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Inspire Your Suppliers

Want your suppliers to rally around your corporate goals? Scorecarding can help you shift their focus from the tactical to the strategic.

SOMETIMES EVEN THE MOST ROBUST SUPPLIER COMPLIANCE PROGRAM JUST ISN'T GOOD ENOUGH. Such programs may indicate how well a supplier is adhering to tactical supply chain requirements such as shipping and ordering. But they often fail to provide a complete picture of suppliers' performance or foster suppliers' commitment to long-term, strategic relationships. This was the conclusion that electronics retailer Circuit City Stores Inc. reached in 2002.

"Our compliance program was good at getting to the minimum level of performance with basic shipping and ordering requirements; however, it was not helping us align our overall objectives with our suppliers," explains David Marks, manager, supply chain for Circuit City. "For example, our compliance program gave us only a partial view of how a supplier's performance was impacting customer service levels, logistics efficiencies, and supply chain improvements—all of which were strategic to helping Circuit City have a more solid supply chain."

Circuit City was not alone in recognizing that it needed a more robust program for managing suppliers' performance. Sixty percent of respondents to a 2004 Aberdeen Group survey reported that improving the way they connect to, coordinate with, and monitor suppliers' performance is one of their top five supply chain priorities.[1] Supplier management is on their priority list because they have recognized that it gives them advantages over their competitors in terms of speed, reliability, and agility.

[BY S. MARK JONES AND KATE VITASEK]

Other research efforts support this perception. A 1999 study by Alberto De Toni and Guido Nassimbeni found that a long-term relationship increases the intensity of buyer–supplier coordination.[2] This higher level of coordination can lead to significant benefits. For instance, in their 1999 *Journal of Operations Management* article, Amelia Carr and John Pearson argue that strategically managed long-term relationships with key suppliers have a positive impact on a company's financial performance.[3]

Yet for many retailers, supplier performance management has largely consisted of tactical efforts. Historically, retailers have managed supplier performance by using a type of penalty known as a deduction, or chargeback. If a supplier fails to adhere to a retailer's compliance guidelines, the retailer deducts money from the supplier's invoices.

For trading partners to realize the potential competitive advantage of closer coordination, the nature of their relationships must change from tactical to strategic. In our view, retailers can bring about this shift by focusing on the development and integration of supplier "scorecards." A scorecard is a performance measurement tool that summarizes a supplier's key performance indicators (KPIs) and metrics and provides a concise picture of that supplier's overall performance.

You can think of a scorecard as being analogous to your car dashboard, which has the critical indicators you need to get from Point A to Point B, such as your speed and your fuel level, as well as early-warning indicators (leading indicators, in effect), such as the "check engine" light. Like a dashboard, a supplier performance scorecard clearly and simply conveys a great deal of information in a small space.

While a good bit of data supports it, the scorecard itself usually contains only a handful of key performance indicators or process measurements. KPIs can include such measures as fill rate, orders satisfied, total demand, or even supplier creativity. The most effective scorecards will include both leading indicators, or forward-looking metrics (such as customer satisfaction), and lagging indicators, or historical metrics (such as return on investment). Figure 1 shows some examples of scorecard metrics currently in use.

While a supplier's monthly compliance deductions can provide clues as to how a retailer views its performance, the scorecard is a much broader performance measure. Scorecards will present the impact of

[FIGURE 1] EXAMPLES OF SCORECARD METRICS

- Order fulfillment:
  - Purchase order (PO) fulfillment
  - Rapid deployment
- Defects/returns
- Electronic data interchange (EDI) certification
- Overall operational:
  - Operational compliance
- On-time delivery
- Cost/innovation
- Reports
- Billing
- EDI/manifesting
- Customer service
- Fill rate
- Packaging
- Accuracy
- Partial shipments

- Supply chain days
- Correctable ship notice
- Carton strapping
- Case pack issues
- ASN accuracy
- Carton labeling
- Over to the PO
- Shortages
- Scannable ticket
- Substitutions
- Return percentage
- Units defective quality
- Dollars defective quality
- Units customer complaints
- Communications response time
- Following procedures
- Vendor compliance
- Inspection reports
- Letter of credit documents and flow

