OVERVIEW

Today’s manufacturer faces a daunting world of ruthless, global competition, overcapacity, depressed economies, and increased product commoditization. Whether the company focuses on profitability, earnings per share, or market share growth, hitting such goals is becoming ever more challenging.

Success demands that companies develop and maintain competitive advantage. A focused program of continuous improvement that drives the organization towards exceptional performance in those areas that are most important to their customers is mandatory. Maintaining competitive advantage requires continuous monitoring of performance as well as scanning the environment for changes in what customers really want and what competitors are doing. The top of the heap can be a difficult place to stand and maintaining balance demands constant vigilance.

ARC introduced the Operational Excellence (OpX) model in 2002 as a rational process for achieving competitive advantage. OpX drives the enterprise to “Consistently Do the Right things Well”. Real-time Performance Management (RPM) extends OpX by continuously identifying those goals and targets that will ensure success. RPM also explicitly addresses the challenges of today’s dynamic markets where “the Right Things” and “Well” can change at a moment’s notice. By integrating real-time visibility, agility and speed into the performance management system the enterprise always remains on course by knowing where they are and where they have to go to succeed.

Managing a modern organization is complex. To succeed, C-level executives must identify the best strategies for their companies and create Real-time Performance Measures (RPMs) and Performance Targets that will drive the organization to achieve these outcomes.

Conventionally, companies develop strategies on an annual basis. Assumptions are made about future demand and pricing for products and historical information from financial accounting systems is used to establish production capacities and costs. Strategies and Performance Targets are developed to optimally use the company’s resources to generate profit from the market conditions. Actual performance is measured in real-time against Performance Targets to keep the company on track.

SUPPLIERS

Real-time Performance Management is accomplished with a variety of software applications and platforms. See ARC Reference Sheets for Collaborative Production Management (CPM), Manufacturing Performance Services (MPS), and Operations Management Platform (OMP) for further information.

The conventional process is static. While mid-course corrections may be made, such corrections are generally only tactical. The overall strategy is considered sacrosanct until the next planning cycle, even if the company is rapidly going in the wrong direction. In today’s dynamic world, assumptions about demand and price level never come true. Competitor actions such as the introduction of new products, new pricing strategies and promotions can completely change the very basis for competition. Assumptions about costs and capacities likewise change rapidly. Raw material pricing can be affected by the climate and political events. Equipment failures can shut down entire production lines changing the cost basis and capacity for popular products.
Setting the right goals and rapidly responding to changes is imperative. Even in relatively stable markets, significant changes can occur at a moment’s notice and the longer you wait to respond the more profit and market share you can lose.

**VALUE PROPOSITION**

One of the major benefits of RPM is the ability to utilize real-time costing information to improve economic performance. For manufacturing centric operations, plant automation and information systems already collect, process, and store thousands of real-time measurements that can provide the basis for real-time costing calculations. For instance, data from sensors that measure process variables such as flow rates, temperatures, and pressures for process control can also be used by process models to determine the production and cost performance of the plant on a real-time basis. In fact, this approach allows companies to monitor the performance of every process unit along with the entire plant in real-time, while production is happening. Performance values derived in real-time can be used by process operators to improve current performance of the plant and passed to higher level enterprise planning systems to improve future resource allocation decisions.

One of the biggest challenges for RPM is to identify the best ways to use this mass of information effectively and to relate derived values to Performance Targets that can drive the most profitable behavior throughout the organization. Information must be put into the right context, integrated with the right content, and delivered to the right contact within the production cycle so that actions can be taken to improve plant performance. Displaying information in the right places and in meaningful ways and having Performance Measures that are correlated to actionable items is essential.

**MORE INFO**

For further information, please contact info@arcweb.com.

**ABOUT ARC REFERENCE SHEETS**

An ARC Reference Sheet provides a brief overview of an emerging manufacturing concept or term. With a definition, value proposition, relationship to other concepts, and identification of a few suppliers, the Reference Sheet rapidly brings you up to speed on new ideas.