Supply chain management

Suppliers play a significant role in our delivery process. We aim to have close and excellent relationships with our key suppliers in order to ensure that both parties understand and comply with our strict process and product requirements.

Apart from financial benefits, close relationships stimulate knowledge sharing, create an environment of innovation, and allow strategic suppliers to integrate more strongly into our value chain. We have an extensive supply base with around 27,000 active suppliers, most of whom are located in Europe, where we have our main production units.

Wärtsilä supplier requirements

Wärtsilä has defined processes for selecting suppliers, determining their compliance with Wärtsilä supplier requirements, and developing the supply relationship. We offer our suppliers a partnership that strengthens the competitiveness of both parties through open and continuous dialogue. The partnership approach is also applied in our research and development activities, often in collaboration with universities, research institutes, and key suppliers.

We have clear expectations towards our suppliers in terms of compliance with relevant legislation, environmental aspects, quality, occupational health and safety management, and social performance.

In addition to requirements relating to general features and product-specific issues, we have clear expectations towards our suppliers in terms of compliance with relevant legislation, environmental aspects, quality, occupational health and safety management, and social performance. Suppliers must demonstrate their compliance with these requirements in order to receive approved supplier status. These requirements are also included in standard supply contracts. We monitor suppliers’ compliance with these requirements by using performance indicators, and by conducting various types of audits.

Assuring supplier compliance

Suppliers are assessed and managed through our Supplier Relationship Management tool. For potential new suppliers, the offering, risk level, and compliance with Wärtsilä’s supplier requirements are assessed during the basic assessment phase before the supplier relationship begins. The basic risk assessment takes into account both supplier-level and country-level risks, and is applied also to existing suppliers with assessment renewals at set intervals. The Wärtsilä supply management team analyses the basic assessment submitted by a supplier, and decides whether any further steps in the assessment process are needed. Low-risk suppliers can be approved to do business with Wärtsilä based on the basic assessment.

As a default for medium and high-risk suppliers, and especially for potential suppliers and new suppliers for a specific product or service, a detailed assessment is conducted. The purpose of the detailed assessment is to complement the basic risk assessment, assess the supplier’s capabilities and capacity, and to collect further information about the supplier. If the supplier’s risk level is determined as acceptable based on the detailed assessment, and if there is a business need, the supplier can be approved.

For new and existing suppliers of higher criticality and risk in terms of their management system, offered scope and geographical location, on-site audits are conducted by a qualified lead auditor in co-operation with the Wärtsilä supply management team and other relevant stakeholders. A third-party auditor can be used in specific areas of concern, such as human rights or cyber security. For any deficiency to meet the requirements, corrective actions are agreed on and completed before the audit can be accepted.

Wärtsilä assesses and upgrades its supplier management system as necessary on a regular basis. In 2019, we launched the risk-based supplier assessment and management system for existing suppliers, following its launch for new suppliers in 2018.
Supplier rating coverage in 2019

As part of the supplier evaluation, Wärtsilä conducts a rating based on Wärtsilä’s supplier requirements. This rating is the result of an assessment of various information sources, such as the basic and detailed assessment, dialogue with suppliers, and conducted audits. Based on this rating, the suppliers receive a status: approved, approved with remarks, or banned. The rating is reviewed regularly, as are the results of the conducted audits.

By the end of 2019, we rated 712 out of our 1,255 direct global suppliers, which covers 96% of the related spend (target for the year was 96%). The rating coverage of local supplier spend was 69% (target 80%), and of indirect supplier spend 76% (target 70%). In 2019, 40 suppliers received banned status because of their failure to meet Wärtsilä’s requirements on product specific issues, compliance, quality or sustainability. Of these suppliers, nine completed corrective actions that led to an improved rating.