



CODEXX WHITEPAPER

How do you enable high-performing suppliers?

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Introduction

With supply chain performance being a critical factor in business competitiveness, there is continual focus on improving supplier performance. This short article stands back and asks how businesses should go about improving the performance of their suppliers. Now this is hardly a new question, but one that is of continual importance - and never more so than now, as businesses struggle in the tough market conditions resulting from Covid-19.

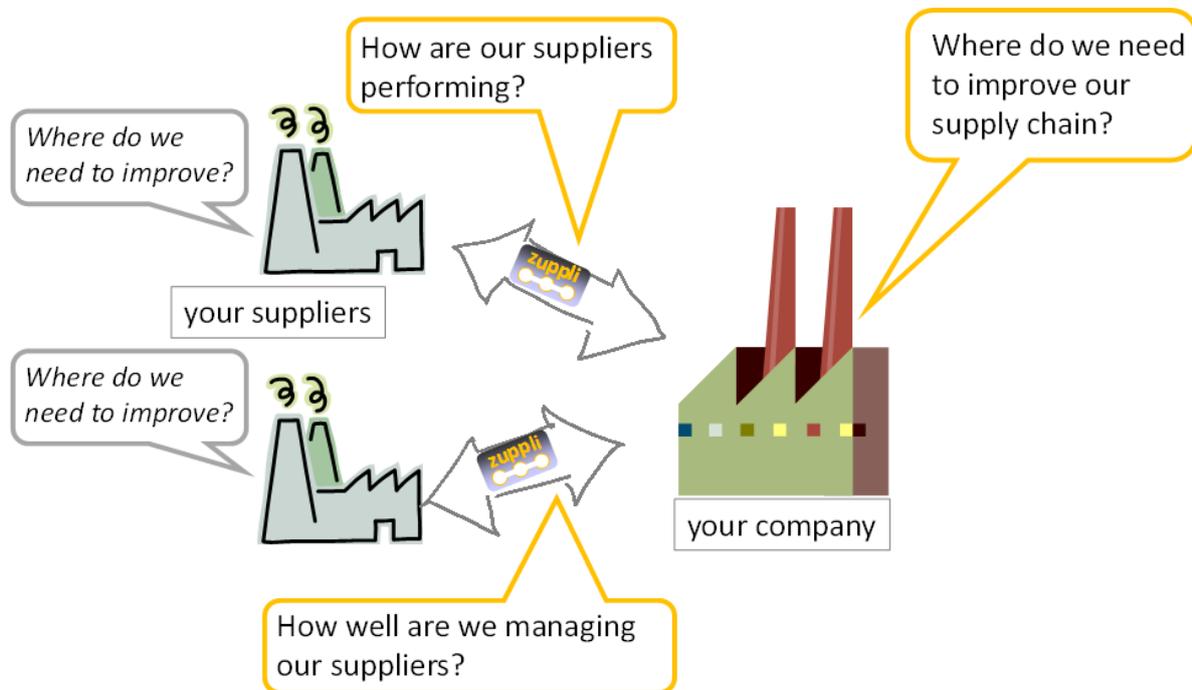


Figure 1: Inbound supply chain improvement

To achieve sustained high-performing suppliers, there is a fundamental truth that all businesses need to recognise:

Supplier performance is ultimately your responsibility.

Why is it your responsibility? Simple. Your business selected these suppliers. Your business should be monitoring their performance, and if it falls short, you should call this out to suppliers and identify improvement needs. If suppliers fail to improve, then you need to take action and replace them with alternative suppliers.

You need a proactive approach to supplier performance management.

Recognising its responsibility for supplier performance means that a business needs to put in place a proactive approach to managing supplier performance. Unfortunately too many businesses do not do this and simply react to supplier performance short-falls. At best they might just focus on their few Category A or 'strategic' suppliers only.

Once you recognise that your business needs to take active ownership of your supply base, then you are ready to consider how best to monitor supplier performance and drive improvement. You should aim to cover all Category A and many Category B suppliers due to their importance to your business and the value of spend with them. We consider that there are three key requirements to enabling high-performing suppliers:

1. Establish the conditions for high-performing suppliers
2. Provide suppliers with performance feedback
3. Review your own performance in inbound supply chain management

In this article I'll discuss each of these requirements in more detail. In doing so I'm going to use the example of the *zuppli* cloud-based service that we have developed for supplier performance monitoring and improvement over the last few years.

1. Establish the conditions for high-performing suppliers

The key foundation for high supplier performance is built from a combination of mutual respect, fair treatment and straight-talking:

- Respect: Businesses should work to establish a two-way mutually beneficial relationship.
- Fair treatment: Suppliers need to be treated fairly and paid promptly.
- Straight-talking: Suppliers need to feel able to honestly discuss working practices and performance with your business and to highlight problem areas. But this is often challenging to do as it might threaten the commercial relationship.

2. Provide suppliers with performance feedback

Suppliers need to know how they are performing and in which areas they need to focus their improvement activities. So information on their performance against key metrics and any shortfalls over time is required. But what performance information should be collected in supplier assessments and how?

