

**Supplier Relationship Management  
In the 21<sup>st</sup> Century:  
From Market Exchange to Co-Destiny**

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**THE 6 PURCHASING BLOCKS**

| Capital | Materials    | Components               | Services | Re-sale        | Consumables |
|---------|--------------|--------------------------|----------|----------------|-------------|
| _____   | _____        | _____                    | _____    | _____          | _____       |
| (All)   | (Production) | (Production & Wholesale) | (All)    | (Distributive) | (All)       |



**WHAT IS SUPPLIER DEVELOPMENT ?**

*“ The process of working with certain suppliers on a one to one basis to improve their performance for the benefit of the buying organisation. It is closely associated with supplier relationship management & partnering.”*



**WHY SUPPLIER DEVELOPMENT (1) ?**

“ Supplier development should lead to improvements in the total added value from the supplier in question in terms of product or service offering, business processes & performance, improvements in lead times and delivery.”



**WHY SUPPLIER DEVELOPMENT (2) ?**

P & SM professionals should be able to identify sound reasons for starting a supplier development process such as :

- improving supplier performance
- reducing costs
- resolving serious quality issues



**WHY SUPPLIER DEVELOPMENT (3) ?**

- Improving business alignment between supplier and buying organisations
- Developing a product or service not currently available in the market place
- Generating competition for high price product/service dominating the market place
- Developing new routes to supply



## CIPS POLICIES (1)

- Before any decision is made to implement supplier development the organisation's corporate needs and objectives need to be established.
- P & SM professionals should be able to identify and prioritise by means of an appropriate method, the reasons for embarking on a supplier development process such as improving supplier's performance, reducing costs and resolving serious quality issues.



## CIPS POLICIES (2)

- It is not necessarily only the best suppliers which should be eligible for development programmes – each supplier should be assessed on the basis of individual merit and potential.
- There is no single, universally applicable approach to supplier development; each situation needs to be assessed on its own merits.



## CIPS POLICIES (3)

- Supplier development projects should be capable of being assessed in terms of quantifiable business benefits.
- Suppliers involved in any supplier development programme should be encouraged to review and develop their relationship with the buying organisation.
- Supplier development is a two-way activity in that it should be thought of as a joint Buyer/Supplier development.



## CIPS POLICIES (4)

- P & SM professionals should possess expertise in supplier development; in particular they need to have the necessary interpersonal skills to be able to persuade colleagues and suppliers who may otherwise be reluctant to embark on a development programme.
- P & SM professionals need to have the ability to decide when it is time to bring a development project to an end.



## SUPPLIER RELATIONSHIP MANAGEMENT

- The case for SRM
  - Supply chains more integrated
  - Focus on core competencies
  - Supplier technical capability & geographic coverage increasing
  - Globalisation requires more scrutiny of sources of supply
- When SRM is absent, the risks
  - Cost over runs
  - Persistent delays
  - Constant specification changes
  - Deficient product



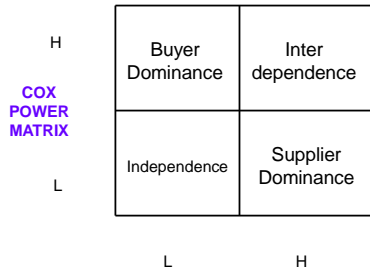
## SRM – AN AGENDA

- Establish ground rules, review cycle & define the relationship
- Supplier/buyer development transparent exchange
- Regular & consistent appraisal of KPIs
- Development programmes, forums & workshops
- Shared vision & values
- Reward & recognition systems





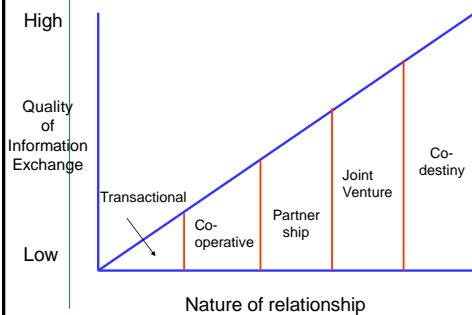
## ANALYSE ASSERTIVENESS



## THE COMPATIBLE INTERFACE

- Shared values
- Universal vision
- Commitment not compliance to the relationship
- Trust and transparency
- Shared/balanced risk
- Equality in co-ordination, co-operation, collaboration and communication

