

Internal supplier performance management

Internal suppliers are the points of contact you interact with on a daily basis in your firm - these could be individuals or departments. For example, your internal suppliers provide you with information or materials to allow you to deliver your objectives in a timely and efficient way.

Internal suppliers have to meet the needs of internal customers by delivering quality products, on time, every time, and where their internal customers want them and how they want them. Essentially, everyone and every department in your firm is someone's customer and someone's supplier.

The importance of internal suppliers

Each department, office, and individual in your firm has a series of internal customers, suppliers and customer supplier interfaces. These are sometimes referred to as 'the quality chains' and they can be broken at any point by one person or one piece of equipment not meeting the requirements of the internal customer.

This failure can impact either the interface between your firm and external customers, or in the worst case, actually to the operations of your external customers.

This internal supplier logic is often associated with total quality management (TQM). The core of TQM is the customer-supplier interfaces, both externally and internally, with a number of processes at each interface. TQM involves a commitment to quality, communication of the quality message, and recognition of the need to change the culture of the organisation to create total quality.

Failure to meet the requirements in any part of a quality chain has a way of multiplying, and failure in one part of the system creates problems elsewhere, leading to yet more failure and problems and so the situation is exacerbated.

Get Supply Chain ready for Brexit



Example: Internal suppliers in a bakery

This resource provides a basic example of internal suppliers and internal customers in a bakery.

Some internal suppliers and customers are outlined below for a bakery:

- Uniform department - manages the various protective and safety uniforms and equipment for employees.
- Materials department - responsible for receiving and storing all materials used during the production process.
- Baking department - all products that are processed through the ovens are handed over to the Oven department, where after the products are transferred to the Decorating department.
- Decorating department - responsible for decorating all products before being transferred to the Despatch department for delivery.
- Packaging department - responsible for packing all products.
- Despatch department - responsible for receiving all products, loading the vehicles, arranging all the vehicles and drivers.

Some of the problems that can arise when there are breakdowns between internal suppliers and internal customers in the bakery are as follows:

- If the Materials department does not provide the correct materials at the right time to the Baking department, orders will not be processed.
- If the Decorating department has equipment closed for maintenance, but the Baking department is preparing an order for cakes, the cakes will arrive at the decorating department and there is a lack of capacity to fulfil the order.

Clearly, this internal supplier logic has important implications for your firm in trying to understand the impact of Brexit on your internal operations. Brexit is likely to lead to significant upheaval and disruption in some firms.

Use the resources in the *Do More* area to assess your internal processes and the impact of Brexit.