SUPPLIER RISK AND PERFORMANCE MANAGEMENT: BEST PRACTICES FOR KPI CREATION
NEED FOR SUPPLIER RISK AND PERFORMANCE MANAGEMENT

One of the most followed best practices in business is to create a robust process to identify and effectively manage your growing supply chain. A typical supply chain today, includes multiple partners spread across numerous organizations and geographies under different jurisdictions. Third-party relationships have a much more profound and far-reaching impact on the strategy, operations and reputation of an organization.

In the wake of a more-than-ever interconnected world, the potential failure points and levels of risks posed by the third parties, have shown a rapid increase. This may be as simple as non-conformance with on-time delivery of goods that meet the required specifications. Or, it can also be increasing supply chain complexities to the extent that companies remain unaware of who their suppliers were subcontracting to. The number of third parties and suppliers that a large organization works with, can run into tens or hundreds of thousands creating a web of complex relationships. As the business and service requirements become more extensive, combating supplier risks along with monitoring their performance against contract requirements become indispensable.

Robust risk management requires assessing and mitigating both external and internal risks. External risks could be a pandemic, dynamic trade relationships with particular countries, disruptions caused by natural disasters, regulatory changes, the financial status of suppliers, to name a few. On the other hand, internal risks include manufacturing, business, planning, contingency, and cultural risks, among others.
A structured approach to supplier risk management across the supplier sourcing cycle has multiple steps:

A) Identification of current and potential risk sources using breakthrough technologies like AI

B) Assessment of level of risk based on multiple data points and prioritization by probability and impact

C) Ensuring the supplier is meeting the performance criteria, e.g. service levels and quality laid down in the contract

D) Development of a comprehensive view of supplier risk profiles

E) Identification of room for improvement and initiation of corrective actions

F) Diversification of suppliers and the creation of an alternate base

G) Periodic review of risks and identification of changes in supply chain

Therefore it is essential that the buyer monitors and manages the suppliers on an ongoing basis and takes corrective action and/or preventive measures for problems as and when they arise. For example, if a supplier starts faces unstable financial conditions, he will begin to face difficulties in discharging his obligations. If this happens, there is a very high chance that the supplier will start making behind-the-scenes cutbacks irrespective of what may or may not be specified in the contract. This, in turn, affects the supply continuity, tarnishing the brand of the organization concerned. Thus, the key is to take corrective and preventive measures for problems when they are still minor and, therefore, easier to resolve. To take these corrective and preventive measures in time and make provisions for alternative supply mechanisms, the buyer needs some early warning regarding the financial strain faced by the supplier. This can be effectively done by a tool that can monitor the symptoms of financial strain in the form of Key Performance Indicators (KPIs).
There are two different types of KPIs that are used for supplier risk and performance scoring:

1. **KPIs that gather factual (objective) information about Supplier Risk and Performance:**

   This type of information can usually be obtained from users and systems within the organization in the form of management information. It is good practice to be as structured and consistent as possible in the approach to risk assessment and performance monitoring:

   For example:

   - Root cause and Non-conformance incidents
   - Financial health of suppliers
   - Physical location of suppliers and relevant facilities
   - Lead time from order
   - Product Availability
   - Quality standards being met
   - Pricing compliance
   - Mean time between failure
   - Percentage of incoming rejects (delivery accuracy)
   - On-time delivery performance against agreed delivery lead times
   - Payment terms
KPIs that obtain the (subjective) experiences of the buyer while dealing with the Supplier:

Though these too must be as objective as possible, due to human perception involved while measuring experience, these KPIs inevitable are used in real-life situations to capture subjective data:

For example:

- Impact of political events and technology change on suppliers
- Reputational risk posed
- Service Quality (against agreed SLAs)
- Relationship/Account Management
- Customer service response time
- Accessibility and responsiveness of account management

Along with internal users of the organization, supplier contacts should also be invited for evaluating certain KPIs that the suppliers are better equipped to respond to or that require inputs from both sides.