- Fill rate
- Ship timeliness
- Ship accuracy
- Compliance history
- Summary of value-added services, EDI
- Financial:
  - Gross margin (GM) return on investment
  - GM percentage
- Logistical:
  - Lead time
  - First ship percentage complete
  - Vendor violations
  - Return to vendor
  - Perfect match
- In-stock
- Fill rate original
- Fill rate revised
- On-time ship
- EDI 856 (ASN)

- EDI 214 (Ship status)
- Sales
- Turnover
- PO item fill rate
- PO quantity fill rate
- Shipment 5+ days early
- Shipment 2–5 days early
- Shipment on time
- Shipment 2–5 days late
- Shipment 5+ days late
- Total POs
- POs sent
- PO reverse
- Dollars shorted
- Fine amount
- Monthly PO dollars
- Year-to-date PO dollars
- Month lead time
- Year-to-date lead time

all transactions for the period in categories that are important to the customer. Scorecards can also be customized to focus on the business value each supplier brings to the partnership, and they can include metrics that focus on broader strategic issues, such as enhancing customer service. This will enable greater strategic alignment between suppliers and retailers, which can be turned into a significant competitive advantage. Circuit City, for one, adopted this approach five years ago and has since seen a host of operational and financial benefits. (See the sidebar for the entire story.)

Beyond compliance programs

We are not saying that compliance programs should be discarded completely. Compliance programs clearly have had a positive effect on supplier performance, and retailers have seen better compliance rates. Even in 2003, a time when suppliers' sentiment against compliance was at its height, the Vendor Compliance Federation's "Compliance Readiness and Impact Assessment" member survey found that 77 percent of supplier respondents believed that compliance programs benefited their companies to some degree. The top improvements cited were greater focus on operational efficiency, forced technology investment, and improved customer responsiveness.

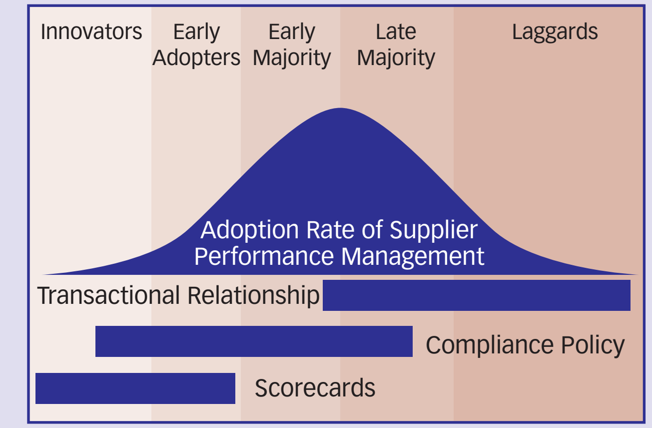
Yet compliance policies often are granular, change frequently, and vary from retailer to retailer. Typically the programs are only manageable for suppliers that limit the size of their customer base. Moreover, retailers claim that despite the adoption of compliance policies, the vast majority of suppliers still do not take a strategic, customer-centric approach to trading partner relationships.

Part of the problem may be the compliance programs themselves. The punitive nature of chargeback policies, plus yearly changes to the underlying guidelines, chip away at suppliers' confidence in their ability to invest in long-term relationships with retail customers. This leads retailers to perceive suppliers as being indifferent to long-term relationships.

Compliance policies can continue to play an important role in effective performance management programs. But companies should strive to use compliance programs and chargebacks on a limited basis, reducing the complexity of the program and focusing it on a few critical issues that truly drive up the cost of doing business with the noncompliant supplier.

By implementing a scorecard program in addition to their compliance policies, retailers will focus their performance management programs in ways that will foster long-term, collaborative relationships with their suppliers. Whereas compliance policies and

[FIGURE 2] ADOPTION LIFECYCLE FOR RETAIL INDUSTRY



[CIRCUIT CITY STORES: EVOLUTION OF A SCORECARD PROGRAM]

When home electronics retailer Circuit City Stores Inc. set out to develop a supplier scorecard, it strove to achieve four objectives:

- Focus suppliers on fundamental metrics that drive desired outcomes;
- Reduce the number of metrics used to measure supplier performance;
- Level the playing field by having different targets for different business models; and
- Improve communication between the company and its suppliers.

As part of its efforts to accomplish those objectives, the Richmond, Virginia-based company updates its scorecards monthly using a Web-based supplier portal, and then sends breakout details to key vendors. These monthly reports are discussed in regular meetings that assist the retailer and its suppliers to jointly identify opportunities for improvement.

