



# Supplier Performance Management

How to systematically strengthen your supply chain



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## Supplier Performance Management: How to systematically strengthen your supply chain

You can only manage what you measure, they say—and rightly so. This is especially true when it comes to supply chain performance. Disruptive change and increasing demands for cost efficiency, quality, and speed present unique challenges. Only by measuring how well it is performing can the supply chain be properly aligned and optimized.

This requires a comprehensive, holistic view of supplier performance which goes beyond traditional key performance indicators (KPIs). The evaluation scheme should also provide sufficient leeway and flexibility to respond quickly to internal and external changes. Most importantly, performance measures need to have impact. In other words, they need to shape the way we interact with each other. Therefore, evaluation criteria must be transparent and accessible to all stakeholders, and there must be a proactive, open exchange of information. Only then can both sides improve collaboration.

So there are six factors that characterize good Supplier Performance Management: it must be holistic, flexible, binding, transparent, proactive and collaborative. But what does this mean in practice?

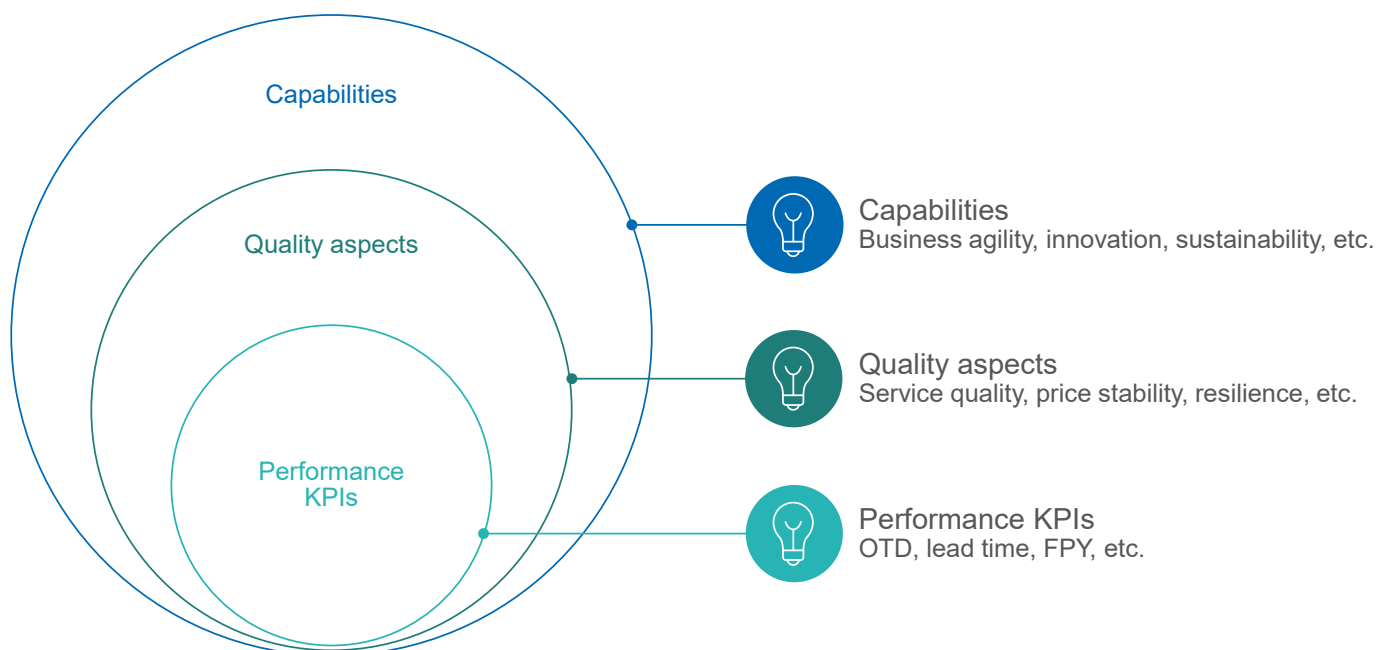
## Holistic Supplier Management: More than „just“ performance

Traditional metrics such as on-time delivery (OTD), on-time, in-full (OTIF), unit cost, order fulfillment (PO collaboration), and first-pass yield (FPY) are certainly important. But there is more to a holistic picture: There are qualitative factors such as response time, service quality, complaint handling, price stability, and resilience to various risk factors.