Beside the ones stated above, there are a number of key factors which can be used to assess supplier risk and performances and which can be used as a benchmark for determining whether good practice is being achieved in specific situations.
Good quality Key Performance Indicators (KPIs) should:

- Be Discrete
- Be Easy to Understand
- Provide sufficient data to facilitate swift analysis of the current situation
- Be customizable to your organization’s business requirements
- Be reportable on an individual and aggregate level for transparent decision taking
- Be trackable for all the concerned stakeholders

The Supplier Management team should assess the relative importance of each KPI, assign numerical weighting and agree on scoring guidance. It is also advisable to be aware of the so-called ‘soft’ issues frequently encountered in other contexts. These include considerations such as ethical issues, sustainability issues, professional relationships, cultural fit and innovation.
COMPONENTS OF WORLD-CLASS SUPPLIER RISK AND PERFORMANCE MANAGEMENT SOLUTION

- An enterprise-wide approach to supplier management with a centralized process and database for smarter decisions
- Verification and management of information furnished by both potential as well as operational suppliers
- Customized risk and performance programs consisting of configurable risk assessments and performance scorecards
- A comprehensive view of supplier profiles based on multiple parameters—finance, environment, geography, spend, quality and fulfilment, cyber among others
- Supplier segmentation based on user-defined metrics
- Well-defined processes for mitigating risks through supplier development and contingency plans
- Continuous assessment of supplier risks throughout the lifecycle of suppliers
- A reporting dashboard providing consistent and measurable compliance standards
WHY ZYCUS?

Zycus’ Supplier Risk and Performance Management tool facilitates optimization and improvement of your supplier base with technology-led risk intelligence to identify, manage and monitor multiple risks. The entire process is made effective in the following ways:

- **AI-led supply market intelligence** covering a wide range of risk parameters including natural, financial, geopolitical, operational, legal, regulatory and IT risks
- **Multiple parameters** - external and internal including performance metrics for scoring
- **Holistic supplier profiling** based on risk exposures and performance parameters
- A comprehensive view of risk and performance trends through an integrated dashboard
- **Configurable risk assessment** workflows and supplier scorecards
- **Collaborative development programs** based on risk and performance scores
- **Rapid issue resolution** through Supplier Corrective Action Requests (SCAR)
- Continuous monitoring through alerts and notifications

BEST PRACTICE RECOMMENDATIONS FOR KPI CREATION

Based on the wealth of information derived from Zycus’ knowledge repository, the following content shows the structure of some best practices KPIs and Scorecards that can be created using Zycus’ Supplier Risk and Performance Management solution. It also highlights the tool’s capabilities vis-a-vis the logic of risk profiling and scoring of suppliers that can be configured within the tool.
Below is the snapshot of some basic KPIs recommended by Zycus based actual customer usage patterns:

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>KPI</th>
<th>Questions</th>
<th>Weightage</th>
<th>Formula</th>
<th>KPI targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>On time Delivery (OTD)</td>
<td>Q1- Total no. of orders placed</td>
<td>None</td>
<td>( \frac{(Q2/Q1) \times 100}{100} )</td>
<td>( \leq 89 ) Problem Area</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Q2 - Orders on time</td>
<td>None</td>
<td></td>
<td>( &gt;89 \implies 94 ) Meets the target</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>( &gt;94 ) OverAchieves the target</td>
</tr>
<tr>
<td>2</td>
<td>First Pass Yield or Quality (FPY)</td>
<td>Q1- Quantity received</td>
<td>None</td>
<td>( \frac{(Q2/Q1) \times 100}{100} )</td>
<td>( \leq 89 ) Problem Area</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Q2 - Quantity accepted</td>
<td>None</td>
<td></td>
<td>( &gt;89 \implies 94 ) Meets the target</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>( &gt;94 ) OverAchieves the target</td>
</tr>
<tr>
<td>3</td>
<td>COST</td>
<td>Q1- Competitiveness of price to other suppliers</td>
<td>45</td>
<td>10 - 2.5</td>
<td>Problem Area</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Q2 - Level of customer resources and involvement used to support the supplier</td>
<td>30</td>
<td>3.0 - 3.5</td>
<td>Meets the target</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Q3 - Cost of unplanned trips for customer resources</td>
<td>( % )</td>
<td>KPI Score = Sum of (Question Score/Maximum Question Score * Question Weightage)</td>
<td>4.0 - 5.0 OverAchieves the target</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Q4 - Supplier Creativity - Supplier consistently initiates projects to reduce Total Cost of Ownership (TCD) (examples include cost reduction, process improvement, new efficiencies, or other benefit)</td>
<td>15</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>RESPONSIVENESS</td>
<td>Q1- Responsiveness of Design/technical resources to customer</td>
<td>40</td>
<td>10 - 2.5</td>
<td>Problem Area</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Q2 - Local Business Manager/Delivery Manager facilitates closure of issues, follow-up of action plans, monthly reviews</td>
<td>30</td>
<td>3.0 - 3.5</td>
<td>Meets the target</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Q3 - Account Manager responsiveness to provide SOW, follow-up on financial aspects, answer IQN requests/PO related questions, ownership of SIP plan</td>
<td>30</td>
<td>4.0 - 5.0</td>
<td>OverAchieves the target</td>
</tr>
<tr>
<td>Sr. No.</td>
<td>KPI</td>
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<td>Weightage</td>
<td>Formula</td>
<td>KPI targets</td>
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<tr>
<td>---------</td>
<td>--------------------------</td>
<td>---------------------------------------------------------------------------</td>
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<td>------------------------------------------------------------------------</td>
<td>---------------------------</td>
</tr>
<tr>
<td>5</td>
<td>ASSURANCE OF SUPPLY</td>
<td>Q1 - Consultant attrition on customer projects</td>
<td>15</td>
<td>KPI Score = Sum of (Question Score/Maximum Question Score * Question Weightage)</td>
<td>Problem Area</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Q2 - Impact of attrition to customer project</td>
<td>30</td>
<td></td>
<td>3.0 - 3.5 Meets the target</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Q3 - Ramp Staf?ng to meet requirement for new and/or existing projects</td>
<td>15</td>
<td></td>
<td>4.0 - 5.0 OverAchieves the target</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Q4 - Performance Measure: On time delivery/execution for project milestones (OTD)</td>
<td>30</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Q5 - Export Control Awareness and Compliance</td>
<td>10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>QUALITY</td>
<td>Q1 - Quality of the work/deliverables</td>
<td>70</td>
<td>KPI Score = Sum of (Question Score/Maximum Question Score * Question Weightage)</td>
<td>Problem Area</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Q2- Support of Internal / Customer Audits &amp; Certi?cations</td>
<td>10</td>
<td></td>
<td>3.0 - 3.5 Meets the target</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Q3- Supplier's internal quality processes and relevant Certi?cations</td>
<td>20</td>
<td></td>
<td>4.0 - 5.0 OverAchieves the target</td>
</tr>
</tbody>
</table>

Below is the snapshot of advanced KPIs with conditional scoring logic recommended by Zycus based on actual customer usage.