"The scorecard is a great tool for us to easily communicate with the supplier by identifying how the supplier needs to improve and how we can work together to make improvements that benefit us both," says David Marks, manager, supply chain for Circuit City Stores Inc.

Stellar performers

Communication, in fact, is a hallmark of Circuit City's supplier scorecard program. When the company began to develop its scorecard process, management discussed whether or not it should share scorecard results. Early on, Circuit City had adopted a philosophy of publicly recognizing its top suppliers, and the decision was made to publish the scores.

While it is not uncommon for companies to publicly recognize top suppliers, Circuit City takes the concept of sharing such information a step further. The retailer not only provides suppliers with their individual performance scores but also publishes the overall summary results, which rank all of its suppliers. This lets suppliers see how they performed against Circuit City's targets as well as how they performed relative to other vendors.

Marks believes that this public ranking has helped to drive supply chain improvements because it creates a competitive environment. "No supply chain manager likes to get the report and see they are below average—especially when they see that their direct competitor has achieved a higher score," he observes.

A key component of Circuit City's vendor-recognition program is its Supply Chain Excellence and Merchandising Excellence awards, which recognize best-in-class suppliers in several categories. Circuit City announces the winners at annual award presentations and publicizes them through press releases and advertisements.

Marks explains why Circuit City chose that approach to supplier recognition. "Since the goal is to get more and more vendors to the top levels of performance, for the supply chain award we define our best-in-class ranking as achieving a high overall performance level on a weighted scorecard basis. That way the award is not limited to a fixed number of suppliers, as in a 'Top 10' ranking," he explains. "Our goal is to recognize all stellar performers. In fact, this year we recognized 13 suppliers for supply chain excellence. This is a great way for us to communicate internally and externally about our great supply chain partners."

Raising the bar

When Circuit City launched its scorecard program, the criteria for achieving the target results of 90 percent or better were rather simple. Once suppliers started to achieve desired performance levels, however, the company raised the bar and added more sophisticated and detailed metrics. Circuit City continues to modify its scorecard to help suppliers continually improve their performance. As a result, a higher level of performance is required for suppliers to achieve scores of 90 percent or better.

Does constantly raising the bar demoralize suppliers? According to Marks, this approach has not strained relations with Circuit City's suppliers. "More suppliers are doing well, and suppliers *want* to talk to us about our scorecard and where we see problems that impact our customers," Marks says. "Scorecards basically drive an interactive and collaborative dialogue around performance, something we never had when we focused on compliance alone. The results speak for themselves."

Making them tougher isn't the only way Circuit City has changed its scorecarding program since its launch five years ago. One challenge the retailer faced was learning how to create a level playing field for suppliers with different business models. To ensure that the process would be fair to all, Circuit City changed its scorecard to take various business models into account.

For example, the company might use the same metric for suppliers that ship product from Asia under a build-to-order model and suppliers that operate under a make-to-stock business model, but the specific targets would be different.

"It simply would not be appropriate to compare suppliers, or operational arms within suppliers, that are operating under vastly different business models," says Marks. "Having a scorecard with different targets based on the business model helps us level the playing field between our suppliers. It's really about determining and measuring what is best in class in each type of supply chain."

That combination of high expectations, clear communications, and willingness to adapt has paid off. Like most companies, Circuit City does not share specific details, but Marks says the company has achieved the following results from its successful program:

- Improved overall on-time/right-quantity performance by 30 percent;
- Reduced safety-stock requirements, which in turn have reduced Circuit City's investment in inventory; and
- Improved EDI (electronic data interchange) compliance.

In addition, Circuit City expects that improved supplier performance will drive top-line inventory productivity for both the company and its suppliers.

Team effort

Just as the scorecard process at Circuit City has evolved, so too has the internal organization that manages this process. In January 2006, Circuit City brought together a number of supply chain, EDI, and vendor management teams and placed them under the leadership of Vice President Victor Engesser, a 16-year merchandising veteran. Today the vendor-relations team oversees all contract management and vendor-performance reporting. The team also plays an important role as facilitator between the vendors and Circuit City's merchandising, inventory, and supply chain teams to ensure that strategic initiatives are supported and goals are achieved.

