



Supplier Management



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Introduction

Today, the use of teams to support supply management objectives is widespread. Buyer-seller improvement teams is just one type of group. Other examples include customer advisory boards, buyer-supplier councils, executive steering committees, commodity management teams, value analysis/value engineering teams, new product teams and supplier development teams. Generally, high-performing teams should deliver results that outweigh the costs of establishing and maintaining a team and poorly designed supply chain teams can lead to catastrophic outcomes (Trent, 2007).

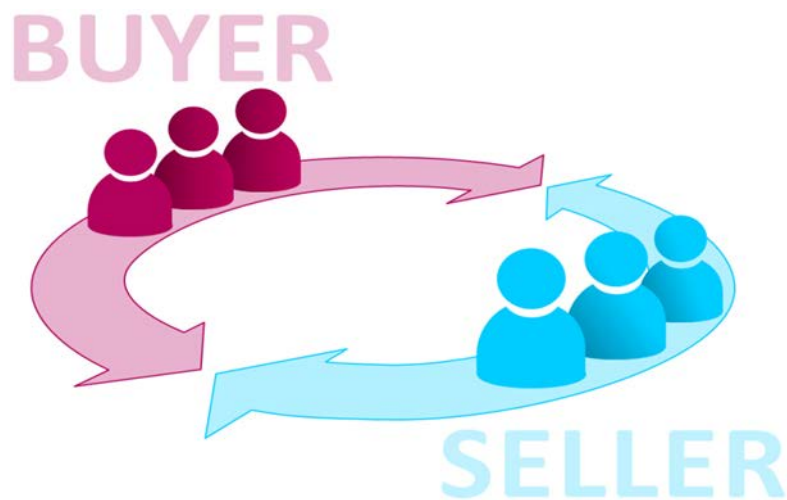
With time, formal relationships between buyers and sellers have become more 'strategic' and the process of relationship development has accelerated as firms strive to achieve their goals. At the same time, performance expectations have increased, making the development of a satisfactory relationship more difficult and making buyer-seller improvement teams more crucial (Wilson, 1995). Buyer-supplier improvement teams in the supply chain have become one of the most important elements of supply chain integration (Hsiao et al., 2002). External factors, which include high volatility, unpredictable market trends and environmental diversity, increase uncertainty in the global business environment. As a result, in order to deal with unexpected market demands, companies are encouraged to develop flexible relationships with multiple channel partners. This helps to reduce dependence on vendors and increase buyer insight (Ganesan, 1994).

The key prominent dimensions of the buyer-supplier relationship and supplier improvement teams are trust, communication, commitment, cooperation, power-dependence and mutual goals (Olsen and Ellram, 1997). Establishing buyer-seller improvement teams is pertinent for two reasons. On the one hand, it emphasises the personal relationship between manufacturers, wholesalers and retailers (Trappey and Lai, 1996). On the other, it highlights the relational channel of such relationships (Mavondo and Rodrigo, 2001).

Definitions

Buyer-seller improvement teams are cross-organisational teams that focus on improvement opportunities and projects between buyer and seller (Trent, 2007).

Supplier Relationship Management (SRM) is the management of the whole interface between supply and buying organisations through the whole life of the contract, with the aim of achieving maximum long term contribution from the supplier towards achieving the buying organisation's strategic goals. (Emmett, S, Crocker, B, 2009)



Successful Application

The process of forming buyer-seller improvement teams usually goes through a few stages. First, companies must define the purpose of the relationship, set the boundaries and framework of the relationship. The selection of partners takes place next, followed by the value creation process which is important to ensure the settlement of the last phase (Borys and Jemison, 1989).

Steps to Successful Application

- Select the right task or objective.
- Select team members.
- Provide training.
- Make resources available.
- Address team authority levels.
- Formalise team mission and responsibilities, and identify support members who will support the core team.

Trent (2007)

Hints and Tips

- It is important to ensure that the performance of buyer-seller improvement teams is measured regularly, both in regards to feedback from buyers and when considering inside information, that is, profit (Dwyer et al., 1987).
- It is essential to recognise and reward the efforts the team puts into achieving its objectives, as outdated reward structures can contribute to team failure (Trent, 2007).
- Shared KPIs-when applying a joint strategy, there is a need to define a small set of KPIs (savings, efficiencies etc.) that will be reported to everyone's management and embedded into individual performance metrics of all stakeholders. (Dovgalenko, S 2018)
- For the team to be successful it is important to identify potential barriers to its performance and minimise their effects (Trent, 2007).
- Conflict management is essential should the two sides clash, or in cases where conflicts of interest take place (Dwyer et al., 1987).
- Exit strategies should be developed in case the team or the relationship is not working. These should be established before the relationship commences (Dwyer et al., 1987).

