EFFECTIVE SUPPLIER MEASUREMENT AND COMMUNICATION

INTRODUCTION
Suppliers play a key role in a firm’s ability to successfully implement supply chain strategy. A supplier should be measured on more than cost alone. Beyond measurement and feedback, it is recognized that establishing partnerships and effective communication lines can help improve supply chain performance.

As a small-to-medium-sized enterprise (SME), think of these concepts in terms of BOTH:
1) how you develop and manage your suppliers, and
2) how you might become a key supplier to your customers.

BUILD STRONG SUPPLIER PARTNERSHIPS
• Important to achieving win-win competitive performance for the buyer and supplier.
• Especially critical to SMEs since they do not have the financial leverage their competitors do.
• Involve a mutual commitment over an extended time to work together to the mutual benefit of both parties, sharing relevant information and the risks and rewards of the relationship.

PERFORMANCE METRICS
You can’t improve what you don’t measure.
Measures related to quality, cost, delivery, and flexibility are used to evaluate suppliers.

Metrics should be 1) understandable, 2) easy to measure, and 3) focused on real value-added results.

GETTING STARTED
Step one: Get metrics in place and communicate them on a regular basis.

• Metrics typically focus on quality, cost and delivery, but don’t need to stop there. Work with your business team — engineering, sales, quality and others — to determine the right metrics.

• Select which suppliers to measure — start with the top 10 suppliers for your company or another number that you feel comfortable with, then adjust the amount as you see fit.

• Once your measurements are in place, communicate them to your suppliers on a regular basis. This should be done at least on a quarterly basis to ensure timely response.

• The communication of metrics to suppliers should be clear and positively focused. The purpose of these metrics is to work together to improve both companies — they are not a negotiation tool, rather an improved way to communicate with each other.

Step two: Use the metrics for strategic improvement.

• Frequently, the metrics will validate your gut feeling regarding your best and worst suppliers. But, sometimes, they reveal hidden aspects of supplier performance.

• Over the long term, suppliers who consistently meet or beat metrics goals are prime candidates for more advanced work and/or strategic partnerships in new ventures.

• Pay careful attention to trends with suppliers — a series of late deliveries or quality problems may indicate a larger business problem. Investigate the root cause of the small problems before they escalate to major supply interruptions.