"We are working to standardize and simplify the ways we manage our vendor business processes," says Engesser. "The development of a strategic vendor-relationship management process has provided a much-needed framework for managing resources and business rhythms with our partners. The scorecard process and the collaborative efforts between our team and our vendors play important roles in strengthening these relationships, improving performance, and delivering a better customer experience."

associated deductions keep vendors thinking about such tactical concerns as whether they used the right type of hanger for a particular shipment of apparel, scorecards provide a mechanism for engaging suppliers in a manageable set of strategic priorities. By their nature, scorecards keep vendors focused on achieving near-term goals that are clearly linked to retailers' strategic priorities. And let's not forget that scorecards offer a concise, clear picture of customers' satisfaction or dissatisfaction.

Over the years, scorecarding has been gaining traction in certain industry segments, such as automotive, pharmaceutical, and software. According to another 2004 Aberdeen Group survey, 43 percent of respondents reported that supplier scorecards were a common practice at their companies, and an additional 37 percent said they were planning to implement supplier scorecards within the next 10 months.[4]

In the retail industry, however, the utilization of supplier scorecards is a relatively new phenomenon, and adoption rates are far below those in other industries. But as Figure 2 on Page 49 suggests, scorecard adoption is beginning to increase within the retail industry.[5] That trend, moreover, appears to be picking up speed. In a June 2007 Retail Compliance Council survey of retailers, 78 percent of respondents that did not have scorecards indicated that they plan to introduce them in the next two years.

Over the past several years, a number of large retailers have introduced supplier scorecards. These retailers have recognized that compliance policies alone do not drive competitive advantage or lasting supplier partnerships. They are leading the retail industry into a new phase of strategic supplier management, where scorecards are but one tool used in supplier performance management.

Essential scorecard elements

As retailers implement supplier scorecards, they should make sure that they contain certain essential elements. Research indicates that scorecards should:

- **Cascade from a company's corporate strategy.**
- **Provide a clear vision** of what the company wants from its suppliers and how the suppliers' actions affect corporate objectives and goals.
- **Link to customer-facing metrics.** Scorecards should illustrate how suppliers' performance affects the retailer's ability to serve its customers.
- **Measure critical functions** across a broad group of business attributes. Examples include measuring the impact of out-of-stocks on customers and monitoring the retailer/supplier partnership by measuring total-cost trends.
- **Synchronize with compliance policies and goals.**

Many companies have found it particularly beneficial to align supplier scorecards with corporate strategy and objectives. If, for example, the company's objective is to be the number one choice of its top customers, it might choose to measure customer satisfaction rates. A scorecard that supported this corporate strategy would link a supplier's perfect-order metric to the company's ability to fill its own customers' orders.

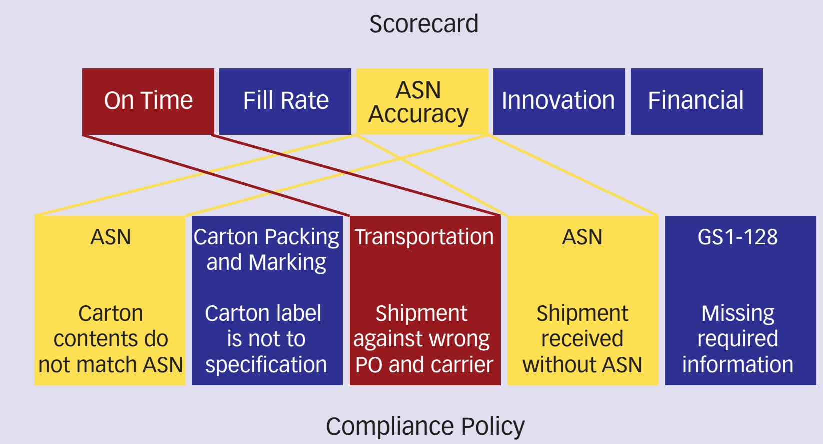
[FIGURE 3] EXAMPLE OF SCORECARD ALIGNMENT WITH CORPORATE GOALS

Strategy	Company Objective	Company Measurement	Supplier Measurement
Financial	Improve margins	Reduce total cost of acquisition by 5 percent	Effectiveness of cost/innovation initiatives
Customer	To be number one choice of top customers	Customer satisfaction measurement for top 20 customers	Perfect-order index
Business Processes	Considered most adaptable company in peer industry	Cycle times for new product lines and customer changes	On-time product release
Learning and Growth	Create a learning organization	Process-improvement results	Joint process-creation results

Figure 3 gives some examples of how corporate objectives can align with supplier scorecard metrics. This example is based on Ralph Kaplan and David Norton's "balanced scorecard" framework. A balanced scorecard is a performance measurement tool that integrates financial and process metrics to provide a comprehensive view of supplier performance. This view contains four key elements, or quadrants: financial, process, customer, and learning. Together, they provide a balanced view of the supplier.

