



## Are You Playing a Guessing Game With Your Suppliers?

Do you manage your suppliers? And if you do, how do you manage them? Time and time again we cross paths with businesses frustrated by their supply chain partners. Either a supplier is flabbergasted that business is suddenly unexpectedly being taken away from them or a customer is incredibly frustrated at not getting the service they expected. What is really interesting is that when you ask either of these two parties how the supplier's performance is currently measured, they do not really have an objective, actively utilized, performance management process in place.

It is expensive to change suppliers (consider the time it takes to do the necessary research, obtain quotes, complete the relevant documentation, set up the new accounts etc.) and although at times it becomes inevitable, we have found that an effective performance management process can often be the key to avoiding it altogether.

Imagine that you are hired to paint a house. After a week's work you have finished repainting the house the same colour blue that it was before, only to get a call from the owner who is upset that you did not paint the house brown. After another week's worth of work to repaint the house brown, you get another call from the owner who complains that you used too dark a shade of brown. He wanted his house completed before the end of the month, now leaving you with only three days to get the house done to his liking. Are you feeling at least a little frustrated yet? Do you consider this to be an unfair or unreasonable customer?

In our line of work, we often encounter similar scenarios, where customers have certain expectations of their suppliers that they have not yet communicated to them and yet they are incredibly surprised when their expectations are not met. Similarly, suppliers become incredibly frustrated at their customer's unreasonable expectations (e.g. not giving them enough warning of their delivery requirements). Why not start today to take the guess work out of your supply chain relationships and avoid continuously losing valuable time and in the long run maybe even valuable business? Here are a few things to consider when you define your supplier performance management process:

### **Contacts**

- Both parties must know who to contact for what and when.

### **Order placements**

- What is an acceptable response time on quote requests and for order confirmations?
- What is the supplier's ability to meet order requirements (quantities and lead times)?
- Are there ways to expedite deliveries and at what cost and for whose account?

### **Deliveries**

- Will deviations from the ordered number of items be acceptable and to what extent?
- To what extent will early or late deliveries be acceptable? What happens if a late delivery results in a production line stop?
- Should a certain level of stock be kept on hand? At whose premises should the stock be kept?
- What are the expectations in terms of the accuracy of documentation of for delivery notes, certificates of conformance and invoices?

### **Quality**

- Is there inspection or testing requirements?
- What is the penalty for rejects?
- Are there specific requirements in terms of packaging?
- What can be expected in terms of guarantees and warranties?
- What is a reasonable time to respond to and resolve queries?

### **Measurements**

- How will we know how the supplier is performing?
- What types of measures or indicators will be most appropriate?
- What is the source of this information?
- Who will be responsible for recording and compiling the information?
- How frequently will we measure this?
- What is our target or benchmark?

### **Feedback**

- How will we share this information?

It is important to share performance feedback on a regular basis, so that the suppliers know how they are measuring up against the customer's expectations and what areas they need to focus on improving. Make the time for regular contact sessions to discuss the feedback and resolve issues through a collaborative approach.

It is a valuable investment for both parties to ensure that customer expectations are clarified and met. Spend the time with your team to clearly define what your supply chain partners can expect of you, how performance will be measured and how the feedback will be shared. This will take the guess work out of your hard work so that you can focus on your real work and enjoy a value adding partnership that will hopefully last you a long time.

Article extracted from <http://www.supplychainupdate.co.za/Article.aspx?ID=439>



Happy Father's Day to all the Dad's (Father's Day - June 15)

Wishing the youth of our Rainbow Nation a fun, pleasant Youth Day (Youth Day - June 16)



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