

The importance of Supplier performance measurement should not be underestimated. Review the terms below to understand why.

SUPPLIER EVALUATION

The analysis of existing or new suppliers on the basis of key performance indicators such as technical quality, production capacity, delivery, service, cost and managerial capabilities which are included in the spec or statement of work.

SERVICE LEVEL AGREEMENT (SLA)

A common term in services purchasing, an SLA defines the scope of work and sets the expectations and defines the relationship of the buyer and service provider. It typically addresses what the provider is promising, how it will perform, the metrics and means of measurement, the consequences in the event of failure to perform, and any longer-term aspects of the agreement. Commonly used with application service providers.

KEY PERFORMANCE INDICATORS (KPI)

Measurements considered critical to the performance of a business or process, usually calculated and reviewed on a regular basis.

As published by the Institute of Supply Management in their "ISM Glossary of Key Supply Management Terms"