What's involved in developing a scorecard? First, the retailer should ensure that everyone who is assigned to the project is intimately familiar with the company's corporate strategy and objectives. The scorecard team should also consider the most challenging issues that the retailer faces in its performance management program because those attributes will pose the biggest potential roadblocks to meeting corporate goals. For example, when home improvement retailer Home Depot implemented its scorecard program, it chose to use KPIs that focused on compliance with shipment requirements. These metrics emphasize the importance that Home Depot places on supply chain excellence, as outlined in the business guidelines it provides to its suppliers.[6]

[FIGURE 4] SYNCHRONIZATION OF SCORECARD AND COMPLIANCE POLICY



The team should also synchronize compliance policies with the supplier scorecard where applicable. It is not uncommon for scorecard metrics to have corresponding compliance requirements. For example, advance ship notice (ASN) accuracy (or correct ASNs as a percent of total orders received) may be a scorecard metric, and the corresponding compliance measurement may be "carton content that doesn't match ASN," or "order received without ASN," or other specific requirements related to ASNs. As illustrated in Figure 4, scorecards typically utilize broader metrics than do compliance policies, which tend to focus on very narrow measures.

Our research shows that early adopters tend to have less than 35 percent of their compliance categories synchronized with their scorecards. As scorecards evolve, the number of compliance categories will be reduced and the two performance tools will become better aligned. The ideal would be to have greater than 75 percent of the compliance program synchronized with the scorecard.

Next, the scorecard implementation team should ensure that the scorecard's measures correspond with the needs of the retailer's end customers. These might be drawn from performance measures that the retailer has established with its customers, from customer surveys, or even from industry standards and benchmarks. This is important because poor supplier performance undermines the retailer's ability to meet its own customers' expectations.

The team should also look at what internal processes need to be developed to support a scorecard initiative. For example, in order to have the data needed for measuring performance, the company's information systems may have to be modified and employees trained in how to gather, report, and use the data. A traditional "SWOT" analysis can be utilized to help identify strengths, weaknesses, opportunities, and threats in evaluating these internal processes. Figure 5 on Page 52 provides an initial benchmark that companies can use to assess how their performance management processes compare to best practices.

What and how much to measure

Following those steps will help a retailer figure out which KPIs to include on their scorecards. Because every retailer is different and has its own unique set of strategic objectives, different retailers' scorecards will include different measures and will assign varying levels of importance to those measures. Recent surveys, however, have shown that the most popular scorecard metrics track the following areas:[7]

- on-time delivery
- quality of goods and services
- service capability and performance
- price-competitiveness
- compliance with contract terms
- response
- lead time
- technical capability

- environmental, health, and safety performance
- innovation

Most retailers choose to focus on five to seven KPIs. But there's no need to stop there. Gottschalks, a regional department store chain, has expanded its scorecard to include more than 100 different measures, says Vice President of Distribution Marc Elmo. In order to manage this large number of measures, however, Gottschalks had to automate the evaluation process. "In the past, we only had 12 measures for vendor compliance," he explains. "But by putting automated processes in place, we now have over 100 … which allow our buyers to really see how a vendor is doing."[8]

[FIGURE 5] HOW DO YOUR SUPPLIER PERFORMANCE MANAGEMENT PRACTICES STACK UP?

