

Executive Briefing: Supplier Performance Management

Supplier performance management builds on the relationship management much like it builds on the strategies. In my briefing on supplier relationship management I mentioned that you should communicate your expectations to your supplier. The vehicle for that is performance management. Setting the goals for your suppliers is a good team exercise and by picking the key performance indicators for each supplier you will determine what is truly important. Measuring those KPIs will indicate a brewing storm and it has the neat side effect that the measured indicators will improve.

Building blocks for a solid system should include scorecards at the absolute minimum. The scorecards should measure on-time delivery, fill rate, incoming quality and lead times (are they steady, increasing, decreasing). Then add what makes sense for your particular company or business situation. In my experience it pays off to include technical aspects and manufacturing capabilities. If feasible, include indicators that are taken at your supplier. These could include manufacturing and shipping performance. The closer you are to the source, the more meaning your scorecard will have. It will also have the possibility of turning into a predictive tool this way.

Use your scorecards as the basis for regular awards. These can be as simple as plaques that you hand out, or a mention on your webpage. If you can afford the travel, visit the winner and hand over your award in person – it will mean a lot.

If the performance of a supplier is very poor, measure improvements in smaller increments to keep the motivation up.

And where should you start? Sort your suppliers into the following three buckets:

- Strategic, single/sole-sourced suppliers (measure monthly)
- Strategic, multiple sources (measure quarterly)
- Non-strategic (measure once or twice a year)

Zirna Process:

