

Idea Evaluation: Systematic Selection and Prioritisation of Improvement Ideas in Procurement

Idea evaluation refers to the structured process by which companies review, compare and prioritise proposals for process, cost or supplier optimisation against uniform criteria. In procurement, it serves to select the most economically and strategically sensible approaches from a large number of improvement ideas. Professional idea evaluation combines quantitative metrics such as savings potential with qualitative aspects such as feasibility, risk profile and implementation timeframe.

Key facts

- Idea evaluation reviews improvement proposals against uniform, pre-defined criteria such as benefit, effort, risk and strategic fit.
- In procurement, it typically concerns cost reduction, supplier consolidation, process automation and sustainability measures.
- Established methods include utility value analysis, portfolio matrix, cost–benefit analysis and simple scoring models.
- The key criteria in practice are savings potential, time to market, implementation effort, supplier risk and impact on results.
- A transparent evaluation process strengthens acceptance of innovation incentive schemes and promotes idea participation by employees and suppliers.

Definition: idea evaluation

Idea evaluation is the systematic process of reviewing, weighting and ranking improvement ideas against pre-defined criteria. It is part of idea management and ensures that limited resources flow into the proposals with the greatest benefit.

Distinction from idea management

Idea management covers the entire cycle from idea generation through evaluation to implementation and reward. Idea evaluation is the central filtering stage in this process: it decides which proposals are pursued further, which are revised and which are rejected. Without reliable evaluation, two typical errors threaten: resources are invested in uneconomic projects, or good proposals languish because nobody prioritises them. In procurement, it must also be borne in mind that many ideas are supplier- and contract-related and therefore touch on interfaces with terms management, framework agreement maintenance and cost of poor quality (COPQ). The evaluation should therefore always also check whether an idea can be secured contractually and which warranty claims or framework conditions of existing agreements are affected.

Subject of evaluation in procurement

The subject matter of idea evaluation in procurement includes, among other things, proposals for material substitution, supplier consolidation, pooling of requirements via a framework order, automation of ordering processes and risk mitigation in the supply chain. Ideas from the supplier environment also belong here, for instance process improvements that a supplier contributes at a supplier day or in joint development projects. It is important that the evaluation criteria capture both short-term cost effects and strategic impacts, such as shortened time to market, reduced supplier failure risks or improved sustainability performance along the supply chain.

Objectives and benefits of idea evaluation

The main objective of idea evaluation is objective, comprehensible prioritisation under scarce resources. It creates transparency about which proposals make the greatest contribution to cost reduction, risk mitigation and competitiveness, and documents the decision rationally rather than politically.

Focus on scarce resources

Procurement departments typically work with limited staff capacity, while the number of potential projects far exceeds implementation capacity. A structured idea evaluation prevents visible or loud projects from being preferred even though unobtrusive proposals offer greater savings potential. In practice, strict prioritisation often noticeably shortens the lead time from idea to implementation because parallel sub-projects are reduced. It also enables realistic capacity planning: the evaluated project list is reconciled with available resources, similar to rough cut capacity planning (RCCP) in production planning.

Objectivity and acceptance

A transparent evaluation system removes arbitrariness from the decision and increases acceptance among idea providers, even if a proposal is rejected. Anyone who knows the criteria applied will in future provide better justifications and more relevant ideas. This is particularly important for innovation incentive schemes: bonuses and incentive payments are only effective if the evaluation is fair and comprehensible. Otherwise the submission rate falls quickly. A properly documented evaluation process also protects against the accusation of arbitrary selection and creates a basis for the procurement cost centre reporting, in which realised savings can be transparently allocated.

Methods and procedure in idea evaluation

Proven procedure models work with multi-stage filters: rough screening, detailed evaluation and prioritisation. Depending on criticality, simple scoring models, utility value analyses or profitability calculations are used.

Building a criteria catalogue

The starting point is a company-specific catalogue of criteria. Typical main criteria are economic viability (savings potential, payback period), feasibility (effort, system support, personnel resources), strategic fit, risk impact (supplier failure, dependencies) as well as compliance and sustainability. Each criterion is assigned a scale, frequently 1 to 10, and a weight reflecting company priorities. It is important to agree the weighting with the stakeholders and to make it binding for all users. A practice-proven approach is limited to four to six main criteria; too many criteria make the evaluation unwieldy and suggest a level of precision that the data frequently cannot support.

Utility value analysis and scoring

The utility value analysis multiplies the score for each criterion by its weight and sums the results into an overall utility value. This method is well suited to qualitative and partly emotional questions, such as choosing between process alternatives or supplier solutions. For ideas with a clearly monetary character, the utility value analysis combines well with a cost–benefit analysis. In practice, a two-stage approach has proven effective: a quick rough screening with a few exclusion criteria filters out unsuitable or duplicate proposals; the remaining ideas are then evaluated in detail. This prevents the detailed analysis from being overloaded with marginal proposals.

Portfolio matrix and prioritisation

Many companies transfer the results into a two-dimensional matrix, frequently with the axes benefit and implementation effort. Ideas with high benefit and low effort are implemented with priority, while demanding projects with high benefit are transferred into the planning of medium-term roadmaps. In addition, classification by maturity level has proven effective: mature ideas with a validated business case go straight into implementation, early-stage concepts into a pilot or proof of concept. The prioritised list should be updated regularly, e.g. quarterly, as savings potentials and risk situations change, for example with a rising procurement price inflation rate or changed sourcing markets.

Idea evaluation in interplay with suppliers and processes

Many ideas do not originate internally but from dialogue with suppliers or from process data. The evaluation must therefore also include supplier-related aspects such as dependencies, contractual situation and sustainability risks.

Supplier involvement and supplier day

Suppliers often know their processes and material limits better than the purchasing company. Formats such as a supplier day, structured supplier workshops or innovation workshops with strategic partners therefore deliver particularly practice-oriented proposals. When evaluating such ideas, it must be checked whether the proposed solution is available exclusively from the proposing supplier or whether alternatives exist, in order to avoid lock-in effects. The question of whether a framework order or framework agreement already exists that would need to be amended also belongs in the evaluation. In a global context, it should be noted that logistical constellations, such as Incoterms CFR or DDP, can significantly influence the actual benefit of an idea.

Risk and compliance review

Every idea with an impact on the supply chain should undergo a risk and compliance review. This includes supplier failure scenarios, single-source dependencies, but also regulatory aspects such as the Supply Chain Due Diligence Act. Ideas that rely on new sourcing routes or locations must be checked for child labour risk assessment, working conditions and environmental standards. It has proven effective to extend the evaluation scales with a risk criterion that combines supplier failure probability and regulatory exposure. In this way, proposals that reduce costs in the short term but increase supply or reputational risks in the long term are made visible and weighted accordingly. The results ideally feed into the supplier segmentation matrix.

Digitisation of the evaluation process

In modern digital supply chain environments, idea intake, evaluation and tracking can be mapped digitally. Tools range from simple spreadsheets to specialised innovation and workflow platforms. Digital

processes offer three advantages: they reduce the processing time per idea, they make the status visible to idea providers and they generate data for analyses, for example on the distribution of savings by category or cost centre. In addition, systems can automatically match ideas against existing data, for example with projects from past tender processes or with capacity data from capacity planning, and thus identify duplicate proposals. However, the human being remains responsible for the final decision; automation supports but does not replace expert judgement.

Key KPIs for steering idea management

Metrics make the success of the idea evaluation process measurable. They show whether a sufficient number of high-quality proposals are coming in and how efficiently they are implemented.

Quantitative KPIs

The key quantitative metrics are the number of submitted, evaluated and implemented ideas, the realised savings in euro or as a percentage of procurement volume, and the lead time from receipt to decision. A realised saving should not be confused with a planned saving: only the evidence via the procurement cost centre reporting makes the effect robust. Also useful are the implementation rate (proportion of implemented ideas among evaluated ones) and the return on investment forecast per implemented project. In practice, more mature organisations aim for the majority of submitted proposals to receive a decision within a defined period, frequently between four and twelve weeks. Long waiting times are the most common reason for declining idea numbers.

Qualitative KPIs

Alongside figures, qualitative KPIs capture the impact of the process. These include the idea submission rate by department, the satisfaction of idea providers with the process, the share of ideas from suppliers or external partners, and the distribution of ideas across categories such as cost reduction, quality, supply chain and sustainability. A high share of ideas from a single department may indicate friction losses in other areas. The share of supplier ideas is a good indicator of the quality of the partnership and is frequently the result of formats such as a supplier day or joint optimisation workshops. Linking ideas to cost of poor quality (COPQ) also provides valuable insights into the improvement impact.

Risks and controls in idea evaluation

Despite a structured approach, typical pitfalls remain: evaluation biases, over-ambitious savings forecasts and inadequate follow-up. Controls should systematically address these risks.

Typical evaluation errors

Common biases are the anchoring effect (initial figures shape later evaluations), the optimism bias in savings forecasts and the preference for ideas from one's own organisation or department. To counter this, evaluations should be carried out in a team, the criteria should be defined in advance and the assessments should be recorded independently of one another before the result is discussed. It is also important to calculate savings conservatively and sustainably: a reduction in the procurement price inflation rate compared with the previous year's forecast is not identical to a real cost reduction against the baseline price. Anyone who separates these cleanly avoids later pressure to justify.

Control mechanisms and follow-up

Controls begin with documentation: every evaluation should comprehensibly record the criteria,

weighting, rationale and decision-makers. A review or approval committee with participation from procurement, engineering, quality and controlling reduces one-sided evaluations. After implementation, an effectiveness verification is required: was the planned saving achieved, what side effects occurred? Regular reviews, e.g. every six months, ensure that implemented ideas are not undermined again by new processes or contract changes. For ideas with a contractual connection, it must be checked whether terms management or framework agreement maintenance correctly reflects the agreed adjustments. Reconciliation with the statement matching process (AP) also helps to evidence realised effects in the payment transactions.