Another important evaluation category is determined by the supplier's capabilities. This includes factors such as agility and flexibility in the face of change, innovation and speed, the degree of digitization of its processes and, last but not least, sustainability aspects.

Only the combination of all these factors provides a complete picture of a supplier's performance. If you neglect one factor in the assessment, this can lead to significant competitive disadvantages or even serious compliance problems, for example with regard to the Supply Chain Acts in Germany or the USA.

Holistic Supplier Performance Management measures not only traditional performance KPIs, but also the soft skills and capabilities of suppliers.

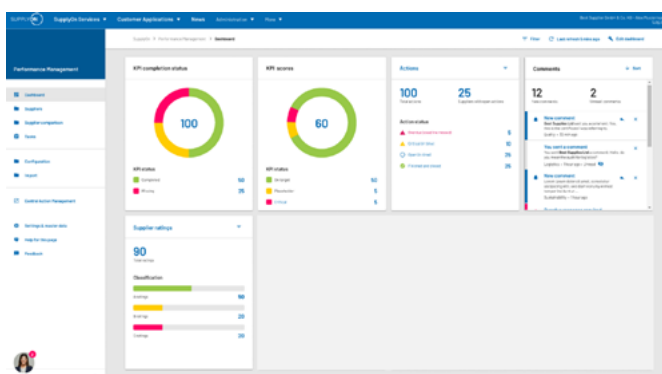


## Flexible Supplier Performance Management: Customized and Quickly Adaptable

Every business is different. So are their supply chains and supplier relationships. This has an impact on Supplier Performance Management: which topics are important, which criteria are included in which scores and how they are weighted, and who has access to which data internally—all of this varies greatly from company to company.

Accordingly, a Supplier Performance Management solution must be individually adaptable if it is to make a value-adding contribution. At SupplyOn, we have therefore placed particular emphasis on the high configurability of our Performance Management solution. With just a few clicks, companies can configure the content and data fields of a table, as well as filters, scorecards and hierarchies.

Organizational structures can also be stored to enable multi-dimensional monitoring at the division, plant, or country level. The dashboard, too, is customizable. In the event of organizational changes or changes in the business environment, companies can easily adapt the configurations without any additional implementation effort—and optimally adapt their Supplier Performance Management to their changing needs at any time.



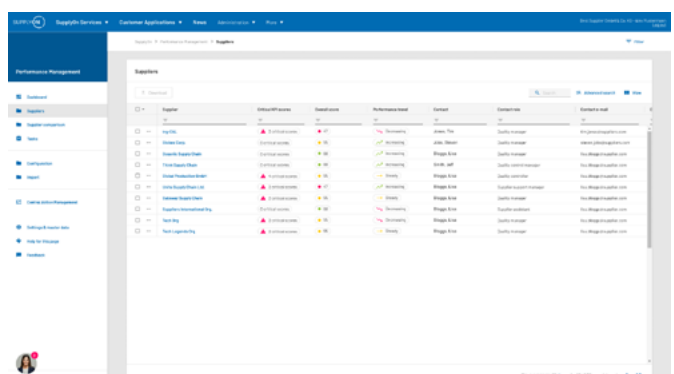
Dashboard Entry Buyer

## Binding Supplier Performance Management: Providing direction for procurement

Measuring supplier performance is not an end in itself. Supplier Performance Management can only function as an active control tool for supply chain quality if it is closely linked to all downstream procurement processes. In this sense, supplier performance is the supplier sentiment that companies use to decide which materials and processes (RFxs, auctions, orders and contracts) the supplier is qualified for.

