

Supplier Development Plan: developing suppliers in a targeted way and increasing performance

A Supplier Development Plan is a structured programme of measures with which companies systematically improve the performance of strategic suppliers. It defines objectives, milestones, responsibilities and key figures for collaboration over defined time periods. This turns supplier development from isolated actions into a plannable, measurable procurement process.

Key facts

- A Supplier Development Plan translates the results of supplier evaluations into concrete improvement measures with a timetable and responsibilities.
- Typically, supplier development concentrates on a few strategically important suppliers, frequently selected using the Kraljic matrix.
- Core fields are quality, on-time delivery, costs, capacity, sustainability and technological competence.
- Success is measured using KPIs such as on-time delivery, complaint rate or qualification level and reviewed regularly in the annual review meeting.
- In practice, the plan runs over twelve to twenty-four months with quarterly or semi-annual reviews.
- The plan is a prerequisite for higher supplier status levels, long-term frame agreements and early involvement in innovation projects.

Definition: Supplier Development Plan

The Supplier Development Plan is a documented, time-limited development programme for an individual supplier or a group of suppliers. It is based on a systematic analysis of performance gaps and bindingly defines objectives, measures, resources and success indicators.

Distinction from supplier evaluation

Supplier evaluation describes the current state using key figures such as on-time delivery or complaint rate. The Supplier Development Plan goes one step further: it derives concrete improvement measures from the evaluation results and anchors them with deadlines and responsible parties. Evaluation and plan together form a control loop.

Strategic anchoring in procurement

Supplier development is an instrument of strategic sourcing and should be derived from the segmentation of the supplier portfolio. In practice, the Kraljic matrix is a suitable tool for deciding for which suppliers a development plan is worthwhile: above all strategic partners with a high share of value and high supply criticality. For standard C-parts, simple scorecard reviews are usually sufficient.

Objectives and use cases of the Supplier Development Plan

A development plan rarely pursues only one objective. Frequently, quality problems, capacity bottlenecks, cost items and sustainability requirements are addressed at the same time. The objectives should be formulated so that they are measurable and achievable within the plan period.

Quality and process stability

A common trigger is recurring complaints, sorting actions or unstable processes at the supplier. The plan then defines measures such as 8D reports, process capability analyses, audits or the binding identification of special characteristics. Especially in volume production, the control of safety-relevant characteristics is often a contractual requirement.

Delivery capability and capacity

Partial deliveries and remaining quantities burden production and planning. A development plan addresses causes such as a lack of capacity planning, an unstable upstream supply chain or unclear call-off processes. Measures range from joint capacity forecasts and safety stock agreements to improving planning with upstream suppliers.

Costs and innovation

A joint cost driver analysis can identify savings potential that both parties share. In addition, the plan can promote the supplier's early involvement in innovation management in procurement, for example via a Joint Business Plan (JBP) that defines technology roadmaps and joint development projects.

Methods and practical approach

A four-step approach has proven effective: analysis, objective setting, implementation and review. What matters is that both sides regard the plan as a joint project and not as a one-sided dictate from procurement.

Supplier selection and as-is analysis

The starting point is a reliable data basis from spend analytics, quality data and logistics metrics. In addition, audit reports, risk heatmap assessments and supplier benchmarks provide indications of where the supplier stands compared with peers. The analysis should be validated jointly with the supplier in order to create acceptance for the measures.

Action planning and workshop format

In practice, a joint kick-off workshop has proven its worth, at which measures are recorded in an action plan with owners, deadlines and target values. Typical elements are process audits, joint value analyses, training, staff qualification and the harmonisation of interfaces in catalogue management or in the call-off processes.

Reviews and governance

The plan needs firm governance: quarterly or semi-annual reviews with status, KPI discussion and adjustments if necessary. Closure or roll-over usually takes place in the annual review meeting with the supplier, which also covers strategic topics such as capacity expansion or the supplier's technology scouting.

Important KPIs for the Supplier Development Plan

Without measurable metrics, supplier development falls short of its promise. The KPIs should be derived directly from the plan's objectives and be available to both sides.

Quality and delivery metrics

Key figures are on-time delivery, the complaint rate measured in PPM, the first-approval rate and adherence to deadlines for sample parts. In practice, on-time delivery rates above 98 per cent and PPM values in the low three-digit range are considered benchmarks for mature volume-production suppliers, depending on the industry and part criticality.

Progress and soft factors

In addition to hard KPIs, progress indicators such as the degree of completed measures, audit scores or the qualification level of the supplier's staff have proven effective. Response time to enquiries and changes can also serve as a measure objective. What matters is a small, stable number of metrics that are genuinely discussed in the review.

Economic assessment

The effort involved in development measures – travel, audits, engineering days – should be weighed against the benefit: avoided scrap costs, reduced expedited freight costs in the event of partial delivery, savings from value analysis. This allows the programme to be justified and prioritised internally.

Risks, controls and legal aspects

Supplier development touches on confidential company data, collaboration between technical and purchasing teams and compliance-relevant topics. Clear rules protect both sides.

Confidentiality and protection of know-how

Helping the supplier to improve processes gives insights into one's own requirements and technologies. Before deep collaboration, there should be an agreement with a defined confidentiality level specifying which information may be used and disclosed. For development services, exploitation rights and ownership issues must additionally be clarified – with legal review in individual cases.

Dependency and compliance risks

Close development partnerships can create dependencies. The plan should therefore be accompanied by ongoing risk monitoring, for example via a risk heatmap covering finances, capacity and the upstream supply chain. Compliance topics such as child labour risk assessment under supply chain due diligence obligations also form part of the review scope for relevant suppliers.

Contractual anchoring

Objectives and measures should be secured not only on paper in the plan but also contractually: as an annex to the frame agreement or in a separate agreement. For international suppliers, it is worth clarifying applicable law including a jurisdiction clause; for physical collaboration, the agreed Incoterms apply, such as FOB or CPT.

Current developments: digitalisation and sustainability

Supplier development is increasingly digitally supported and extended to include sustainability and resilience topics. The plan thus becomes the central steering instrument for strategic supplier relationships.

Digital supplier portals and dashboards

Supplier portals, inventory health dashboards and automated scorecards shorten feedback cycles and make reviews data-driven. Instead of quarterly manual evaluations, deviations become visible on an ongoing basis. This increases acceptance because discussions are based on shared figures.

Sustainability and resilience as development fields

Carbon footprinting, recyclability issues and supply chain due diligence obligations are increasingly finding their way into development plans. Resilience – for example dual sourcing or transparency in the upstream supply chain – is also frequently becoming a plan objective. The Supplier Development Plan thus links classical quality development with sustainability management.

Role development in procurement

In larger procurement organisations, a dedicated supplier development engineer role often emerges at the interface of procurement and quality. A procurement skills matrix helps to systematically build up the required capabilities – process auditing, value analysis, project management.

Typical metrics

On-time delivery: > 98%

Typical benchmark for mature volume-production suppliers; industry-dependent

Complaint rate (PPM): < 500 PPM

Benchmark; significantly stricter for safety-critical parts

Measure completion: > 90% on schedule

Share of completed measures by the review date

First-approval rate: > 95%

Share of error-free first sample and production parts

Practical example

A mid-sized mechanical engineering company was repeatedly experiencing partial deliveries from a strategic supplier of welded assemblies as well as a rising complaint rate. Instead of switching suppliers, procurement and quality agreed a twelve-month Supplier Development Plan with joint workshops on site.

- Joint cost driver analysis and process audit in the supplier's manufacturing operations
- Binding identification and inspection of special characteristics with process capability evidence
- Weekly capacity reconciliation and a defined escalation route in the event of imminent partial deliveries/remaining quantities
- Quarterly review of KPIs, closure and roll-over in the annual review meeting

Conclusion

A Supplier Development Plan makes supplier development measurable, binding and jointly shapeable. It links data from evaluation and spend analytics with concrete measures, clear responsibilities and regular reviews. It succeeds above all when both sides see genuine benefit – for example through shared savings, more stable processes and better planning certainty. The prerequisites are clean supplier segmentation, realistic objectives and contractual clarity on confidential matters. Those who practise supplier development in this way durably strengthen security of supply and competitiveness.

Frequently asked questions

What is a Supplier Development Plan?

A Supplier Development Plan is a structured programme of measures for systematically improving a supplier's performance. It bindingly defines objectives, measures, deadlines, responsibilities and key figures. Typically, it is agreed with strategically important suppliers over twelve to twenty-four months.

Which suppliers is a development plan worthwhile for?

In practice, supplier development focuses on strategic and performance-critical suppliers, frequently identified via the Kraljic matrix. For C-parts or simple standardised products, regular scorecard reviews are usually sufficient. What matters are share of value, supply criticality and improvement potential.

Which key figures belong in a Supplier Development Plan?

Typical measures are on-time delivery, complaint rate in PPM, first-approval rate, adherence to deadlines for sample parts and the progress of the agreed actions. In addition, audit scores, response times or CO metrics may be used. It is important to have a small, stable number of KPIs that are reviewed jointly on a regular basis.

How does a Supplier Development Plan work in practice?

After the as-is analysis, a joint kick-off workshop is held at which measures are recorded with owners and deadlines. Implementation is accompanied by quarterly or semi-annual reviews and adjusted as needed. Closure or rolling-over usually takes place in the annual review meeting with the supplier.

What is the difference between supplier evaluation and supplier development?

Supplier evaluation measures and documents a supplier's actual performance. The Supplier Development Plan derives concrete improvement measures from this and anchors them in time and content. Together, the two form a control loop in supplier management.

Which legal points need to be considered in supplier development?

Key issues include agreements to protect confidential information, clearly defined confidentiality levels and the question of exploitation rights for jointly developed solutions. For international suppliers, applicable law and place of jurisdiction, for example via a jurisdiction clause, should be clarified. In individual cases, legal review is advisable.