



3 WAYS TO MEASURE VENDOR PERFORMANCE

Onboarding a new vendor takes a lot of effort. From risk assessments, initial due diligence and contract negotiations, it's always a relief once the vendor is fully onboarded at your organization. Still, it's important to remember that things can change over time and vendors might not perform as expected.

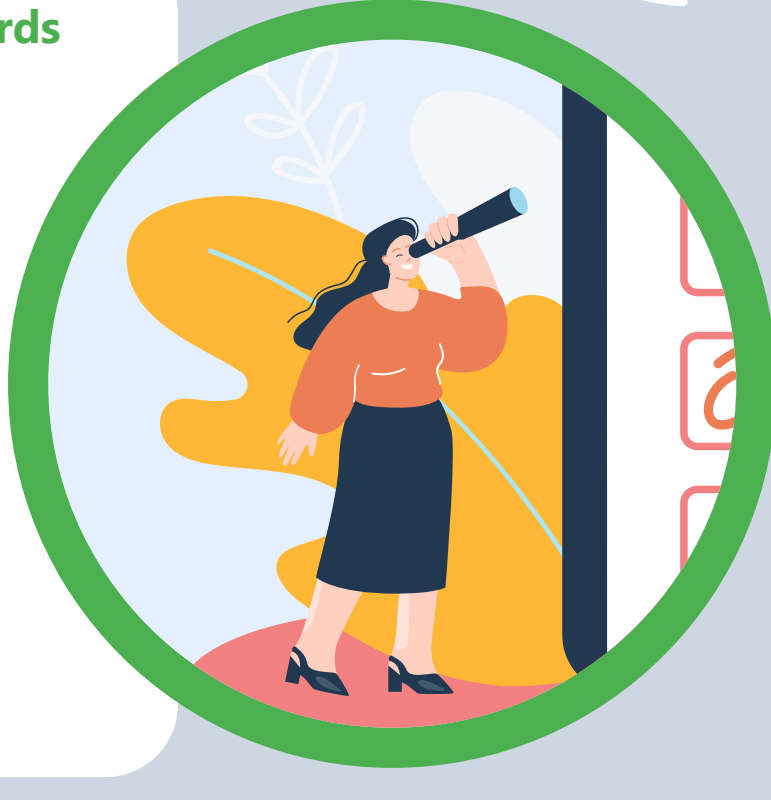
Measuring vendor performance is an important activity that helps protect your organization's reputation and ensures any issues are identified and addressed quickly.

Measure performance in these three ways:



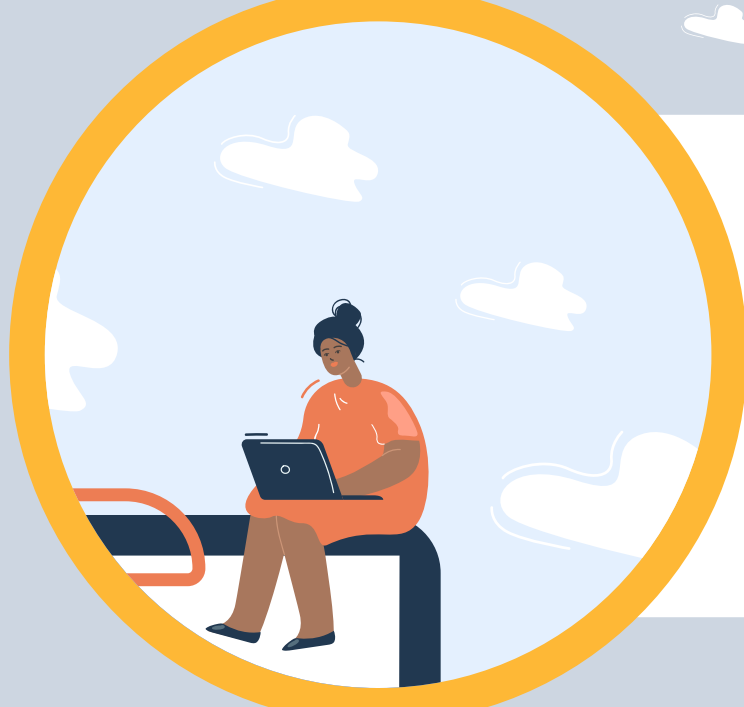
Utilize Performance Scorecards

Before you sign the contract, it's vital to establish service level agreements (SLAs) to ensure the vendor can commit to your performance expectations. SLAs should also state what will occur if the vendor's performance declines and if there are required remedies or punitive consequences such as credits or future discounts. Service level agreements and performance data can be captured through scorecards to monitor your vendor's performance and trends. When using consistent data and metrics, your vendor scorecard should help you quickly identify any issues or declining performance.



Collaborate With Vendor Owners

Vendor owners often know if there are issues well before showing up on a scorecard or formal report. These individuals work with the vendors regularly and have better insight into, and context of, those seemingly minor details that might otherwise be overlooked.



Communicate With Your Vendors

Without maintaining regular communication, your vendors might believe that "no news is good news" and assume that you're satisfied with their performance. Have regular communication with your vendors. Early detection of performance issues must be addressed with them before they become more significant problems. Don't forget to include timelines for issue resolution. For critical and high-risk vendors, monthly meetings and reports are recommended.



What to Do With Vendor Performance Data

Now that you understand how to measure vendor performance, what do you do with that data? Here are a few tips to keep in mind:



Establish a win-win relationship. Most vendors will take pride in meeting or exceeding their SLAs, so consider how you can incentivize exceptional performance, perhaps through increased volume, a longer contract term or a strategic partnership. Always look for opportunities to create a mutually beneficial relationship where both parties succeed.

Share performance information with stakeholders. It's always a good idea to share performance information with stakeholders that can utilize it to make strategic decisions.

Retain as evidence. Maintain evidence of vendor performance management as part of a robust vendor risk management program.

Create a continuous monitoring schedule. Your vendor's performance may fluctuate, so it's important to maintain a practice of continuous monitoring. This will enable you to see any trends or emerging issues with the vendor's performance that might need to be addressed.

★ It's clear that vendors can provide a lot of value, but only if their performance meets your organization's standards. Measuring a vendor's performance is a necessary process that ensures the engagement continues to be beneficial.



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