There is a balance to be made between the level of assessment detail and the effort required to perform assessments. If assessments are too detailed they will take excessive time and effort to perform - so the risk is they will simply not be completed by suppliers or by personnel in your business. Assessments that can be performed quickly are more likely to get completed. So there is a trade-off between assessment detail and participation.

In developing our new *zuppli* supplier performance service, we focused on just 5 core metrics for supplier performance:

1. Ease of working
2. Delivery performance

3. Quality performance
4. Problem management & Returns
5. Additional value (e.g. supplier improvement suggestions)

These metrics cover the most important aspects of supplier operating performance. Note that parameters such as the negotiated price and terms for the purchase of the supplier’s parts or services are not included as these relate to the supplier selection, not operation. Your business considered these terms acceptable when you selected the supplier.

Nominated assessors in the business evaluate and score each supplier against these metrics every quarter. This provides sufficient detail and assessments can be performed quickly. The assessors will also recommend key improvements for each supplier in their assessment. The *zuppli* internet-enabled approach allows regular assessments to be performed remotely, quickly and at low cost. Thus each assessor can be responsible for assessing a number of supplier assessments each quarter.

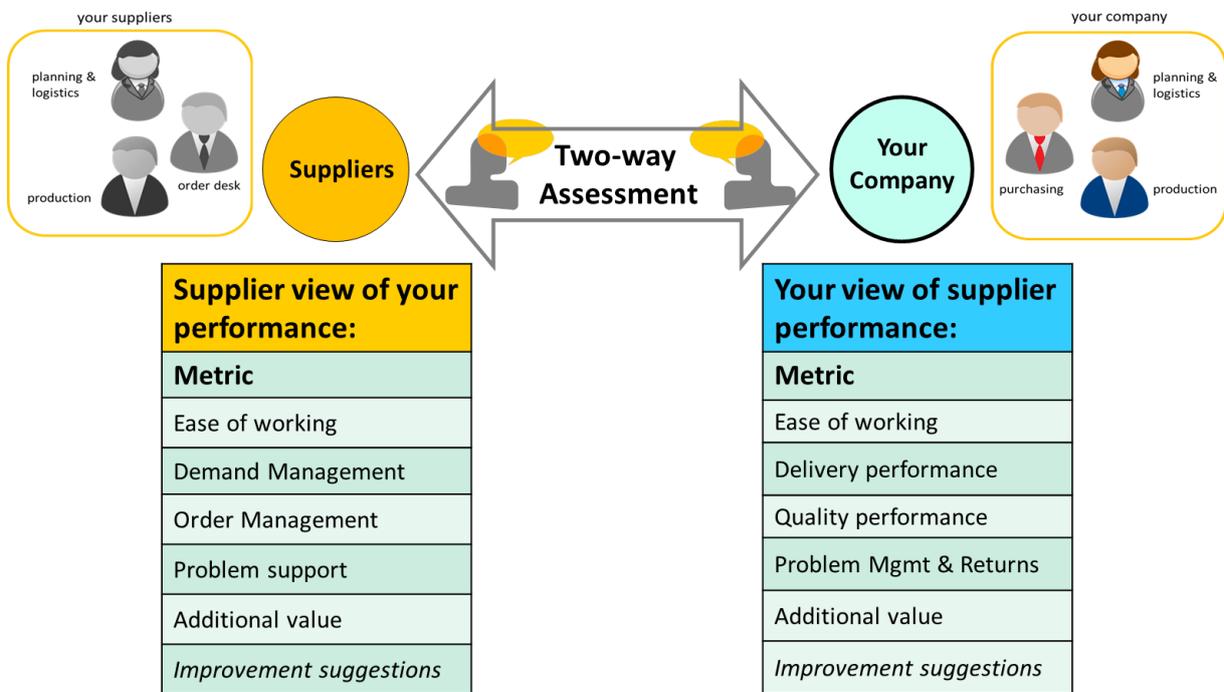


Figure 2: Assessment metrics – zuppli example

3. Review your own performance in supply chain management

It’s common to hear businesses complain about supplier performance shortfalls - in delivery for example - when the root cause often lies in the business's own practices, for example with lots of short lead-time orders or inaccurate forecasting. So a critical requirement to enabling high-performing suppliers is determining how well your business is managing its inbound supply chain. Are you enabling suppliers to perform at a high level – or do your practices make this more difficult?

How should you find this out? Well, why not ask your suppliers? That's what we do in *zuppli*. Every quarter your connected suppliers are asked to assess your business on its supply chain management - on an anonymous basis to encourage straight-talking. The assessment of your supply chain management performance focuses on 5 core metrics:

1. Ease of working
2. Demand management
3. Order management
4. Problem support
5. Additional value provided

Suppliers are also asked for any suggestions they might have for improving the way the inbound supply chain is operated and managed.

Driving supplier improvement using *zuppli*

We have embraced the principles discussed above in the development of our new *zuppli* cloud-based service. We used our experience in supply chain benchmarking, engaged with procurement, logistics and supply chain management professionals in businesses and Universities over a number of years to develop *zuppli*.

zuppli goes back to basics. It considers the supply chain as a collection of people working in different businesses and seeks to link them, so that their voices can be heard and their experience shared, across the chain. This provides the foundation for collaborative improvement. *zuppli* allows businesses to assess (and be assessed by) their suppliers, to provide a 'two-way' view of the inbound supply chain.