- There remain a number of challenges for those looking to implement a supplier relationship management (SRM) programme. Chief among these is the need to demonstrate the tangible benefits which such an approach would produce. The latter can be wide-ranging and can include supplier-led innovation, better risk management, sustainable savings and better quality products. Despite this, the long-term nature of SRM means it can be difficult to get support from senior stakeholders Panchmatia , M (2015)

Potential Advantages

- Establishing buyer-seller improvement teams can result in a higher willingness of both sides to engage in future business opportunities (Liu and Wang, 2000).
- Buyer-seller improvement teams can reduce the risk of opportunistic behaviour and uncertainty (Hsiao et al., 2002).
- Buyer-seller improvement teams can result in increasing long-term orientation (Doney and Cannon, 1997). It's mutually beneficial. If you are aligned with your suppliers and treat them as partners, both businesses will experience higher success rates, decreased risks and enhanced collaboration and innovation. Studies have found the top procurement teams that have successfully aligned with their key suppliers have improved supplier capabilities of innovation, quality, reliability and costs/price reductions and agility to reduce risk factors. Greater value can be achieved for both businesses, something that would be difficult to achieve if operating independently. (Rizza, M N, 2015)

Potential Disadvantages

- An inappropriate team structure can become a serious barrier to team performance (Trent, 2007).
- Cultural differences can contribute to team failure and are difficult to overcome (Trent, 2007).
- Despite the fact that buyer-seller improvement teams work to achieve common goals, there is a risk of misunderstanding, controversy and conflict of interest (Wilson, 1995).

Case Studies

- In Brazil an indigenous tribe, Yawanawa, produces a pigment used by the Aveda cosmetics company for one of its product lines. The establishment of buyer-seller improvement teams has enabled the Yawanawa tribe to become economically independent and supply Aveda with a unique natural and organic product (Webber et al., 2007).
- Wax Digital I.T surveyed 200 procurement professionals and found that every £10 invested in e-procurement can help organisations achieve cost savings of £72. It said savings were made up of two elements: supplier costs and internal costs. For every £10 invested in e-procurement, respondents said they were saving an average £38 on supplier costs and £34 on internal process costs, resulting in a combined ROI of 720 (Allen, A, 2018)
- Buyer-seller improvement teams between Ghanaian handicraft manufacturers (Tekura Enterprise Ltd., and others) and their UK-based buyers (Pier One, MarMaxx, Target) allow suppliers to access timely end-market information in order to track changes in customer preferences and anticipate changes in buyer needs. In addition, the teams help to explore pre-emptive and continual product design innovation in order to mitigate risk replication, help protect margins and build demand in new markets (Webber et al., 2007).
- Seller-buyer improvement teams between Pakistani sporting goods manufacturer, Saga Sports and Nike help integrate processes of international partnership between the companies and adopt international standards. In addition, the teams help to demonstrate institutionalised processes within the supplier organisation and the need for the supplier to internalise the brand equity of its buyer and uphold end-

market standards, and to overcome the difficulties of monitoring and enforcing production standards in cottage industries (Webber et al., 2007).

- An innovative relationship with a supplier allowed Heathrow BAA to save millions of pounds on a contract. They had agreed a contract extension and profit margin with the company in return for “complete visibility of everything”, which led to savings of £12m. They went through the sub contracts and took £10m out of the contract, and the contractors still made their profit (Green, W , 2016)

CIPS Source Downloads

- CIPS: Measuring key suppliers
- CIPS: Supplier performance evaluation data sheet
- CIPS: Supplier performance evaluation tool
- CIPS: Use of small and medium size suppliers

Further Reading/References

Web Resources

- Cross functional teams in supply chain management
<http://www.ism.ws/pubs/proceedings/confproceedingsdetail.cfm?ItemNumber=11511>
- Supplier relations <http://www.referenceforbusiness.com/small/Sm-Z/Supplier-Relations.html>
- Manufacturing and Logistics magazine article <http://www.logisticsit.com/articles/2007/10/03/3103-supplier-relationship-management-steps-to-successful-supplier-buyer>

Books

- Let's Get real or let's Not Play, Khalsa, ISBN 978-1591842262
- Opportunism in Supplier – Buyer Relationships, Schulte, ISBN 978-3836600910
- Achieving Strategic Advantages in Long Term Buyer-Supplier Relationships: A Longitudinal Investigation, Jap, ISBN 978-1175404961
- Guideline for the Development of Chinese Suppliers, Vodicka, ISBN 978-3836600125

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Video

Managing the buyer-supplier relationship part 1

https://www.youtube.com/watch?feature=player_embedded&v=fmIEIrDDE9k

Managing the buyer-supplier relationship part 2

https://www.youtube.com/watch?feature=player_embedded&v=-78IMq3EB9c