## COMMUNICATION IN RELATIONSHIPS



## TWELVE POINT FOUNDATION – Model (1)

- A common set of ground rules
- Parameters, measures and key performance indicators
- Service level agreements
- 360 degree reviews
- Pan organisation project approach
- Site/operation visit and briefings

## TWELVE POINT FOUNDATION – Model (2)

- Incentives and rewards
- Shared business plans
- Forums, seminars and conferences
- Action learning sets
- Blue Riband task groups
- Conflict resolution frameworks

## BOC (1)

- Optimisation of cylinder filling supply chain project:
- Install automated gas cylinder-filling system at 9 UK plants
  - Single 1<sup>st</sup> tier contractor supplied filling equipment
  - Contractor & BOC found 2<sup>nd</sup> tier supplier using lifetime cost model to aid selection
  - All selected suppliers attended a Development Forum to ensure optimum engineered interfaces

## BOC (2)

### Results:

- Delivery of the project in half the time
- Seven digit annual savings
- 2-year payback on investment
- Step change in technology with enhancements introduced by suppliers
- Found a sub-supplier to provide technically superior product at half cost with half lead time



## Frederick Woolley (1)

### Supply Chain Project:

- SME specialising in the supply of components for automotive sector – recently diversified
- Scored highly on quality but low on profitability
- Root cause – SME supply companies failing in quality, cost and delivery
- Rationalised supply group – allowed companies willing to commit to continuous improvement practices to remain



## Frederick Woolley (2)

### Management teams vision:

- Low cost responsive manufacturing facility
- Motivated, personally developed and flexible workforce
- High quality reasonably priced product
- Working closely with customers
- Supplier Development
- Culture of professionalism and a socially responsible company



## SES (1)

- Siemens Environmental Systems (SES) invited to key customer workshops – biggest issue was poor delivery performance
- With their largest supplier they formulated a range of manageable and realistic improvements
- Suppliers reduced from 270 to 26
- Trading relationships with these companies strengthened through presentations, SES factory tours, customer's videos



## SES (2)

- Each member of purchasing team allocated as a 'buddy' to 5 or so suppliers acting as principle point of contact and available to discuss problems
- Results :
  - Savings achieved 17% on total spend
  - Delivery performance risen to over 90% on-time



## SAINSBURY

- Developed a scorecard to help build relationships and drive business improvements with suppliers
- Based on Efficient Customer Response principles of "working together, consumer focus and reducing costs"
- Scorecard has already attained positive results and endorsement from around the world



## SCOTTISH COURAGE (1)

Set out to build supply base committed to delivering continuous improvement in quality, service, total business costs through:

- Effective sourcing
- Setting targets for supplier performance improvement
- Continuous review of supplier performance
- Incentivising suppliers
- Sharing a knowledge bank
- Joint provision of training



## SCOTTISH COURAGE (2)

“Implemented a model of Supplier Development that not only delivers competitive advantage but also offers their suppliers the opportunities to pursue initiatives that enable Scottish Courage to sustain market leadership with their brands by effective management of their supply performance in a unique manner”



## GENERAL REMEDIES?

- Highly rigorous supplier assessment analysis
- Better data – e Sourcing tools
- Cost increase parameters and methodologies
- Relationship Management at all levels
- Contingency/scenario planning
- Rigorous continuous supplier development
- More knowledge of 2<sup>nd</sup> and 3<sup>rd</sup> party suppliers



**“Two roads diverged in a wood, and I –  
I took the one less travelled by,  
And that has made all the difference.”**

*Robert Frost (1875-1963)  
US Poet*



**Thanks for listening to me**

**Any questions? ...**