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>KPI</th>
<th>Questions</th>
<th>Weightage</th>
<th>Conditional Scoring</th>
<th>Formula</th>
<th>KPI targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Quality-Parts Per Million(PPM)</td>
<td>Q1- Ordered Date</td>
<td>None</td>
<td>if calculated PPM is &lt;= 100</td>
<td>100.00</td>
<td>&lt;=60.00 Problem Area</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Q2 - Receipt Date</td>
<td>None</td>
<td>&gt; 100 and &lt;= 25.00</td>
<td>90.00</td>
<td>&gt;=60.00 and &lt;= 85.00 Meets the Target</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Q3 - Total quantity of parts received</td>
<td>None</td>
<td>&gt; 25.00 and &lt;= 50.00</td>
<td>80.00</td>
<td>&gt;85.00 OverAchieves the Target</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>&gt; 50.00 and &lt;= 100.00</td>
<td>60.00</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>&gt; 100.00 and &lt;= 250.00</td>
<td>40.00</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>&gt; 250.00 and &lt;= 500.00</td>
<td>20.00</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>&gt; 500.00</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>Sr. No.</td>
<td>KPI</td>
<td>Questions</td>
<td>Weightage</td>
<td>Conditional Scoring</td>
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<td>---------</td>
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</tr>
<tr>
<td></td>
<td></td>
<td>Q1 - When was the supplier onboarded?</td>
<td>None</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Q2 - Does the supplier conduct regular financial audit and has financial certifications? Explain</td>
<td>None</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Q3 - What is the total % of staff trained in critical risk management techniques?</td>
<td>None</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Q4 - Are risk management plans in place?</td>
<td>None</td>
<td>Choice</td>
<td>Yes 0.00</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>No</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Q5 - Is the supplier ISO certified?</td>
<td>None</td>
<td>Choice</td>
<td>Yes 0.00</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>No</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Q6 - What date did supplier last revise its risk plan?</td>
<td>None</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Operational Risk</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Q1 - Is the supplier located in an area prone to catastrophic events (Flood, Earthquake)</td>
<td>None</td>
<td>Choice</td>
<td>Yes 0.00</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>No</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Q2 - If Yes, then are there any past events which has caused disruption to supply chain process?</td>
<td>None</td>
<td>Choice</td>
<td>Yes 0.00</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>No</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Q3 - What is the probability of any such event happening in the future?</td>
<td>None</td>
<td>Choice</td>
<td>High 80.00</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Medium</td>
<td>90.00</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Low</td>
<td>100.00</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Q4 - Does the supplier have a mitigation plan in place to avoid any inconvenience due to occurrence of such events?</td>
<td>None</td>
<td>Choice</td>
<td>Yes 10.00</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td>KPI targets</td>
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<td>--------</td>
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<td>---------------------------------------------------------------------------</td>
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<td>--------------------</td>
</tr>
<tr>
<td>4</td>
<td>Transparency and Ethics</td>
<td>Q1 - Does the Supplier achieves SMETA 4 Pillars compliance ?</td>
<td>None</td>
<td>Choice</td>
<td>Value</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Yes</td>
<td>4.00</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>No</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Q2 - Does the Supplier support Supplier Diversity Program via enrolment in the Global Supplier Diversity Portal ?</td>
<td>None</td>
<td>Choice</td>
<td>Value</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Yes</td>
<td>2.00</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>No</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Q3 - Does the Supplier actively engage with and sources from diverse suppliers ?</td>
<td>None</td>
<td>Choice</td>
<td>Value</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Yes</td>
<td>2.00</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>No</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Q4 - Has the Supplier developed and executed an environmental sustainability system to assess environmental aspects and impacts, and proactively takes action to improve environmental impacts year over year ?</td>
<td>None</td>
<td>Choice</td>
<td>Value</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Yes</td>
<td>4.00</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Q5 - Attach the Environment Sustainability Plan, with a brief description in the text box below.</td>
<td>None</td>
<td>No</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Q6 - Does the Supplier demonstrate consistency between words and actions, and conducts business activities with the appropriate personnel and functional departments ?</td>
<td>None</td>
<td>Choice</td>
<td>Value</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Yes</td>
<td>4.00</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>No</td>
<td>0.00</td>
<td></td>
</tr>
</tbody>
</table>

Q3 = Q1 + Q2 + Q3 + Q4 + Q6

\[
\text{Formula} = \frac{(Q3+Q2+Q3+Q4+Q6)}{5}
\]

