

Supplier Relationship Management

A Practitioner Survey

Businesses have recently had to work through some of the most difficult trading conditions as the global downturn has taken hold. The procurement profession, with its direct and highly leveraged role in the supply chain, has inevitably been under the spotlight. A temptation when looking for short term results is that more enlightened approaches to managing suppliers are abandoned in favour of an old fashioned 'price and delivery' orientation.

Procurement consultants 105 Consulting were motivated to find out whether short term expediency had displaced more strategic approaches such as supplier relationship management. They analysed a survey* conducted among a wide range of procurement and supply professionals - over 300 practising managers in all - in late 2009, and the key findings are presented here.

In particular, they were interested to establish the extent to which Supplier Relationship Management is being practised today, and how it is viewed in individual organisations.

* Survey carried out by Ebury Daley Q4 2009 - www.edburydaley.com

What is

Supplier Relationship Management - SRM?

SRM is gaining in importance as a powerful management approach to gaining maximum business benefit from supplier relationships. Through SRM, companies can harness innovation, enhance their brands, reduce risk and optimise productivity. SRM is not wholly new, yet organisations could still be missing opportunities to use their relationship with suppliers to maximise business benefits.

The results of the survey are a cause for concern, and suggest that many companies are missing an opportunity to embrace this powerful and productive technique to get the best from their supplier base.

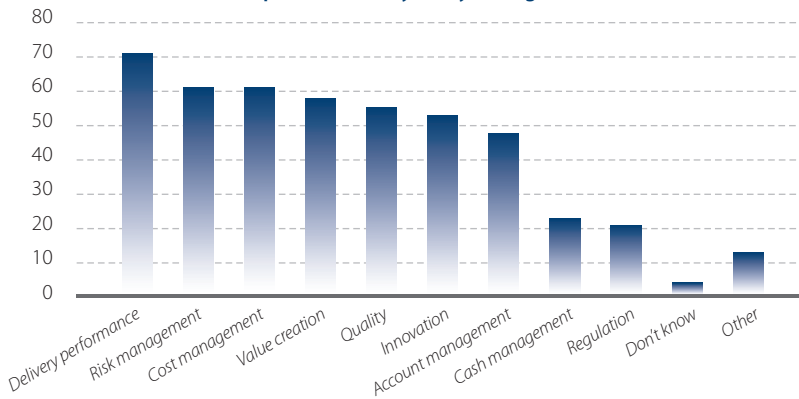
Key survey conclusions

- SRM for many organisations is little more than basic supplier management, focused on cost and operational issues
- SRM is led by procurement, but often without the right governance or integration with other business functions necessary to make it truly effective
- Little professional skills development in SRM is taking place; people are learning 'on the job'
- Value is being 'left on the table', and companies are vulnerable to competitor actions.

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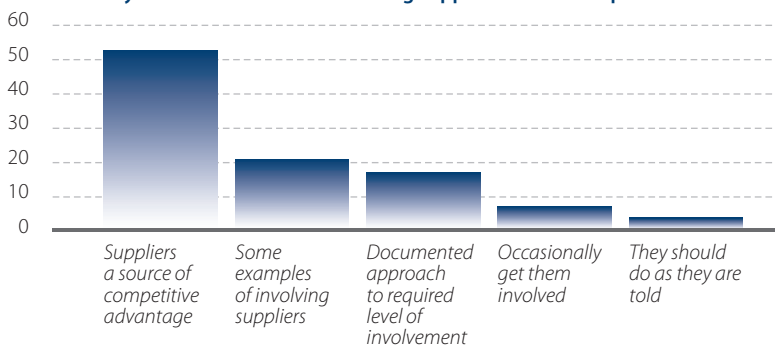
A closer look

What does SRM comprise, in the way that your organisation defines it?



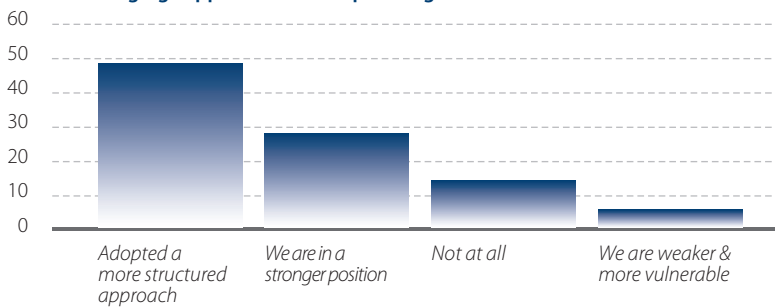
When asked what SRM means to their organisations, traditional areas such as delivery, risk and cost came to the fore. Yet the quality of supplier relationships and the benefits of innovation and continuous improvement were less often cited.

What is your attitude towards involving suppliers in the SRM process?



