

SUPPLIER MANAGEMENT: HOW AGILE THINKING CAN BUILD COLLABORATIVE RELATIONSHIPS AND UNLOCK VALUE

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Supplier Relationship Management

Take a minute to consider all you have ever learnt about supplier management. Think scorecards, key performance indicators, supplier performance measurement, contracts, arm's length relationships and quarterly business reviews.

Now forget it all for a moment. Instead, start with the belief that a supply base holds possibilities which can vastly enrich your business.

Giving ourselves permission to think like this begins to open up new ways to engage.

This ten-step process explains how organizations can adopt agile approaches that will enable strategic suppliers to be future drivers of value.

1. AVOID PYRAMID PARALYSIS

Supply chain professionals will be familiar with the supplier importance graphic: the tiered pyramid representing the distribution of suppliers based upon importance. Such classifications quickly become the basis to determine and drive actions, often universally applied to the whole tier, and quickly absorbing our resources. However, these will not necessarily add value in every case and can even cause business paralysis.

What if we had the courage to spend less time on suppliers who consistently perform well, where risk is low, and more with those who could make the biggest difference? This agile allocation of resources can be directed where it will add most value. But first, we have to know what value we need and want.

2. WHAT VALUE DO WE NEED FROM OUR SUPPLY BASE?

Surprisingly, this question is rarely asked and yet can be a game changer. If an organization determines strategy by only looking inward, then the supply base will only ever respond to the demand this creates.

The new paradigm is where the organization sees its supply base as an extension of itself capable of bringing new, as yet unknown, sources of value to help realize corporate strategy. It is where the very strategy and corporate goals are shaped by supply base possibilities which, in turn, inform and are informed by how we connect with our end customer/user.

With this in mind, the first step is to define the value we need and want at a macro level for our corporate goals and objectives to be realized. We can then begin to identify suppliers most important to us, although these may not necessarily be our current supply base, especially if the company is instigating a shift in direction or focus.

3. DETERMINE WHO IS TRULY STRATEGIC

A strategic supplier is one who holds the potential to change something in our business that makes our share price go up, or adds great value to end-users in a public or not-for-profit setting. It can bring competitive advantage, help build our brand, create significant shareholder value, or if things go wrong, hurt us really badly.

It is all too easy to consider our best loved suppliers as strategic, however, the new paradigm begins by being clear on who exactly the strategic suppliers of today and tomorrow are, and with whom we should work more collaboratively.

4. HOW INTERESTED AND WILLING ARE THEY?

We can only develop a relationship with a strategic supplier if certain they will, and can, respond in the right way. The question is: "Is this supplier likely to be willing and able to engage with us and collaborate towards a new joint goal?" A range of procurement tools can help this assessment, but we need to determine this at the beginning.

5. ENGAGING WITH THE ORGANIZATION AND AGREEING OUR SRM STRATEGY

Typically, multiple touch points exist with suppliers across the business whether owned by the procurement department alone or by the organization as a whole.

This shift means that effective Supplier Relationship Management can only succeed when it is an organization-wide philosophy.

Joint collaborative working should build a potential strategy for each strategic supplier, verifying they are the right potential fit and completing research into them, the market, the supply chain and future requirements. We must have a clear view regarding our ambition, specific value and outcomes and where we want the relationship to go. Finally, we must be certain the supplier is willing and capable and decide whether we will share this vision.

6. SETTING OFF TO CLIMB A MOUNTAIN

A strategic joint collaborative relationship must have a shared destiny and our opening pitch to a willing supplier is to outline the mountain we could climb together.

Much is to be agreed and our new outcome-based mindset must shape how we proceed. Our negotiation should seek to secure the best deal for us both and to create a position that feels fair and balanced. If not, we risk undermining the relationship from the outset. Similarly, in agreeing arrangements, the contract should not be the basis but rather the output – reflecting and crystallizing discussions that define how we will work together.

7. AGREEING HOW THE RELATIONSHIP WILL WORK

When working with companies to help them establish strategic supplier relationships, I use a relationship charter that defines key players, vision and scope of the relationship, how parties will meet and/or engage, objectives and performance targets, and specific joint projects.

The point is not the document itself but rather the discussions, negotiations and hard work that happen to put it together. An important output, it creates an aligned basis for both parties to ‘climb the mountain’.

8. CREATING THE RIGHT CONDITIONS TO DO SOMETHING DIFFERENTLY

A strategic supplier relationship doesn't just happen - it requires an investment by both sides and is likely to need a new sort of transparency and communication to be successful. Collaboration may well mean joint working at the same location with co-located individuals or teams. It also means adopting new ways to co-ordinate how parties will work together which could be very different to anything done before.

9. THE RIGHT PEOPLE

Companies don't have relationships with companies but, rather, people have relationships with people. Any powerful relationship between companies is defined by people who interface with each other.

Success is about focusing on people who will do this and creating the right conditions for a relationship to flourish. We need people with a good degree of emotional competence who have the right personality traits and know-how.

10. PROGRESSING TOWARDS THE SUMMIT

Success in our new strategic collaborative relationship comes by both parties climbing the mountain and reaching the summit. This may be a long journey that needs each party to support one another along the way.

Agile supplier intervention is required, where we work together, share and know all about the journey - both focused on getting to the top, and each standing to gain so much.

Ultimately, making this happen is about people, and how people from two entities work together with a common purpose and aim. It is also about the organization's ability to have the courage to move away from traditional approaches to procurement and supplier management, and try something different. If this is possible, a mountain is out there, bigger than any ever climbed before, with a summit that will change the game for your company.

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