In this way, the purchasing department can ensure that only suppliers that comply with the company's internal specifications can be selected. This ensures compliance along the supply chain. SupplyOn Performance Management can be seamlessly integrated into internal systems via API, so that even global companies with very heterogeneous IT landscapes can benefit from this company-wide compliance enforcement. The solution also integrates with other SupplyOn solutions such as Supply Chain Collaboration, Sourcing and Quality Management.

The aim of all these measures is to achieve an integrated workflow that leads to a continuous improvement in supplier performance—and thus in the entire supply chain.



Name	RFx/RFx Process	RFx score	Performance level	Contact	Supplier's mail
Supplier 1	RFx process	100	High	John Doe	john.doe@supplier1.com
Supplier 2	RFx process	80	Medium	Jane Smith	jane.smith@supplier2.com
Supplier 3	RFx process	60	Low	Mike Johnson	mike.johnson@supplier3.com
Supplier 4	RFx process	40	Very Low	Emily White	emily.white@supplier4.com
Supplier 5	RFx process	20	Not Evaluated	David Brown	david.brown@supplier5.com
Supplier 6	RFx process	10	Not Evaluated	Anna Green	anna.green@supplier6.com
Supplier 7	RFx process	5	Not Evaluated	Chris Black	chris.black@supplier7.com
Supplier 8	RFx process	0	Not Evaluated	Patricia Gray	patricia.gray@supplier8.com
Supplier 9	RFx process	0	Not Evaluated	Robert Red	robert.red@supplier9.com
Supplier 10	RFx process	0	Not Evaluated	Laura Blue	laura.blue@supplier10.com

Dashboard Entry Supplier



## Transparent Supplier Performance Management: A common understanding between customer and supplier

Suppliers can only improve if they know—and above all understand!—how they are perceived by their customers. What metrics are most important, what factors go into a score, and what is actually measured? A supplier must be able to answer all these questions in order to adjust its own goals accordingly and initiate suitable improvement measures.

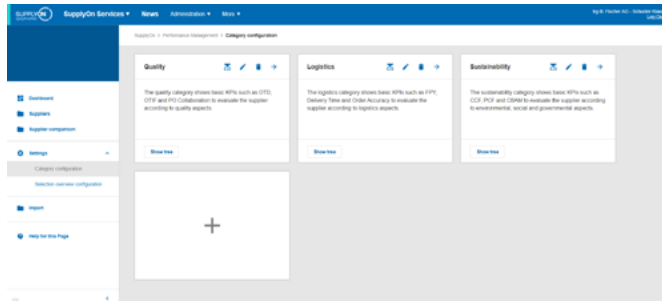
With SupplyOn Performance Management, companies can share the evaluation categories and evaluation hierarchies with their suppliers. This customer-based structure makes it easier for suppliers to understand the reasons behind certain scores. Info buttons explaining the calculation of the respective KPI and traffic light functions also help to make this easier to understand.

All of this ensures that both sides have the same view of the data and therefore the same understanding of supplier performance.

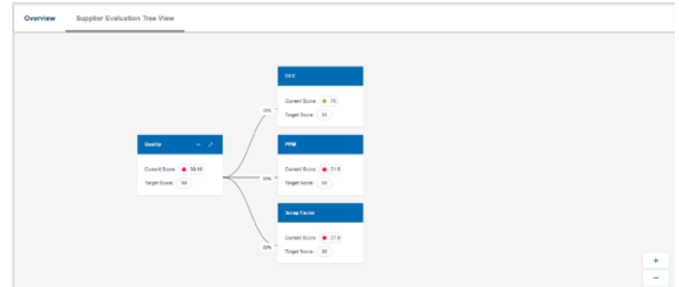
## Proactive Supplier Performance Management: Automatic trend monitoring

The sooner companies and suppliers can take action on performance issues, the better. This requires up-to-date data. SupplyOn Performance Management uses automated processes and API connections to continuously collect all data in real time. Trend analyses provide a quick overview of improvements or deteriorations compared to historical data, making lengthy analyses a thing of the past. This enables companies to proactively take appropriate development and improvement actions for their suppliers and store them directly in the system.

