

## 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.