Strategic Supplier Management – Retail Industry Process Benchmarks

Process Group	Poor Practice	Inadequate Practice	Common Practice	Good Practice	Best Practice
Supplier Performance Management	▪ No formal process ▪ React to issues as they occur ▪ Compliance guidelines may be in place ▪ Manual or inefficient corrective-action process	▪ Manual or reactionary process ▪ Compliance guidelines are the primary supplier performance tool, deduction types are many with many conflicts ▪ Limited supplier performance measurement ▪ Informal performance review limited to low-performing suppliers ▪ Corrective actions	▪ Both manual and semi-automated processes in place ▪ Compliance guidelines are utilized as primary supplier performance tool, deduction types are many and may conflict ▪ Some supplier assessments and reviews to limited set of performance measures ▪ Suppliers may be ranked as "critical" or "strategic"	▪ Automated supplier assessments, rankings, and scorecards ▪ Frequent review of supplier scorecards ▪ Compliance guidelines may be synchronized with scorecards; deduction types are being reduced ▪ Collaborative assessment framework	▪ Supplier and retailer assessment system is transparent ▪ Supplier scorecards tied to goals ▪ Event-driven alerts and messaging ▪ Compliance guidelines are synchronized with goals and scorecards and contain limited deduction types ▪ Collaborative assessment framework ▪ Performance measured across supply chain with cost/spend and demand reviews
KPIs	▪ No formal KPI process	▪ On-time delivery ▪ Quality	▪ On-time delivery ▪ Quality ▪ Chargebacks ▪ KPIs vary by location or business unit	▪ Quality, performance, financial, service level, and responsiveness measures ▪ KPIs are the same across locations and business units; variations when needed	▪ Quality, performance, financial, service level, responsiveness, measures, risk, innovation, and operational metrics ▪ KPIs are the same across locations and business units, specific measures by commodity or supplier

[SOURCE: SUPPLY CHAIN VISIONS, *BEST PRACTICE PROCESS ATTRIBUTES AND BENCHMARKS* (COPYRIGHT 2007, SUPPLY CHAIN VISIONS)]

Most retailers would probably agree that a supplier scorecard should address, at a minimum, the most challenging issues of supplier performance management, which include:

- Reliability in fulfilling orders on-time and complete;
- Ability to provide accurate, timely information for in-transit orders;
- Ability to electronically integrate orders and shipments to/from the supplier and retailer;
- Lead times; and
- Willingness to meet specific guidelines.

Just as there are no "right" KPIs or "wrong" KPIs, there also is no one "right" format for a supplier performance scorecard. However, all good scorecards have some similar traits that make them successful. Good scorecards are:

- *Easy to read*. They often use red-yellow-green color-coding, or a "traffic light" approach, as a quick way to rate performance against a target or goal.
- *Cross-functional*. Executive-level dashboards, in particular, need to look across multiple functions. For instance, a supplier scorecard may include metrics that monitor procurement, transportation, and warehousing activities.
- *Balanced*. They typically measure performance from multiple viewpoints.
- *Reviewed regularly*. Managers should update and look at scorecards at least once a month.

Start with the perfect order

From a practical standpoint, creating a scorecard that measures the attributes of the "perfect order" can be an effective starting point and provide a basic template for the development of vendor scorecards.

A perfect order is characterized as being *on time, complete, damage-free, and having accurate documentation*. While retailers often look for a variety of performance attributes, almost all agree that these four are the most critical, and almost all of them include perfect-order criteria in their compliance policies.[9]

Once a company has put its perfect-order metrics in place, it might want to consider creating a perfect-order index. The perfect-order index (POI) is established by multiplying scores for all components of the perfect order.

The traditional approach of looking at each KPI separately often gives organizations a false sense of good performance. For example, a particular customer's orders might have arrived on time 99 percent of the time, but if they were not all complete orders, the customer would still have been dissatisfied. By focusing on a more holistic approach, the retailer can calculate the total effect of a supplier's performance. In the example shown in Figure 6, a supplier has achieved 95-percent performance in each of the four perfect-order attributes. Total performance, however, falls to 81.4 percent when the four attributes are viewed together. Or to put it another way, only 81.4 percent of the orders received were on time, complete, damage-free, and had accurate documentation.

[FIGURE 6] CALCULATING THE PERFECT-ORDER INDEX

The Perfect-Order Index (POI)
% on time x % complete x % damage free x % accurate documentation = POI
95% x 95% x 95% x 95 = 84.1%
A perfect order is characterized as being on time, complete, damage-free, and having accurate documentation. The perfect-order index (POI) is a measure of these four performance attributes. The POI strives to capture the needs of the customers from their perspective and is a better measure of customer satisfaction than order fill rate alone.

One company that has seen the relevance of the perfect-order index is Stage Stores, a specialty department store retailer. One key aspect of Stage Stores' scorecard initiative is a vendor-education program that reinforces the importance of the perfect-order measures and the vendors' responsibility to meet the perfect-order objectives. The company has developed a "vendor set-up" form that informs the supplier of the requirements for effectively conducting business with Stage Stores, including how the supplier will be measured against the perfect-order index, according to Gough Grubs, senior vice president of distribution and logistics.