Current developments and trends

Idea evaluation is being further professionalised through digitisation, AI-supported data analysis and stronger sustainability requirements. The role of suppliers as idea providers is also gaining in importance.

AI-supported pre-evaluation

Modern approaches use data analytics and AI to pre-evaluate incoming proposals: systems detect duplicates, estimate savings potential on the basis of historical price and volume data, and derive initial feasibility indications from master data. In practice, this reduces the manual screening effort and speeds up feedback to idea providers. AI-supported tools also help to identify patterns in ideas, for example that similar optimisation potentials are identified in several plants. This enables company-wide prioritisation rather than locally optimised prioritisation. Limitations remain with strategic or strongly context-dependent ideas, which require human expert judgement.

Sustainability and resilience as evaluation criteria

Regulatory requirements such as the Supply Chain Due Diligence Act increase the importance of sustainability and risk criteria in idea evaluation. Proposals to reduce supply chain risks, such as reshoring or diversification of sources of supply, now compete directly with classic cost reduction ideas. Companies are therefore extending their evaluation scales with ecological and social criteria, such as CO impact, child labour risk assessment or transport intensity. This development is also changing the utility value analysis: the classic, primarily monetary concept of benefit is being extended by a degree of multidimensionality. Ideas that previously failed on short-term payback gain weight when they reduce compliance risks or strengthen the resilience of the supply chain.

Typical metrics

Lead time from idea to decision: typically 4–12 weeks

Long waiting times are the most common reason for declining submission rates.

Implementation rate of evaluated ideas: typically 20–40 %

Proportion of evaluated proposals that are taken forward for implementation.

Realised savings: evidenced via cost centre reporting

Separation of planned and evidenced savings against a defined baseline is crucial.

Share of supplier ideas: typically 10–25 %

Indicator of the quality of the supplier partnership and innovation dialogue.

Practical example

A mid-sized mechanical engineering company with around 400 employees introduced a structured idea evaluation process after analysing rising material costs. Buyers, design engineering and suitable suppliers were involved via an online form. Within six months, more than 90 proposals were submitted, of which 23 proceeded to implementation after a two-stage screening and utility value analysis. These included the consolidation of standard parts in a framework order, the consolidation of sheet metal suppliers, and a joint optimisation with a supplier that had been initiated at a supplier day. The realised savings were evidenced via the procurement cost centre reporting and returned to the idea providers through an innovation incentive scheme.

- Introduction of a digital idea portal with defined rating scales for benefit, effort and risk
- Quarterly review committee comprising procurement, engineering and controlling for prioritisation
- Reconciliation of evaluation results with the supplier segmentation matrix and existing framework agreements
- Evidence of realised savings via the procurement cost centre reporting as the basis for bonuses

Conclusion

Idea evaluation is the heart of effective idea management in procurement. It decides whether many proposals become measurable results or whether potential remains unused. A lean criteria catalogue, a transparent utility value analysis and a properly documented prioritisation process form the foundation. Supplemented by risk, compliance and sustainability criteria, the evaluation becomes a steering instrument that promotes cost reduction, resilience and supplier innovation in equal measure. Companies that consistently digitise the process and regularly review its effectiveness create a lasting culture of improvement across the entire supply chain.

Frequently asked questions

What is idea evaluation?

Idea evaluation is the systematic process by which companies review and prioritise improvement proposals against uniform criteria such as benefit, effort, risk and strategic fit. In procurement it is used to select the most economically sensible ideas from a large pool. Established methods include utility value analysis, portfolio matrix and cost–benefit analysis.

Which criteria belong in an idea evaluation?

Typical criteria are savings potential, implementation effort, strategic fit, risk impact on the supply chain, and compliance and sustainability aspects. Each criterion is assigned a scale and a weight. In practice, four to six main criteria prove effective; too many criteria make the evaluation unwieldy.

How does idea evaluation work in procurement?

A proven approach is a multi-stage process: a rough screening filters out unsuitable or duplicate proposals, the remaining ideas are assessed using scoring or utility value analysis and converted into a priority list. A review committee comprising procurement, engineering and controlling decides on implementation. The realised effects are then verified.

How are savings from ideas measured?

Realised savings should ideally be evidenced via the procurement cost centre reporting or by

reconciliation with the statement matching process (AP). It is important to distinguish between planned savings and savings proven against a defined baseline. Only robust evidence forms the basis for innovation incentive schemes.

What role do suppliers play in idea evaluation?

Suppliers contribute practice-oriented proposals because they know their own processes and material limits. Formats such as a supplier day or joint optimisation workshops encourage the exchange of ideas. During evaluation it must be checked whether a solution is available only from the proposing supplier, in order to avoid lock-in effects.

Which KPIs are suitable for idea management?

Key KPIs are the number of submitted, evaluated and implemented ideas, the realised savings, the lead time from receipt to decision and the implementation rate. In addition, qualitative metrics such as the share of supplier ideas or the satisfaction of idea providers provide valuable indications of process quality.