- **Problem Area**: <= 50.00
- **Meets the Target**: >50.00 and <= 75.00
- **OverAchieves the Target**: >75.00
<table>
<thead>
<tr>
<th>Sr. No.</th>
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<th>KPI targets</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Q1 - Please select the organization type</td>
<td>None</td>
<td>Choice</td>
<td>Value</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Public</td>
<td>95.00</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Private</td>
<td>85.00</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Partnership</td>
<td>75.00</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Individual Entrepreneur</td>
<td>65.00</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Financial Risk</td>
<td>Q2 - Do the company have bankruptcy indicator</td>
<td>None</td>
<td>Choice</td>
<td>Value</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Yes</td>
<td>95.00</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>No</td>
<td>65.00</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Q3 - Please confirm if the organization can deliver goods with bankruptcy indicator</td>
<td>None</td>
<td>Choice</td>
<td>Value</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Yes</td>
<td>95.00</td>
<td></td>
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<td>No</td>
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<td>Q4 - Do the company have lawsuits filed against it due to financial exposure</td>
<td>None</td>
<td>Choice</td>
<td>Value</td>
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<td>Q5 - What is the credit rating of the company</td>
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<td>Value</td>
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<td>C-</td>
<td>60.00</td>
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<tr>
<td></td>
<td></td>
<td>(Q1+Q2+Q3+Q4+Q5)/5</td>
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<td>Meets the Target</td>
</tr>
<tr>
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<td>Problem Area</td>
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<td>OverAchieves the Target</td>
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<td>Sr. No.</td>
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<td>Weightage</td>
<td>Conditional Scoring</td>
<td>Formula</td>
<td>KPI targets</td>
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</tr>
<tr>
<td>6</td>
<td>Innovation and Design</td>
<td>Q1 - Does the Supplier proactively identifies and presents at least two new opportunities (process or product) for innovation.</td>
<td>None</td>
<td>Choice Value</td>
<td>(Q1+Q2+Q3)/3</td>
<td>≦ 75.00 Problem Area</td>
</tr>
<tr>
<td></td>
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<td>Q2 - Number of Innovation Ideas Presented by the Supplier?</td>
<td>None</td>
<td>Choice Value</td>
<td>0 20.00 1 40.00 2 60.00 More than 2 95.00</td>
<td>≦ 75.00 and ≦ 90.00 Meets the Target</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Q3 - Has atleast one of the identified innovation ideas been fully approved and implemented and/or in progress of implementation in 2013?</td>
<td>None</td>
<td>Choice Value</td>
<td>Yes 95.00 In Progress 80.00 No 60.00</td>
<td>≦ 90.00 OverAchieves the Target</td>
</tr>
<tr>
<td>7</td>
<td>IT Risk Assessment</td>
<td>Q1 - Are the supplier data centers SSAE 16 SOC 2 Type certified?</td>
<td>None</td>
<td>Choice Value</td>
<td>Yes 100.00 No 0.00</td>
<td>≦ 30.00 Problem Area</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Q2 - What is the total % of staff trained in critical risk management techniques?</td>
<td>None</td>
<td>Choice Value</td>
<td>Yes 100.00 No 0.00</td>
<td>≦ 30.00 and ≦ 75.00 Meets the Target</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Q3 - Does the supplier have Business Continuity and Disaster Recovery process in place?</td>
<td>None</td>
<td>Choice Value</td>
<td>Yes 100.00 No 0.00</td>
<td>≦ 75.00 OverAchieves the Target</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Q4 - What is the total cycle time (in hours) from discovery of a control deficiency to risk acceptance decision?</td>
<td>None</td>
<td>If response is Then Value</td>
<td>≦ 24.00 24.00 and ≦ 48.00 &gt;48.00 0.00</td>
<td>≦ 75.00 OverAchieves the Target</td>
</tr>
<tr>
<td>Sr. No</td>
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<td>Questions</td>
<td>Weightage</td>
<td>Conditional Scoring</td>
<td>Formula</td>
<td>KPI targets</td>
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<td>-------------</td>
</tr>
<tr>
<td>8</td>
<td>Service Quality</td>
<td>Q1 - Does the supplier determine the root cause of the problem?</td>
<td>None</td>
<td>Choice</td>
<td>Value</td>
<td>&lt;= 75.00</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Often</td>
<td>100.00</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Sometimes</td>
<td>66.00</td>
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</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Rarely</td>
<td>33.00</td>
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<td>Never</td>
<td>0.00</td>
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<tr>
<td></td>
<td></td>
<td>Q2 - Does the supplier take appropriate corrective actions?</td>
<td>None</td>
<td>Choice</td>
<td>Value</td>
<td>&gt;75.00 and &lt;= 90.00</td>
</tr>
<tr>
<td></td>
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<td></td>
<td>Yes</td>
<td>100.00</td>
<td></td>
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<td></td>
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<td></td>
<td>No</td>
<td>25.00</td>
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<tr>
<td></td>
<td></td>
<td>Q3 - Does the supplier take appropriate preventive actions?</td>
<td>None</td>
<td>Choice</td>
<td>Value</td>
<td>&gt;90.00</td>
</tr>
<tr>
<td></td>
<td></td>
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<td>Yes</td>
<td>100.00</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>No</td>
<td>25.00</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Q4 - Does the supplier respond to the CAPA form in detail?</td>
<td>None</td>
<td>Choice</td>
<td>Value</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
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<td>100.00</td>
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<td></td>
<td>No</td>
<td>25.00</td>
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<tr>
<td></td>
<td></td>
<td>Q5 - Does the supplier provide support 24x7?</td>
<td>None</td>
<td>Choice</td>
<td>Value</td>
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<td></td>
<td></td>
<td></td>
<td></td>
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<td>100.00</td>
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<td></td>
<td></td>
<td>No</td>
<td>25.00</td>
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</tbody>
</table>

8 - Service Quality

Formula:
\[
\frac{\sum(Q1+Q2+Q3+Q4+Q5)}{5}
\]

KPI targets:
- <= 75.00: Problem Area
- >75.00 and <= 90.00: Meets the Target
- >90.00: OverAchieves the Target
Below is the snapshot of some scorecards recommended by Zycus leveraging the KPIs listed above. Supplier Relationship Managers and Procurement professionals can use some or all of the below mentioned scorecards depending on their needs.

