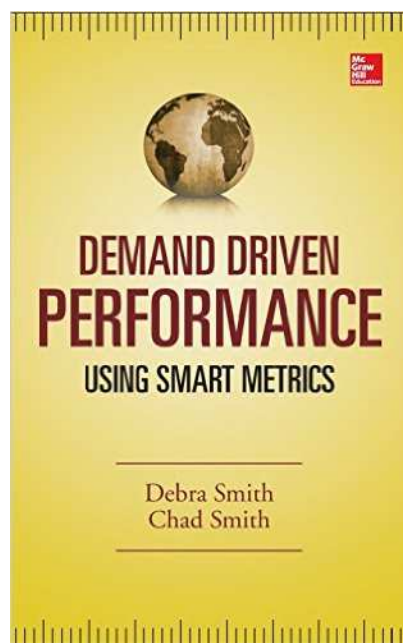


# Demand Driven Performance – using smarts metrics

Debra SMITH & Chad SMITH

---

## Book summary



In this ground breaking book the Smiths present a demand driven blueprint for Supply Chain Management and the appropriate smart metrics to maximize flow and ROI. They claim that the objective of minimizing unit product cost that is hard coded into all reporting and measurement systems is simply « bad math » and that it drives decisions and actions that destroy Return On Investment. They claim that in today's volatile, globally competitive environment, new decision-making tools are required to monitor, measure, and improve total organizational performance. Adherence to “old” operational rules, tools, and behaviors is killing competitiveness in most enterprises. A fundamental shift is required. Co-written by internationally recognized experts in the field, *Demand Driven Performance* explains why current measurement forms must be replaced.

## Chapter 1: The need to Get Smarter

This first chapter demonstrates the incompatibility of many company rules with the world's "New Normal". When we talk about rules in the enterprise, it is possible to highlight four points:

- The more rules we have, the greater the chance for conflicting rules
- Conflicting rules are wasteful
- Many rules are life limited
- "Optimizing" inappropriate rules is counterproductive

Two cases are detailed:

- Planning and materials management (MRP)
- Costing system (GAAP – Generally Accepted Accounting Principles)

This chapter highlights the « new normal » of the world today: more complex supply chains; shorter cycle life products; more complex products ... and many more factors.

The rules embedded in the two areas discussed above (planning and costing) combined create a mode of operation they call "push-and-promote" and they highlight the need to improve flow globally.

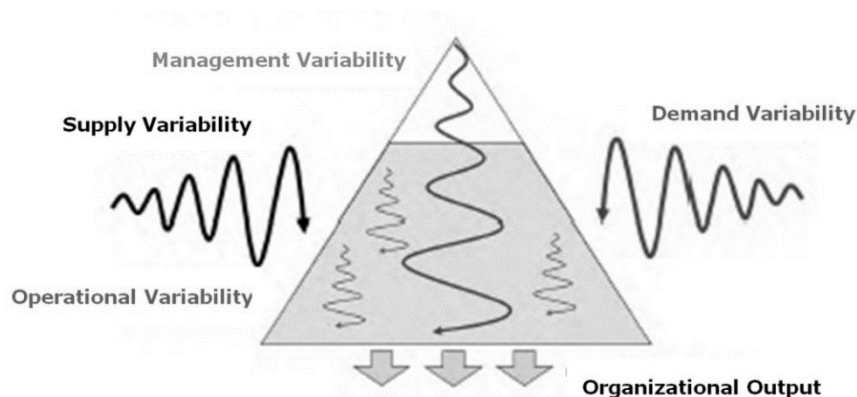
To do that the variability, flow's enemy number one, must be limited. This concerns the changes and disruptions of the demand signal, the variability and disruptions of the supply chain, but also the operational variability.

To become smarter a three steps change program must be followed:

- Install the right *Thoughtware* in the organization
- Become Demand Driven
- Deploy smart metrics – rules for the smarter way

## Chapter 2: Install Thoughtware in the Organization

In this chapter, the authors answer to the question « Can our organizations think systemically? » This chapter also demonstrate the link between the material and information flow speed and the variability:



### Chapter 3: Becoming Demand Driven

Becoming Demand Driven involves five steps:

- Accepting the changes inherent in the New Normal
- Embracing flow and its implications
- Designing an operational model for flow
- Bringing the Demand Driven model to the organization
- Operating and sustaining the Demand Driven model

A complete Demand Driven Design is also described in this chapter.

### Chapter 4: Introducing Smarter Metrics

The first three chapters provide an overview of some fundamental breakdowns in the way that most companies operate today. But this is not sufficient. In this fourth chapter, the authors propose an alternative: a flow-centric paradigm that logically and simply connects directly to Return On Investment.

### Chapter 5: How do we know what's true?

In this chapter an example is used to show us how deeply the problems are imbedded in our systems.

### Chapter 6: Efficiency, flow, and the right measures

This chapter defines a frame to compare and define the two different strategies by analyzing several subjects such as:

- Defining and comparing flow-centric efficiency and cost-centric efficiency
- What is the mathematical and scientific foundation of GAAP?
- The history and evolution of the ROI flow as the First Law of the Supply Chain
- ...

### Chapter 7: Our current accounting measuring mess

The question discussed in this chapter is: "How did we get into this accounting measuring mess?"

### Chapter 8: The evolution of flow and ROI as a strategy

This chapter recounts the history of the evolution of Supply Chain management over the past 30 years in terms of flow and ROI.

### Chapter 9: A case study – the Boeing Dreamliner

This chapter describes the chaotic story of the Boeing Dreamliner's supply chain.

### Chapter 10: Complexity science and Supply Chains

What if we could use what we already know and find a way to keep what is valid as the launching platform to an even higher level of understanding and performance? The answer to this question is, according to the authors, to consider Supply Chains as Complex Adaptive Systems (CAS).

### Chapter 11: Smart Metrics

The main problem we are dealing with is not a lack of known methodology, rules, information tools, and smart metric feedback loops. Companies in a wide array of industries and differing product complexities have successfully implemented and sustained demand driven performance

systems in some cases for over a decade. The problem is ontological: what type of reality do we assume we are attempting to control and manage? This chapter attempts to answer this question.

## Chapter 12: Summary