

Surpassing the coverage of conventional scorecards, QRS Computers’* supplier dashboard highlights financial, dependency, and innovation metrics, providing direction on supply base rationalization efforts and enabling the company to ensure the viability of key suppliers.

A “stoplight” system, using easy-to-decipher, color-coded flags based on predetermined ranges, quickly directs management attention to potential trouble spots.

SUPPLIER RISK SCORECARD

PRACTICE IN BRIEF



- Mounting supplier viability concerns highlight the narrow scope of existing supplier scorecards, prompting a review of metrics monitored.
- Expanding beyond traditional supplier dimensions, QRS Computers broadens its dashboard metrics to provide a comprehensive audit around supplier risk, including financial, dependency, and innovation metrics.
- QRS Computers’ scorecard provides valuable guidance for supply base rationalization decisions and maintaining the “health” of core suppliers.

Supplier Key Performance Metrics

Illustrative

1 Supplier	2 Three-Year Spend	3 Quick Ratio	4 Debt/Equity	5 OPS Cash Flow	6 R&D % Revenue	7 % Sales to QRS	8 % to Top Three Cust.
Company A	\$150 M	1.12	0.9	\$(10) M	12	10	12/10/5
Company B	\$83 M	0.83	1.8	\$(5) M	5	2	40/20/10
Company C	\$26 M	1.15	1.9	\$6 M	4	14	20/19/14
Company D	\$106 M	0.79	1.7	\$(2) M	9	5	5/4/2

= Red; = Yellow; = Green
 R&D as a Percentage of Revenue: Red = < 8%; Yellow = 8–10%; Green = > 10%.
 Cash Flow from Operations: Red = < 0; Green = > 0; No Yellow.
 Quick Ratio: Red = < 1; Yellow = 1–1.2; Green = > 1.2.
 Debt/Equity: Red = > 1.5; Yellow = 1–1.5; Green = < 1.

Multidimensional supplier metrics measure:

- QRS Computers’ dependence on individual suppliers (column 2)
- Supplier’s financial viability (columns 3, 4, and 5)
- Supplier’s innovation pipeline (column 6)
- Supplier’s dependence on key customers, including QRS Computers (columns 7 and 8)

* Pseudonym.

Source: QRS Computers; Procurement Strategy Council research.