

# Supplier Evaluation & Best Practices

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# Need for Supplier Evaluation

- Intense Market Competition
- Globalization
- Customer Sophistication
- New Business Orientation

# Drivers of Performance

- Management Focus on SCM as strategic
- Higher value addition from suppliers
- New Critical components on high quality and new technology
- Customer perception
  - correlation of value and new technology
- Faster to the market
- Common data bases

# Effectiveness

- Narrow focus - transaction processing :  
conformance to purchase price  
and quality variance systems
- Broad Focus - supply policy and strategy
- Buyer Supplier Relationship  
– adversarial to Partnership

# Performance Measurement Systems

- **Aggregate**

To evaluate performance of large collective body  
(a plant division or an industry)

- **Partial**

To measure differentiated and customized tasks or working  
processes  
(cycle times, production quality, customer satisfaction)

# Performance Areas & Measures in Manufacturing

- Financial
- Productivity
- Efficiency
- Customer Lead Times
- Production Lead Times
- Production Reliability
- Production Service
- Production Flexibility
- Production Quality
- Conformance Quality
- Product Introduction
- Social Criteria

# Factors Required for Performance System

- Careful analysis of measurement purpose
- Result orientation
- Appropriate level of Aggregation
- Accuracy and precision
- Understandability
- Acceptance through participation
- Controlled and managed by organisational members affected
- Compatibility
- Flexibility and validation

# Framework for Performance Indicators

- Inbound logistics
- Operations
- Marketing & sales
- Outbound logistics
- After sales services

## Areas for Evaluation

- Quality
- Inventory
- Customer Service
- Cost
- Flexibility
- Time, and
- Productivity

## “A Good Supplier”

- Honest and fair in dealings
- Adequate Plant facilities and know how
- Meeting customer expectations
- Sound financial position
- Progressive management policies
- Continuous improvement in products and processes
- Meeting own interests by best service to customers

– *Prof. Wilbur England, Harvard University*

# Best Practices & Benchmarking

- Best Practices
  - To emulate the successful companies
- Benchmarking
  - To maintain and update the high levels of performance

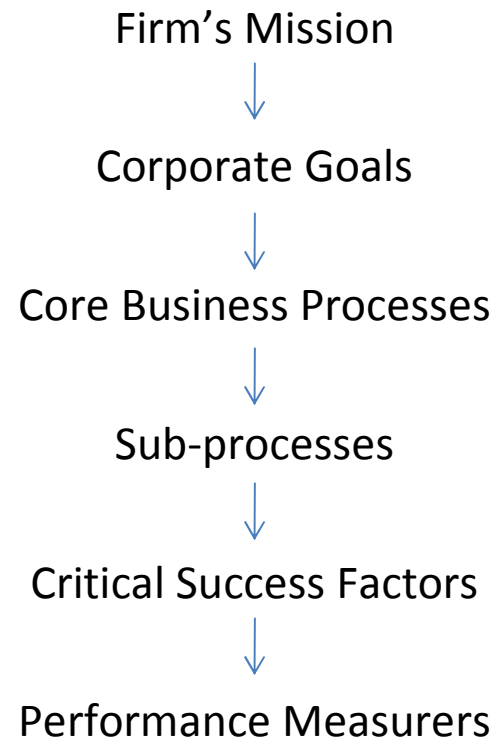
# Prerequisites for Benchmarking

- Will and commitment of top management
- Clear – cut definition of strategic goals
- Goal is to become the “Best”. Not simply improved
- Openness to new ideas
- Understanding of existing processes, products and services
- Documentation of all processes
- Proper communication across all team members

# Obstacles to Successful Benchmarking

- Lack of sharp focus
- Unrealistic timetable
- Poor team composition
- Settling for “Okay-in-class” mindset
- Lack of or limited top management support

# Hierarchical Model for determining what to benchmark



# Critical Success Factors

## *Price*

- Low price

## *Flexibility*

- Design flexibility
- Flexible capacity
- Order processing management
- Augmentation capability
- Innovation and creative product design

## *Quality*

- Dependability
- Product performance
- Reliability

# Critical Success Factors

## *Delivery*

- Quick response
- Accurate response

## *Service*

- After sales service
- Field support
- Distribution coverage
- Customised service

# The Hall of Fame in SCM

<b>Relevant area</b>	<b>Examples</b>
• Inventory Control	Federal Ex, Westinghouse, Marks & Spencer
• Billing and Collection	British Telecom, Midland Bank
• Customer Focus/Customer Service	Ford, Xerox, Federal Express, First Direct (UK)
• Information Systems	Caterpillar, Kodak, Motorola
• Logistics	Wal-Mart, Hershey Foods, Toyota
• Purchasing	Honda, Mazda, Xerox, Toyota
• Quality Process	Westinghouse, IBM, Rolls Royce
• Supplier Management	Levi Strauss, 3M, Ford, Intel
• Warehousing and Distribution	L.L. Bean, Hershey Foods