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Logistics Performance Measures - Requirements and Measuring Methods

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EUROPEAN COMMITTEE FOR STANDARDIZATION
COMITÉ EUROPÉEN DE NORMALISATION
EUROPÄISCHES KOMITEE FÜR NORMUNG

Central Secretariat: rue de Stassart, 36 B-1050 Brussels

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1 Preface

The work of CEN/TC 273 “Logistics” has been directed towards describing and codifying best practice in logistics in terms of defining terminology, describing tasks and responsibilities for Logistics-related jobs, and specifying appropriate educational requirements for those jobs. All of the possible improvements in logistics performance which should flow from systematically addressing terminology, jobs and education will be negated if the improvements are not sustained, still less built upon.

Accordingly, CEN/TC 273 Working Group 4 has prepared this Report with a view to helping industries, enterprises and individuals measure their performance in logistics.

Attention is increasingly being paid to supply chain efficiency and effectiveness and to competitiveness in logistics. Awareness of the necessity to measure the performance of the logistics processes is reasonably widespread in industry and among logistics service providers, but systematically implemented logistics performance measurement schemes remain less common than they should be. It is certainly true that many companies genuinely do not know how to measure performance or what potential benefits they could gain.

Yet companies that fail to measure their logistics performance can never be sure why they lose business to or gain from their competitors. Since they cannot objectively compare themselves with other companies or with published industry averages or with their customers’ expectations, they are attempting to manage without having the facts in front of them. They cannot even be sure that their well-meant investments in improved equipment, training, systems and working practices will be worthwhile.

Traditionally, financial performance has been the primary measure of success in most companies. Financial planning and reporting systems have been developed for measuring performance on a regular monthly, quarterly and annual basis. Today, enterprises need to establish operating system performance measurements to enable them to manage business operations effectively and to meet business and financial objectives. Conventional financially-based reporting systems generally do not provide all the required information about logistics performance. To be effective, measurements of logistics processes along the supply chain should be within a coherent system or framework in order to provide consistency, coherence and compatibility. It cannot be assumed that measurement of a randomly-chosen process attribute will actually provide a valid indicator of performance. Additionally, each measurement should have a relationship with the objectives of the enterprise, which evidently vary over time and from company to company, and should be part of the control cycle of the processes by which logistics performance is improved.

Because of differences between companies, even within the same industry, the performance of a logistics process can often be measured in a number of ways. Consequently many different performance indicators could be used. The performance measurements presented in this Report are examples of generally-accepted best practice, but each enterprise must select those which are appropriate to its circumstances and objectives. However, the descriptions provided in this Report are designed to be understood as the definition of each performance measure. This will greatly facilitate intra-firm and inter-firm comparisons by creating a common currency of logistics performance measures.

Enterprises may also wish to set target standards of performance. The Report does not propose levels of performance for any logistics performance measure; such standards must be set by the company concerned. Many companies make use of logistics service providers or other external organisations. Logistics performance measures (and standards) may be incorporated into contracts as commitments for both parties to ensure that the supply chain is under control.

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2 Scope of the Working Group

To define a set of logistics performance measures, requirements and methods for performance measurement, relating to effectiveness, efficiency and associated factors in the areas of logistics management, systems and equipment.

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