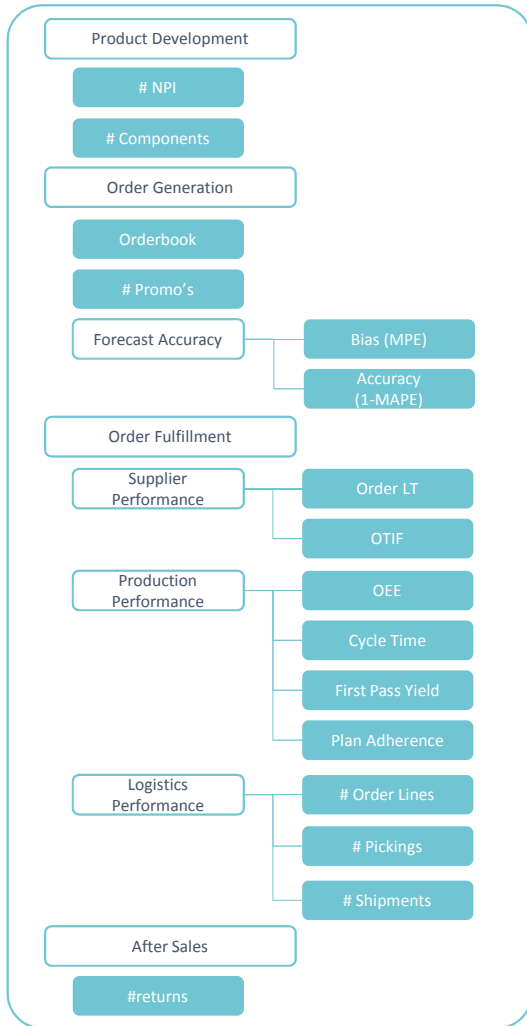
Bottom-line



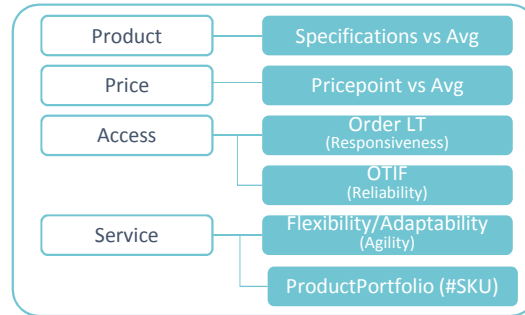
Return



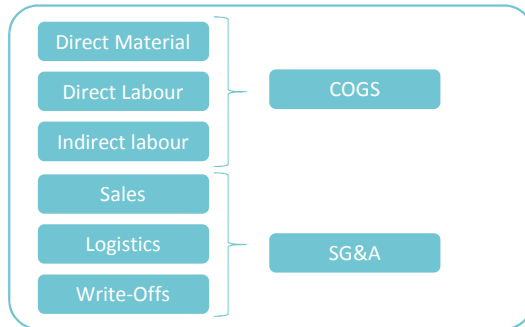
Process / Diagnostic



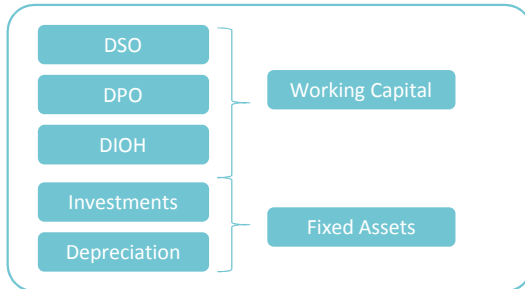
Service/Strategy/Value



Cost



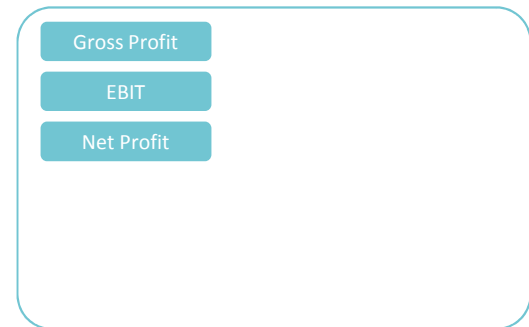
Cash / Capital Employed