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Scorecard</th>
<th>KPI's in the scorecard</th>
<th>Weightage</th>
<th>Formula</th>
<th>Scorecard targets</th>
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<tbody>
<tr>
<td>1</td>
<td>OTD, FPY &amp; SER</td>
<td>SER</td>
<td>20</td>
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<td>&lt;= 89: Problem Area</td>
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<tr>
<td></td>
<td></td>
<td>On Time Delivery</td>
<td>40</td>
<td></td>
<td>&gt;89 &lt;= 94: Meets the target</td>
</tr>
<tr>
<td></td>
<td></td>
<td>First Pass Yield</td>
<td>40</td>
<td></td>
<td>&gt;94: OverAchieves the target</td>
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<tr>
<td>2</td>
<td>Risk Scorecard</td>
<td>Catastrophic Risk</td>
<td>20</td>
<td>(0.2<em>KPI1)+(0.4</em>KPI2)+(0.2<em>KPI3)+(0.2</em>KPI4)</td>
<td>&lt;= 89: Problem Area</td>
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<tr>
<td></td>
<td></td>
<td>Financial Risk</td>
<td>40</td>
<td></td>
<td>&gt;89 &lt;= 94: Meets the target</td>
</tr>
<tr>
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<td></td>
<td>Operational Risk</td>
<td>20</td>
<td></td>
<td>&gt;94: OverAchieves the target</td>
</tr>
<tr>
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<td></td>
<td>IT Security Risk</td>
<td>20</td>
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<tr>
<td>3</td>
<td>Service Compliance</td>
<td>Customer Service - Complaints and Resolution</td>
<td>50</td>
<td>(0.5<em>KPI1)+(0.25</em>KPI2)+(0.25*KPI3)</td>
<td>&lt;= 63: Problem Area</td>
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<tr>
<td></td>
<td></td>
<td>Responsiveness</td>
<td>25</td>
<td></td>
<td>&gt;63 &lt;= 81: Meets the target</td>
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<td></td>
<td>Service Quality</td>
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<td></td>
<td>&gt;81: OverAchieves the target</td>
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<tr>
<td>4</td>
<td>Ethics and Principle Compliance</td>
<td>Transparency and Ethics</td>
<td>50</td>
<td>(0.5<em>KPI1)+(0.5</em>KPI2)</td>
<td>&lt;= 63: Problem Area</td>
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<tr>
<td></td>
<td></td>
<td>Labor Ethics</td>
<td>50</td>
<td></td>
<td>&gt;63 &lt;= 81: Meets the target</td>
</tr>
<tr>
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<td></td>
<td></td>
<td>&gt;81: OverAchieves the target</td>
</tr>
<tr>
<td>5</td>
<td>Innovation and Cost Reduction</td>
<td>Innovation and Design</td>
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<td>(0.4<em>KPI1)+(0.6</em>KPI2)</td>
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<tr>
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<td>&gt;94: OverAchieves the target</td>
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<td>IT Security Risk</td>
<td>10</td>
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<tr>
<td></td>
<td></td>
<td>Customer Service - Complaints and Resolution</td>
<td>5</td>
<td>(0.2<em>KPI1)+(0.25</em>KPI2)+(0.25<em>KPI3)+(0.25</em>KPI4)+(0.25<em>KPI5)+(0.25</em>KPI6)</td>
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<tr>
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<td>Responsiveness</td>
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<td>Transparency and Ethics</td>
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<td>Labor Ethics</td>
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<td></td>
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<td>First Pass Yield</td>
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</table>
Zycus is a leading global provider of A.I. powered Source-to-Pay suite of procurement performance solutions. Our comprehensive product portfolio includes applications for both strategic and operational aspects of procurement—eProcurement, eInvoicing, Spend Analysis, eSourcing, Contract Management, Supplier Management, Financial Savings Management, Project Management, Request Management and Merlin A.I. Suite. The Merlin A.I. Suite is a unique platform consisting of pre-packaged intelligent BOTs to automate run-of-the-mill procurement and A.P. tasks with smart, predictive suggestions.

Our spirit of innovation and our passion for helping procurement create greater business impact are reflected among the hundreds of procurement solution deployments that we have undertaken over the years. We are proud to have as our clients, some of the best-of-breed companies across verticals like Manufacturing, Automotives, Banking and Finance, Oil and Gas, Food Processing, Electronics, Telecommunications, Chemicals, Health and Pharma, Education and more.