

From Conflict to Consensus on Suppliers

Managing suppliers can be a balancing act, with different departments often pulling in opposite directions. But what if a measurement system could bridge the gap and lead to better decisions?

Ever argued over which restaurant to eat at in your friend group or family? Everyone has their own preferences, as someone may value low price and another a specific cuisine. Now, imagine that same restaurant debate, but in a company with hundreds of employees and a whole lot more at stake. Welcome to the world of supplier management.

Take Outnorth, an outdoor online retailer. They rely on suppliers for everything from running shoes to tents and these suppliers are key to a successful business. But what makes a good supplier? The people in purchasing value building strong relationships and reliable communication as they personally experience its benefits. But for the operations team, it's timely deliveries and complete orders that matter most as they are responsible for receiving the supplier's products.

These clashing perspectives can lead to disagreements, making it difficult to identify the most important aspects of supplier performance and where improvements are needed. It's like a never-ending dispute, with each department fighting for their restaurant of choice.

But what if there was a way to settle this debate? Enter the supplier performance measurement system – a complicated term for a simple idea: measure the supplier aspects that matters. This system combines the diverse viewpoints within the company, along with its overall strategy, into a set of metrics that evaluate suppliers on various aspects, such as delivery times, order accuracy, communication responsiveness, and product quality. It's

like having a report card for each supplier, showing exactly how they stack up against the competition.

Armed with this data, departments can finally see eye to eye. Purchasing understands how late deliveries create problems for operations, while operations see the value of strong supplier relationships. Together, the departments can pinpoint problems, set clear goals for improvement, and work with suppliers to make everyone happy. It's like finding a restaurant that everyone likes, maybe it's not your first choice but it fits everybody's preferences.

There are plenty of reasons for using a supplier performance measurement system:

- Instead of arguing over opinions, decisions are based on hard facts.
- Everyone has the same information, so there's less room for misunderstandings and finger-pointing.
- Knowing exactly where suppliers need to improve means you can focus your efforts and get better results.
- Clear, honest feedback helps suppliers improve, which means happier customers and higher profits.

Just like families need to compromise on restaurant choices, companies need to align their priorities to get the most out of their suppliers. And with a little help from a supplier performance measurement system, they can finally put an end to the ongoing debate.

This article is derived from the master thesis:
Designing a Supplier Performance Measurement System: A Case Study at Outnorth by Arvid Wijk

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