Top-line



Bottom-line



Return



43
#NPI ↑ 2

90%
On time in full ↓ 5%

33%
%SalesOfNew ↑ 8%

1041M€
↑ 41M€ vs budget
↑ 144M€ vs Y-1
Net Sales

222Mi
Orderbook ↑ 22Mi

3wk
Lead Time ↑ 1wk

+23%
Price Point ↓ 2%

77%
Supplier OTIF ↓ 18%

DM 4,2,5% ↑ 3%
DL 17,9% ↓ 1%
IL 9,55% ↓ ,45%

69,95%
COGS ↑ 1,95%

7,53%
↓ 0,47% vs budget
↑ 2,49% vs Y-1
EBIT

88%
OEE ↓ 10%

R&D 7,20% ↓ ,30%
S&M 11,81% ↑ ,31%
G&A 4,82% ↓ ,16%

23,84%
SG&A ↓ 0,16%

3
Cycle Time ↓ 1

DPO 56d ↑ 6d
DSO 66d ↓ 4d
DIOH 117d ↓ 13d

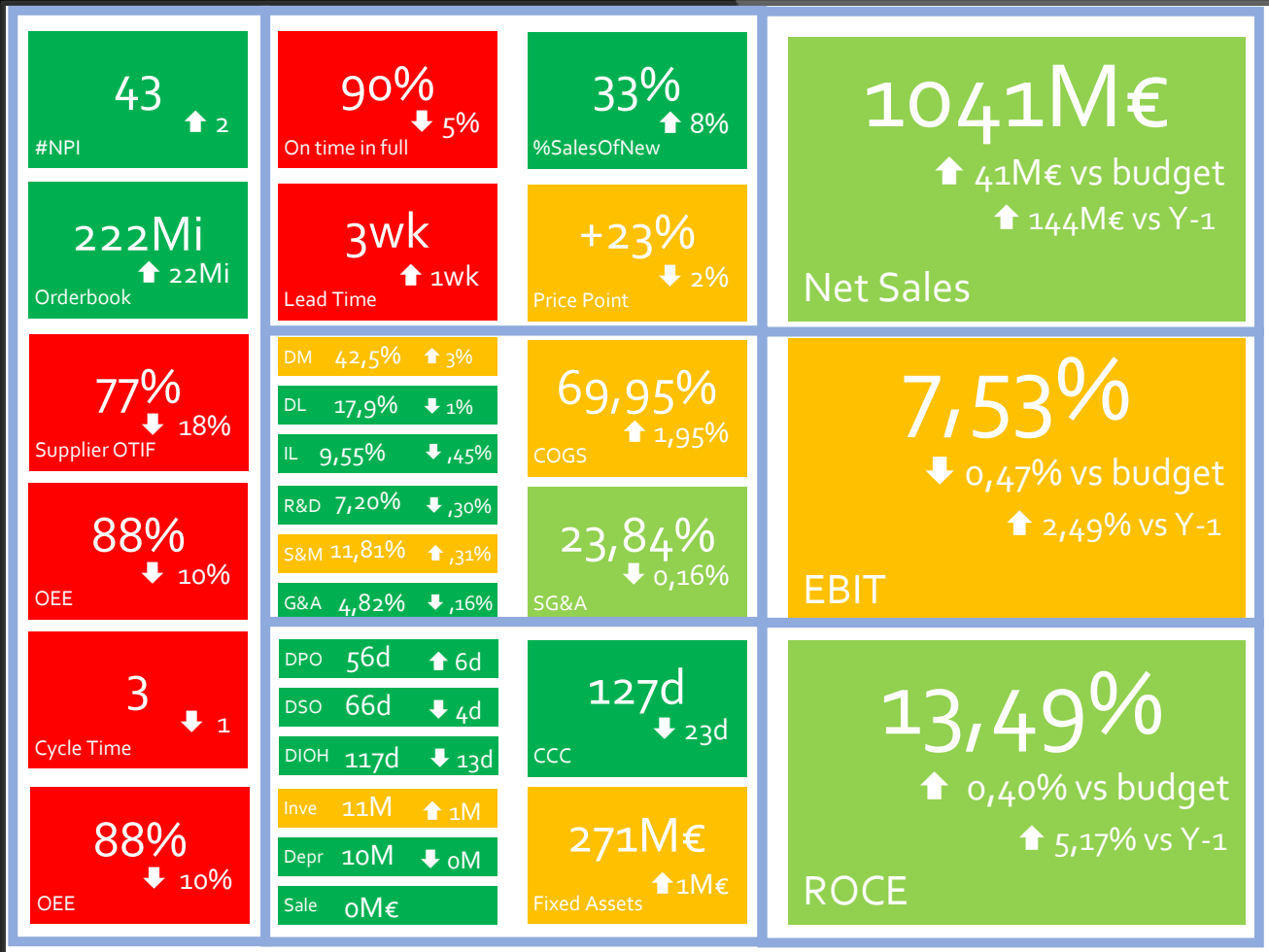
127d
CCC ↓ 23d

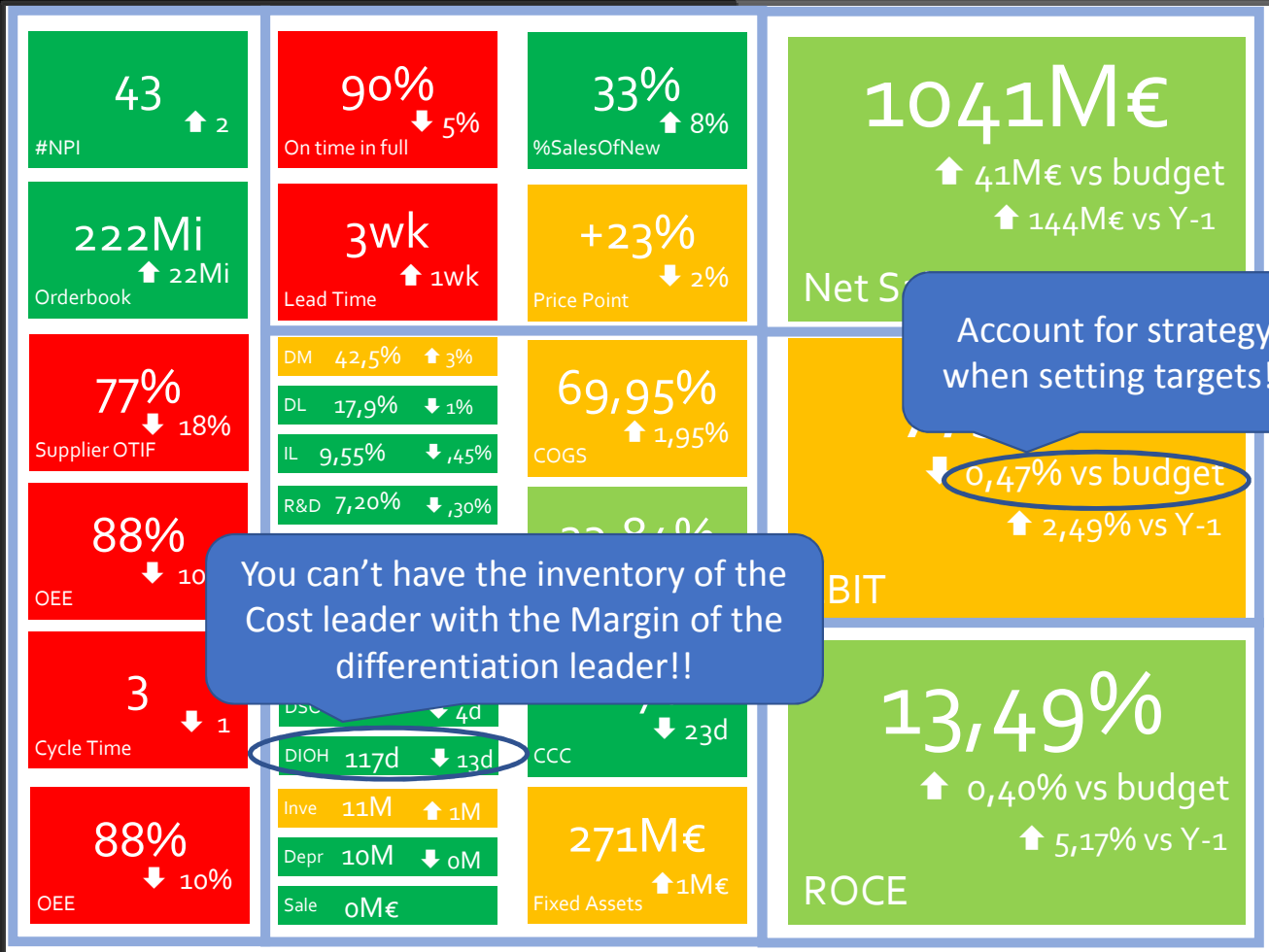
13,49%
↑ 0,40% vs budget
↑ 5,17% vs Y-1
ROCE