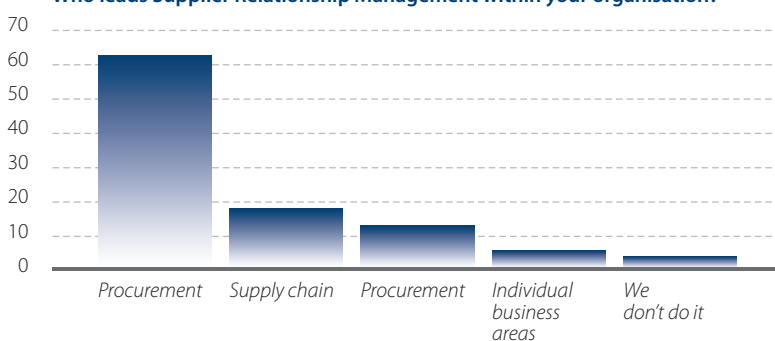
Indeed, only just over half of the respondents in the survey saw suppliers as a source of value and competitive advantage. In a separate question, predictable benefits such as reducing costs and risk were overwhelmingly identified ahead of 'access to innovation' or 'specialist skills', or 'ability to respond to new requirements'.

As the economy has transformed over recent months, how has the importance of managing supplier relationships changed?



Around half of respondents felt that the more difficult economic conditions had led to them taking a more constructive approach with suppliers. More worryingly, almost a third seemed to feel they were in a stronger position! This may be a dangerous conceit, as supply chains become increasingly fragile and competitors move to establish preferred customer status.

Who leads Supplier Relationship Management within your organisation?

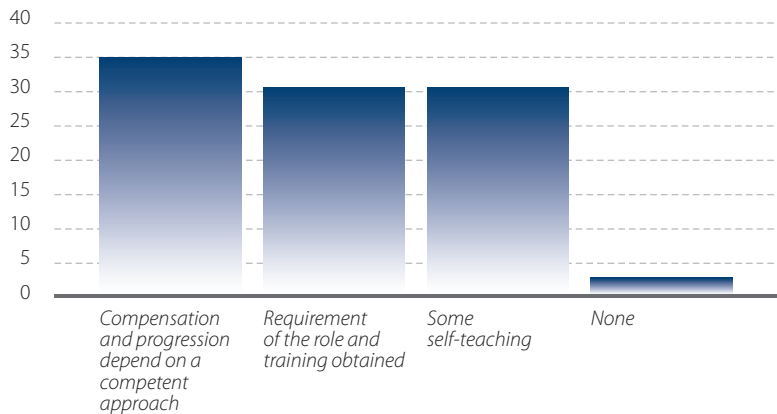


Perhaps not surprisingly, procurement and supply chain managers emerged as the leaders of SRM programmes, but the reality here is that SRM is often not well integrated into the wider business, and can lack the necessary impact to really make a difference.

It was clear that task outputs were the most popular form of performance monitoring, with measures of the quality of relationships (such as balanced scorecard) being less popular.

As Deming famously remarked, we get the quality of suppliers we deserve, so we can perhaps take heart from the fact that companies realise that they could do better. Over three quarters said that they shared the blame for failed SRM programmes.

How much formal skill do you and your team have in managing supplier relations?



However, they do not seem ready to address the problem in any formal way, as up to two thirds are 'getting by', taking ad hoc training when they can or learning 'on the job'.

But what of the impact on the personal career development of procurement managers? Leading procurement recruiter Edbury Daley has reported a growth in demand for SRM practitioners, and 90% of respondents regarded SRM as key to their personal success.

Conclusions

There has been a clear rise in the importance of client relationships. The term SRM is now in common use. Unfortunately, it seems the 'R' bit is not always evident in practice!

The more difficult economic climate has lulled companies into believing they are in a stronger position with suppliers when the reverse may be true, as suppliers give preference to companies with whom they have the strongest relationships. And, when the economy does show signs of sustained recovery – will the recent treatment of a company's suppliers lead to supplier responsiveness or supplier retaliation?

Notwithstanding these findings, SRM has tremendous potential to provide companies with:

- differentiation to achieve success in their markets
- improved profitability
- reduced risk
- reduced overall cost of ownership
- access to key skills
- innovation to tackle tomorrow's challenges and deploy 'points of difference'
- more effective supply chain management



105 Consulting work with clients to implement far-reaching and effective SRM approaches. We help develop strategy, direction and capability for SRM initiatives which truly add value, and we establish ambitious and credible goals which can be embraced by the whole organisation. We develop our clients to ensure that the results are long lasting and embedded in the corporate culture. Our close relationship with eXegy Partners LLC, based in the USA, enables us to provide seamless geographic coverage.

For a full copy of the survey findings, please contact us, or visit our web site:

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