

## Thoughts to improve Supplier Performance

By some estimates, procurement costs make up 60-80% of production costs for many manufacturers. Suppliers not only contribute to product innovation, they also help manufacturers achieve more effective production processes. Given the high dollar value associated with procurement, it comes as no surprise that better supplier performance management is an improvement opportunity that could deliver millions in savings for many supply chains.

Most manufacturers use supplier performance management to measure and analyze a supplier's work. Cost-cutting, continuous improvement, and better customer on-time delivery performance are all goals of improved supplier performance. When buying teams have a clear view of their suppliers' performance, they can identify the best performing partners, make smarter, more profitable decisions, and develop more strategic partnerships.

But many manufacturers miss these opportunities as they continue to rely on outdated processes and improvement measures that are complex and cumbersome to implement. This blog post will explore a fictional manufacturing company, Acme Aerospace, and six strategies they used to improve their supplier performance across the organization.

This may require to change some paradigms that are within your organization ... Like;

Do you have Suppliers or Vendors?

A Vendor is someone who sells you a commodity type of item and a formal relationship is not import ... but where a Supplier becomes part of your competitive strategy.

Many organizations view their suppliers in an adversarial manner constantly checking pricing and always looking how the supplier is attempting cheat you for more money. It is always important to remember that how successful a supplier will become is dependent on how successful you become. Hence the importance of trust for true collaboration.

Suppliers are very familiar who are their key competitors within their respective industry and are always looking to innovation to remain the most competitive and providing you with the best value ... so take advantage.

Your Supply Community is an extension of your organization or commonly referred as the "Hidden Factory" . I challenge you to view your Suppliers like other technical departments within your organization ... the pricing will solve itself.

The President of a company I worked at always coached me That we should be spending as much time with our suppliers as we spend courting customers.

Where Lean Thoughts can become Reality

*"Unless you try to do something beyond what you have already mastered, you will never grow."*

Ronald. E. Osborn

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### GET PROACTIVE

I love Reflection meetings. During this meeting we

- Reflect on Previous Month's Performance to plan
- Confirm everything is in place for flawless execution this month
- What do we need to have in place to execute next month?
- What can we anticipate to happen in two months?

It is great to have your suppliers sit in on these meetings similar to have you may have departmental meetings.

### PROMOTE COLLABORATION

Similar to the adage of hiring employees based on Attitude and then train Aptitude select your Suppliers based Attitude and innovation meet monthly in a Consortium format ... you will be amazed just how beneficial these meetings can add to your bottom line and time to market with new innovations. Remember you can discuss anything but pricing.

### JOINTLY-MANAGE IMPROVEMENT INITIATIVES

Many organizations audit their suppliers but do you allow your suppliers to audit you?

Allowing your supplier deep inside your organization gets them engaged. At one company I actually allowed key suppliers to do their own ERP planning and place orders on themselves. Why? I did not have enough resources, my suppliers sat in on meeting and could adjust their production schedules to support our needs and we gave them objectives and performance reviews as if they were our employees.

### USE A SUPPLIER SCORECARD

I am a loyal fan of using TCOP or Total Cost Of Procurement. Indeed it is important to monitor On-Time Delivery, Quality and Purchase Price Variance but what about the soft cost associated with your purchase?

Your Supplier Score Card should also be monitoring incoming inspection, storage, cycle counting, FIFO and Material Handling costs ... a reduction in these costs may well propel your supplier above others.

### SINGLE OR DUAL SOURCE

This has always been a debate with the Supply Chain community. My experience is that you will see more innovation and calculated risk taking by single sourcing. However we work with Suppliers on disaster recovery and typically they are more innovative in providing a solution than the gain I will get from dual sourcing and managing the allocation of demand to our sources.

*Ultimately ... the supplier's job is to eliminate your pain*

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