88%
OEE ↓ 10%

Inve 11M ↑ 1M
Depr 10M ↓ 0M
Sale 0M€

271M€
Fixed Assets ↑ 1M€

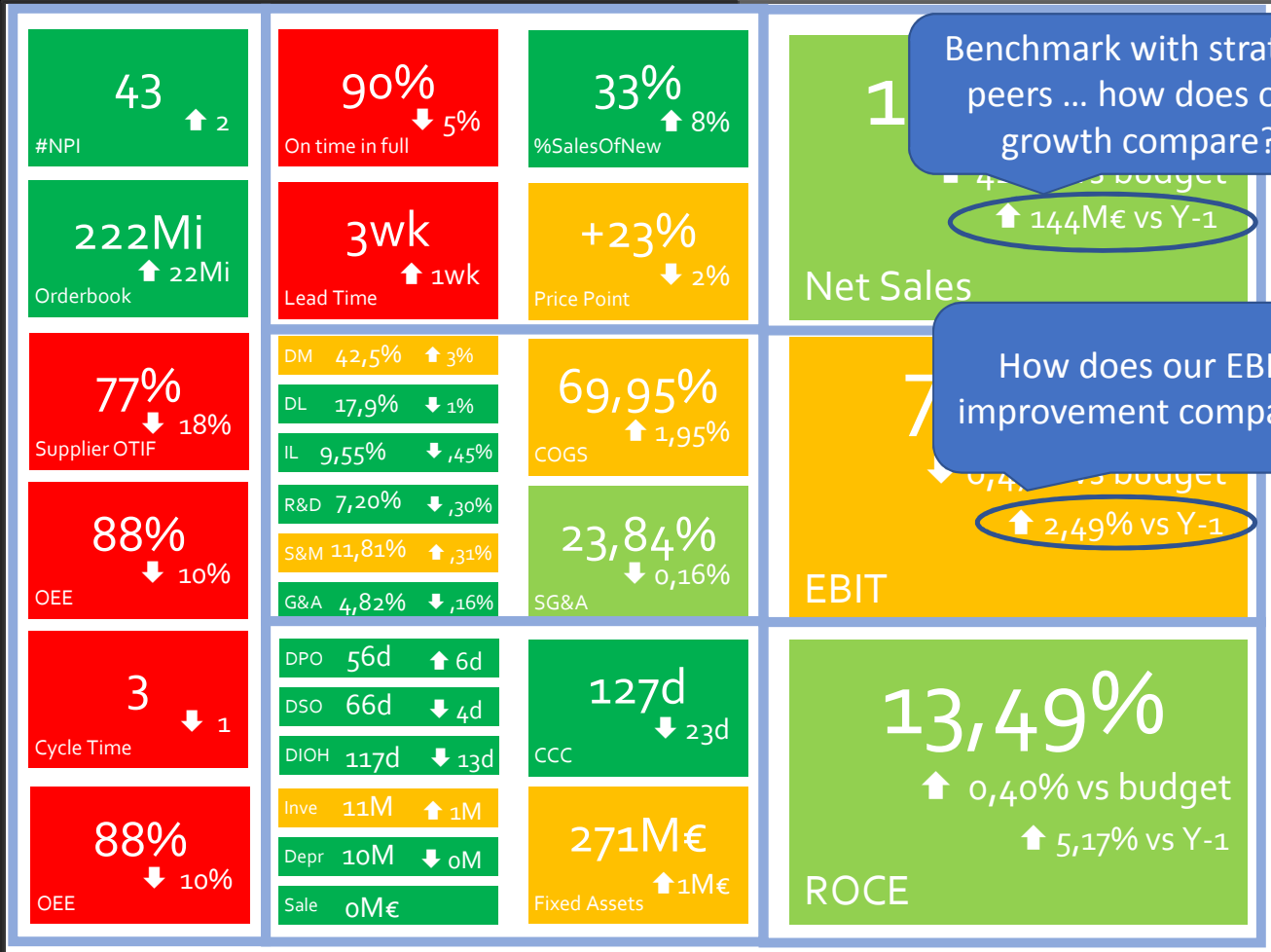




You can't have the inventory of the Cost leader with the Margin of the differentiation leader!!

Account for strategy when setting targets!!

0,47% vs budget



Benchmark with strategy peers ... how does our growth compare?

↑ 144M€ vs Y-1

How does our EBIT improvement compare?

↑ 2,49% vs Y-1

It's all about balancing service, cost & cash

(& coffee)



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