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## **6 Practical Hints for Suppliers' Evaluation**

### **Summary**

When outsourcing substantial parts of business processes, the error margin becomes so tight that the purchaser needs to focus mainly on the result guarantees that the (potential) supplier can guarantee. Suppliers' evaluations are a critical set of activities in outsourcing and purchasing and at the same time managed hazardingly. Here are 6 practical hints for more effective Suppliers' evaluations.



1. Look for how your objectives will be realized
2. Look for best-fit instead of highest quality
3. Monitor the maturity level of your supplier(s)
4. Experience is one thing, the future another
5. Audit the critical means for your satisfaction
6. Measure at the right granularity

### **Article**

Outsourcing business processes is a trend since decades. It produces quite some benefits on cost management, centralized expertise, economies of scale of investment and operations and allows the outsourcing organization to focus entirely on its own unique selling proposition. On the other hand, it creates a whole new risk for the organization and shifts the power from operational management to sourcing management. This induces a substantial shift in competencies and organization.

One essential step in outsourcing is suppliers' evaluations, which encompasses the simultaneous application of audit techniques, scoring, evaluation, actions planning and maturity assessment. Here are x tips to fundamentally improve the effectiveness of suppliers' evaluations

1. Look for how your objectives will be realized

Outsourcing can have multiple reasons and should fit in a sensed strategic approach of your company. Whether you will look for basic cost reduction, skills development, industry practice input, leveraging quality, economies of scale or any other strategic benefit, the key elements you will have to evaluate are fundamentally different.

2. Look for best-fit instead of highest quality

Highest quality is expensive because it produces lots of features which are never used. Reduce to a limited number of key performance indicators you are looking for and define your level of requirement which is not necessarily the industry standard.

3. Monitor the maturity level of you supplier(s)

Especially when it comes to services, you need to focus the mastership your supplier has over the inputs, activities and relationships which produce the required results. Evidently, you do not have to accept lousy results, but the key question remains the confidence your supplier can provide you to produce better on next occasion.

4. Experience is one thing, the future is another

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A common mistake is to lay too much focus on past experiences, while your situation and need is likely to be different. The capability of your potential supplier to adapt to your needs is more important than how much the other clients were satisfied.

5. Audit the critical means for your satisfaction

Promise is one thing, proof of capabilities is better. Auditing your suppliers can be fastidious, so you need to focus on the critical elements which your surely need to be assured off. The more you audit, the higher the cost and ... the better your supplier shall know your audit approach to proof what you want to see.

6. Measure at the right granularity

Measuring is always a fine balance to find between rigorous collection and analysis of data and meaningfulness. You need to find the right balance, assisted by the previous tips, between trust in the capabilities of your supplier and eloquent indicators. Keep in mind the standard deviation of your measurement too!

The general hint is not to substitute to your supplier in your quest for controlling everything, which is the best guarantee not to benefit from the value of outsourcing. Purchasing services and goods is a specific job, with another focus than team management!

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