

SUPPLIER REVIEW MEETINGS - A 5-STEP PROCESS TO RUNNING A REVIEW MEETING

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Supplier Relationship Management

Why are supplier reviews so important? In brief, it's because they allow you to manage the most important of strategic relationships - those with your key suppliers - more effectively.

THE REVIEW PROCESS

There are five steps to running a supplier review, each of which are outlined below.

However, before you get to step one, you need to ensure you have all the relevant information to hand to support the discussions with your supplier. If you have a Supplier Performance Measurement system in place this could be as simple as running a report. If not, you will need to gather all the relevant data ahead of the review meeting.

Of course, it's not just about collating facts and figures as you also need to gather input from all the relevant stakeholders within your company. Not only does this allow everyone to contribute, but it also demonstrates internal alignment to the supplier, preventing any potential 'divide and conquer' tactics by them.

Now that the pre-planning is done, it's time to move on to the five steps.

STEP 1: PUTTING THE SUPPLIER ON THE DENTIST'S CHAIR

For most people with good oral hygiene a visit to the dentist is normally a preventative measure. After all, none of us really wants to be there for anything other than a check-up!

Supplier reviews are similarly preventative in that they allow us to focus on the relationship to identify any risks or issues before they become a problem. This gives both parties the chance to deal with anything that might need "treatment".

How frequent these check-ups should take place depends on a number of factors which includes: how the supplier relationship is being managed on a day-to-

day basis; an assessment of the current status; and any problems that need to be attended to. Defining a regime of rigid time bound reviews for all suppliers does little than soak up lots of resource. Instead focus on directing effort to where the reviews will have the greatest impact.

STEP 2: SETTING THE RIGHT AGENDA

A meeting agenda is more than just a list of prompts for the originator – it essentially develops into a route map and timeline for the meeting.

To develop one, try using the 3P format, which involves defining the Purpose, Process and Pay-off for each session:

- **Purpose** – The purpose of this session, why it is here and what it is aiming to do. This defines the outcomes needed for each session.
- **Process** – How this agenda item will run, what specific things will take place within the meeting to achieve the purpose.
- **Pay-off** – The benefits that both parties will have secured if this session achieves its outcomes and how this helps us move forward.

In addition to the agenda items, you will need to define the objectives to clearly set out the purpose of the meeting and highlight any preparatory work required and by whom. This will then ensure absolute clarity about the purpose of the meeting, how it will run and what is expected of those who will be there.

STEP 3: YOUR PLACE OR MINE?

As we all know, making a third party come to us gives us a small psychological advantage. It puts the other party in unfamiliar territory, isolating them from their peers and that which normally provides comfort and security.

When we're negotiating with a supplier, this approach can really help, however, it isn't necessarily the same when conducting a review meeting.

If the supplier relationship is important and we need and want collaboration, then the review should be in the

same vein. This could mean either sharing or alternating locations or perhaps even using neutral ones.

Another thing to consider is the financial impact on your supplier. In large companies this gets absorbed as part of the cost of doing business but what will it mean to a small innovative supplier with whom we see a great future? Demanding that they travel to meet with us for a review could be a major deal and perhaps even a deal breaker.

It's therefore important to consider the supplier's position, and for you to ensure the review process reflects the nature of the relationship you are seeking.

This could include:

- **Paying the supplier to attend** – If we see the value of supplier reviews then should we expect these for free? Consider agreeing a 'relationship management' fee to cover the supplier's time.
- **Sharing the cost** – Quantify all the costs such as travel, subsistence and so on, and agree to share them equally.
- **Going to them** – Especially if they are a small supplier or if you want to use the opportunity to visit their facility and assess risk.
- **Alternate locations** – Share the burden by alternating locations.
- **Web or video conferencing** – Both are viable alternatives to face-to-face reviews and could be used for all meetings or just some.

STEP 4: USING PORTFOLIO ANALYSIS AND SUPPLIER PREFERENCING TO GUIDE US

From the supplier's perspective, their attitude towards the review meeting will vary according to how they see us. If we are not important to them, the meeting could simply be a necessary evil to maintain the relationship.

However, if we are important or hold future potential importance then review meetings present a fantastic opportunity to grow the account as well as shore up and protect what is already in place.

It also provides a forum to help the supplier build stronger relationships and generate future business. Supplier Preferencing can help us understand their perspective and potential attitude towards a review meeting.

When a supplier is sufficiently interested in us, we can also use Portfolio Analysis to help guide how we should approach the review, and the degree of effort that is appropriate on our part.

STEP 5: EVERY REVIEW IS A MINI-NEGOTIATION!

Never forget that supplier reviews are more than just meetings focusing on progress and performance. They are, in fact, mini-negotiations.

Whilst we may not position them as such, the interaction may well demand agreement on particular points or courses of action which may have cost implications. As such, both parties will be seeking to maximize their position, either by claiming as much value as they can or by creating value for both parties to share.

The supplier will almost certainly view and approach a review meeting in the same way they might approach a negotiation. That is why the supplier's account manager is often keen to be involved.

Ultimately, if we approach a supplier review in the same way that we might a negotiation then we increase our chances of achieving the outcomes we want. Surely a good result for all concerned?

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