

# Evaluating Suppliers: It's Like Dating - But for Businesses

Matilda Ahl & Nora Hedin

**Evaluating suppliers is like evaluating dates: spot red flags, avoid deal breakers, and find the perfect match for your needs. Use intuition and past experiences in dating; use a Supplier Performance Evaluation (SPE) system in business.**

As competitiveness in the market is increasing - so is the importance of making sure your suppliers are performing as promised. As a distributing company, your success relies on timely deliveries from your suppliers.

Continuous evaluation of suppliers is therefore of the utmost importance, and following up on the results will make sure the suppliers you are hiring are actually living up to the expected standards. So, if you have a business and are in need of an SPE system - how would you design it? If you want a simple yet powerful tool, the solution is a supplier scorecard with incorporated weights.

Just like your future partner needs to fit in your life - your suppliers need to fit in with your business goals and objectives. Therefore, make sure to design your supplier scorecard with this in mind. The supplier scorecard is an overview of how the suppliers perform in different areas, measured by metrics selected by you. Select metrics based on what you find important to evaluate your suppliers on and then decide how important the metrics are in relation to each other by adding weights for each metric. It is like making a pros and cons list when dating - some factors are more important to you than others. The supplier scorecard will give you a clear overview of how the supplier is performing according to each metric - and provides you with a total score in order to compare your suppliers.

Just as you look out for red flags in a potential partner, being observant about warning signs with a supplier can save your business from future problems. Red flags in SPE are indicators that a supplier is not performing as expected. This can be a low average total score in the scorecard or very low scores for certain

metrics. Just like in dating - a red flag does not necessarily have to be a deal-breaker, but it is something that you need to monitor closely and take action when needed. Therefore, when you have an indication that the supplier is underperforming overall or in a specific area, you should implement a supplier development program. If the unacceptably low performance continues, you must consider if it is a deal-breaker and if the supplier should be replaced.

There are many advantages as to why implementing an SPE system, specifically a supplier scorecard, might be valuable for your business. It can help you make data-driven decisions related to your suppliers, rather than drawing conclusions based on feeling. The system can also offer leverage in negotiations by providing insights that can be used to your advantage. By selecting the appropriate metrics, you can monitor the delivered quality to ensure you receive the desired standards. In conclusion, an SPE system with a weighted supplier scorecard can help you evaluate your suppliers with the same thoroughness and precision as you would when evaluating whether to continue dating someone or end the relationship.

This popular scientific article is derived from the master thesis: "Designing a System for Supplier Performance Evaluation: Bridging Organizational Needs, External Demands, and Literature Insights", written by Matilda Ahl and Nora Hedin (2024), Division of Engineering Logistics at The Faculty of Engineering – LTH, Lunds University