In the future, AI functionalities will further expand this proactive approach in SupplyOn Performance Management by automatically identifying optimization potential for suppliers and suggesting appropriate measures.



Configuration Panel



KPI Hierarchy



## Collaborative Supplier Performance Management: Working as a team

The customer-supplier relationship is not a one-way street. It thrives on productive collaboration on both sides. Supplier Performance Management should reflect this collaborative approach. After all, different perspectives can quickly lead to misunderstandings and feelings of unfairness if not discussed.

For example, last month's on-time delivery (OTD) score may have been 80 instead of 100 according to the customer's data, but when discussed with the supplier, it turns out that the late delivery was due to weather-related accidents and traffic jams—factors beyond the supplier's control. Both parties can then agree to adjust the score accordingly.

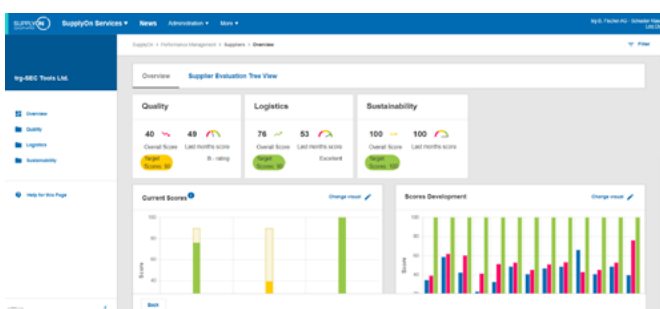
For this exchange between customer and supplier, SupplyOn Performance Management offers convenient comment functions, the option of setting up measures and an integrated supplier self-assessment. Here, suppliers can present their own performance or capabilities and initiate a collaborative exchange with their customers.

But collaboration is not just about individual scores. It is also about the customer and supplier working together to improve overall supplier performance.

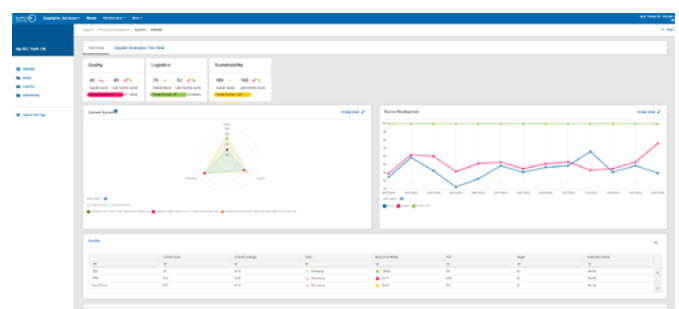
## Bottom line

Embedding all six aspects into Supplier Performance Management leads to more harmonious relationships because it enables collaboration on an equal footing. Suppliers are seen as equal business partners, pulling in the same direction as their customers, with the goal of continuously improving processes and collaboration. Suppliers can tailor their activities and actions to the needs of their customers and continuously analyze their progress. This enables companies to develop their suppliers efficiently and strengthen their own competitive position.

The combination of these two perspectives makes Supplier Performance Management a powerful lever for increasing the resilience, efficiency and sustainability of the entire supply chain.



Single Supplier View 1



Single Supplier View 2



## About SupplyOn

Since establishment in 2000, SupplyOn has been a pioneer in supply chain innovations by connecting business partners worldwide, resolving complexities, reproducing processes in digital supply chains and supporting companies on their path to sustainability. Our Carbon Footprint Calculator is powered by multidisciplinary teams and experts from purchasing, governance and IT to ensure the state-of-the-art solution is offered to our customers.

Among our customers are renowned industrial enterprises as Airbus Group, Alstom, BMW Group, BorgWarner, Bosch, Continental, Deutsche Bahn, DEUTZ, Johnson Electric, Kautex Textron, Leonardo, Liebherr, Oerlikon, Safran, Schaeffler, Schindler, Schneider Electric, Siemens, Thales and ZF.

The SupplyOn shareholders are:



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