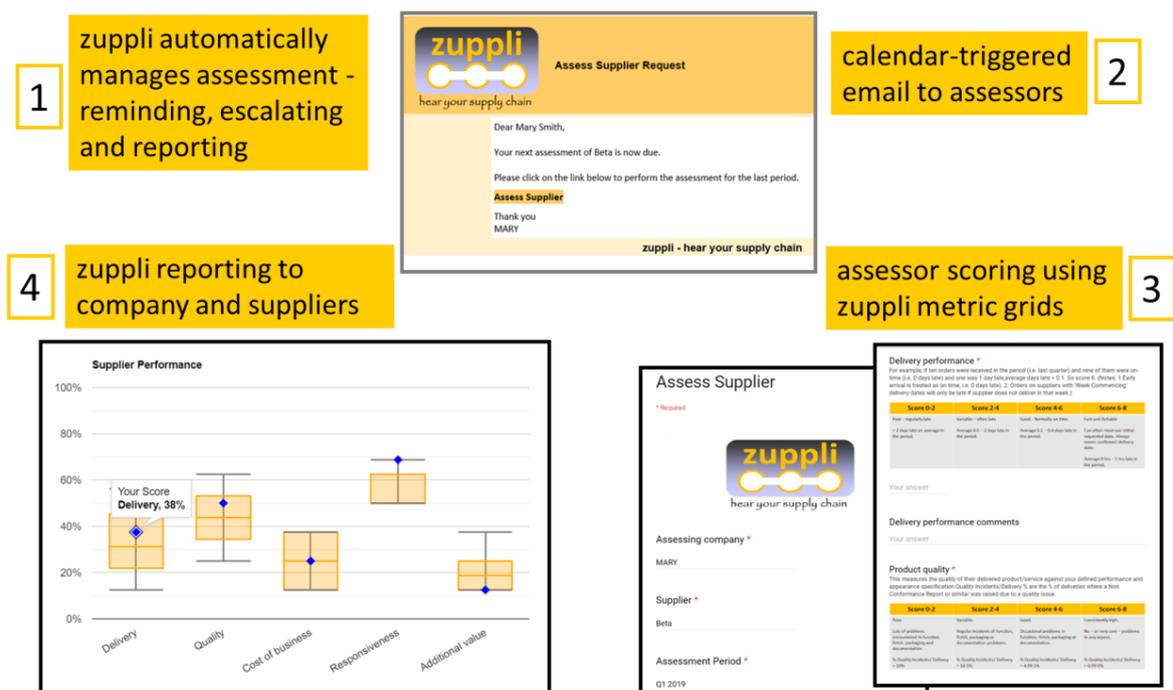


Figure 3: zuppli assessment and reporting cycle

The assessment focuses on the 5 key metrics for suppliers and the supply chain lead business that were discussed above. *zuppli* automatically contacts and chases assessors in the business and its suppliers to complete assessments, escalating if needed. *zuppli* then generates reports on the quarterly performance of the supply chain. By using both assessor anonymity, to encourage openness, and sharing feedback, *zuppli* uses this 'peer pressure' to drive improvement in suppliers and your own business.

We know from bitter experience that a key limitation to applying IT-solutions across the supply chain is getting suppliers easily connected. IT solutions that require complexity in setup and operation – for example any form of integration with existing IT systems – will reduce the speed and likelihood of suppliers getting connected. So we kept *zuppli* simple. There is no integration. There is no software to install. It's a cloud-based service paid for by the lead business. So businesses need only a web browser and email to use *zuppli*. This means that businesses can connect easily and cost-effectively to their suppliers – both large and small – and help drive higher performance in its suppliers.

Conclusions

Creating a base of high-performing suppliers is more important than ever for businesses facing the challenges of the 'New Normal' business environment following the Covid-19 pandemic. To achieve this, businesses need to recognise their responsibilities in supplier performance. Then they need to establish an environment and a proactive system that support suppliers in achieving high performance.

Establishing and maintaining high supplier performance requires an open and honest partnership between businesses and their suppliers. Cloud-based tools and services, such as *zuppli*, can help enable this partnership.

About the author

Alastair Ross is the founder and Director of Codexx Associates Ltd, which he established in 2002 following a career in IBM manufacturing, consulting and management. He was also a founder and Managing Director of Supply Chain Analytics Ltd. He has consulted globally to industrial and services clients for 30 years. He led the development and commercialization of the zuppli digital service. He is also a visiting lecturer and consultant on MBA and MSc programmes at the University of Southampton Business School. His latest book '*Thinking about value*' is available on Amazon.

About Codexx

Codexx provides consulting services focused on Lean, re-engineering and benchmarking to the industrial and professional service sectors. It was established in 2002 and is based in Romsey in the UK. For information on Codexx services and experience go to www.codexx.com

Further information

For further information on this paper, or on zuppli, go to www.zuppli.com