While the perfect order serves as a good starting point, most companies will find that there are additional aspects of their suppliers' performance that they need to track. Supplier scorecards tend to categorize metrics into the following business attributes, as shown in Figure 7:

- **Partnership or relationship metrics** that seek to track the supplier's alignment with the retailer's objectives, such as their willingness to be cost-competitive and to provide innovative products and solutions. These metrics may also track joint supplier-retailer initiatives, such as joint process improvement, collaborative education and training, and improvements to technology.

- **Customer-facing metrics** that measure the impact of the supplier's performance on the retailer's customers. These metrics may include perfect order, stocking levels, and shelf-level fill rates.
- **Merchandising and supply chain-related metrics** that track the supplier's responsiveness and support of promotions and seasonal events.
- **Compliance metrics** that track how well the supplier is meeting critical performance measures that support the retailer's operations and whether the supplier lives up to agreements and guidelines.

[FIGURE 7] EXAMPLE OF SCORECARD METRICS SPLIT INTO FOUR BUSINESS ATTRIBUTES

Partnership		
Technical Capability Innovation	Total Cost Competitiveness	Strategic Alignment Environment
Customer		
Perfect Order	Safety-Stock Levels Shelf Fill Rates	Out of Stock Customer Satisfaction
Merchandising and Supply Chain		
Supplier Gross Margin Inventory Carrying Cost	In Stock Promo Performance	Lead-Time Response
Compliance		
ASN Accuracy	Early/Late Carton Labeling	Packing Quality

Into the future

Designing a solid scorecard is only one step in a performance measurement effort; effective execution is equally important. A successful scorecarding effort requires continual attention and frequent revision. It also needs attention at the top, not just at the operating level. In other words, to prevent a scorecarding program from becoming just another proposal that was never implemented, retailers must have executive support within their organizations. It is very important, moreover, for the retailer to designate a passionate "champion" who can drive the process and prevent the scorecarding initiative from meeting an early demise. As milestones are reached during the scorecard implementation, it will be important to share this information throughout the retailer's organization to help maintain momentum.

Retailers increasingly are recognizing that a robust scorecard process can provide a clear competitive advantage. An effective scorecard will lead to more strategic supplier relationships, and it will reinforce those processes and attributes that are most important for the retailer. By using a scorecard to measure key supplier metrics, a retailer can align its processes to meet—as well as exceed—its customers' expectations, and thus provide a totally satisfying customer experience. △

Endnotes

1. *The Quiet Revolution in Supplier Management*, Aberdeen Group, 2004.

2. A. De Toni and Guido Nassimbeni, "Buyer-Supplier Operational Practices, Sourcing Policies and Performance: Results of an Empirical Research," *International Journal of Production Research*, vol. 37, no. 3 (1999): pp. 597-619.

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4. *Supplier Performance Management: What Leaders Do Differently*, Aberdeen Group, 2004.

5. Mark Jones, *Managing by Scorecards—Digging Deeper*, Trading Partners Collaboration, March 21, 2006: slide 8.

6. Home Depot Web site: suppliercenter.homedepot.com

7. Retail Compliance Council, Supply Chain Visions, Georgia Southern University, and Compliance Networks, *Benchmarking the Perfect Order: A Comprehensive Analysis of the Perfect Order in the Retail Industry*, 2005.

8. Retail Compliance Council et al: pp. 9-10.

9. Much of this section is adapted from *Benchmarking the Perfect Order: A Comprehensive Analysis of the Perfect Order in the Retail Industry*, a joint report by Retail Compliance Council, Supply Chain Visions, Georgia Southern University, and Compliance Networks.

S. MARK JONES IS THE MANAGING DIRECTOR OF TRADING PARTNERS COLLABORATION. HE IS ALSO RESPONSIBLE FOR LEADERSHIP OF THE RETAIL COMPLIANCE COUNCIL. HE CAN BE REACHED AT MJONES@TPCWW.COM. KATE VITASEK IS MANAGING PARTNER OF THE CONSULTING FIRM SUPPLY CHAIN VISIONS. SHE CAN BE REACHED AT KATE@SCVISIONS.COM.