Global Digest

Supplier Relationship Management

CASME

INSPIRING PROCUREMENT EXCELLENCE

Background

CASME held Supplier Relationship Management (SRM) RoundTable meetings in Australia, Asia, Latin America, Western Europe and North America. The following main topics were discussed:

- Programme development and implementation
- Stakeholder engagement
- Supplier engagement
- Measuring and achieving value
- Future SRM strategies.

This Digest provides the key points, good practices and insights into future trends identified by CASME members at the RoundTable meetings held around the world.

Programme Development and Implementation

- SRM programmes may be formal or informal, centralised or decentralised, and are established according to the company's structure, culture and business objectives, as well as the criticality and strategic importance of specific suppliers and categories.
- The objectives of SRM include:
  - Standardising supplier performance management across the business
  - Achieving business objectives and innovation through mutually-beneficial strategic partnerships and collaboration with key suppliers
  - Becoming a customer of choice for the suppliers
  - Improving risk management, compliance and governance within the supply base; ensuring continuity of supply and business operations
  - Assisting suppliers in improving their capabilities and developing their businesses
  - Generating value, and defining the types of value that can be achieved through SRM
  - Maintaining continual engagement with suppliers and creating opportunities for them to ask questions and provide feedback.

- Good practices for developing and implementing an SRM programme include:
  - Defining the strategic objectives of the programme, the time frame for achieving these and the key performance indicators (KPIs) that will be applied to evaluate success
  - Establishing the structure and governance framework for the programme, and the roles and responsibilities of Procurement, the SRM and category management teams, and the stakeholders
  - Obtaining support for the programme from the stakeholders and senior management, and their commitment to allocate the necessary time and resources
  - Defining the criteria that will be applied for segmenting the suppliers, obtaining input from the stakeholders and an understanding of the suppliers' capabilities and areas for improvement
  - Segmenting the suppliers using the pre-defined criteria and an appropriate method, such as the Kraljic model, to categorise and select those for inclusion in the programme; limiting the number of suppliers to a manageable number of strategic partners; and obtaining feedback from the stakeholders and suppliers regarding the proposed supplier selection
  - Providing information and details to the stakeholders and suppliers, including the key SRM contacts, and the governance and escalation procedures
  - Creating templates, simplifying the SRM processes, minimising administrative tasks, and refining these with the stakeholders
  - Developing a change management strategy and optimising communication tools such as Teams and Yammer to engage, educate and continuously update the stakeholders
  - Assigning a champion who has authority and credibility within the business to promote the programme
  - Initially piloting SRM with a few strategic suppliers and gradually expanding it to other suppliers
  - Measuring, recording and reporting the progress of SRM and the achievement of the objectives
  - Continually reviewing the suppliers that are included in the programme and removing or adding suppliers when necessary.

- The criteria that is applied for segmenting and selecting suppliers for inclusion in SRM programmes include whether they are classified as strategic, critical, key or transactional, as well as the:
  - Amount of spend and risk they represent
  - Company's risk and compliance management requirements
  - Criticality and impact of their products and services on the business
  - Strategic and cultural alignment between the client and supplier companies

- o Suppliers' current capabilities, productivity and performance levels, and future potential
- o Suppliers' willingness to partner with the company and invest in joint innovation projects
- o Stakeholders' and category managers' opinions regarding the suppliers' performance and potential.

Stakeholder Engagement

- The key stakeholders are identified for involvement in SRM activities by mapping and engaging with the stakeholders and category managers whose suppliers are selected for inclusion in the programme.
- The roles and responsibilities of the stakeholders in SRM may include managing supplier relationships and performance, participating in or leading SRM activities and meetings.
- Procurement promotes the value of SRM to the stakeholders and senior management to obtain their support for the programme and encourage their participation by:
  - o Developing relationships with the stakeholders and approaching them as a trusted business advisor
  - o Applying a voice of the customer approach and actively listening to the stakeholders regarding their business requirements, strategies and objectives, and aligning SRM with these
  - o Demonstrating the value of SRM, highlighting the benefits of reciprocal relationships with suppliers in terms of improving suppliers' service delivery and accountability, risk management and mitigation, and opportunities for collaborating and innovating with the suppliers
  - o Using success stories to communicate the value delivered through SRM and increase awareness of the suppliers' contributions to the company's business
  - o Providing them with a schedule for the year and ensuring that they participate in SRM meetings with suppliers to increase engagement, provide feedback, and align objectives.
- The involvement of senior management in SRM programmes includes attending SRM meetings, conducting top-to-top strategic meetings and developing relationships with the senior executives of the supplier companies, being executive sponsors and providing a high-level point of escalation for dispute resolution.

Supplier Engagement

- The approaches that are applied to encourage suppliers' participation in SRM include:
  - o Meeting with the suppliers to promote the SRM programme and advise them of the expectations for their participation
  - o Emphasising to the suppliers their value to the company and the criteria that was applied to select them for inclusion in the programme
  - o Gaining an understanding of what motivates the suppliers to participate in SRM, which may include recognition, affiliation with the company's brand and reputation, and/or opportunities for developing innovative solutions and new products
  - o Communicating the benefits of being a strategic partner by meeting with senior executives to discuss the company's future strategic plans and objectives, and how the suppliers can contribute to achieving these
  - o Highlighting that participating in the programme will increase transparency between the client and supplier companies, as well as the potential financial benefits that may be obtained.
- The supplier engagement activities within SRM programmes that provide value include:
  - o Providing training to the suppliers regarding their roles and responsibilities in SRM to prepare them for participating, and informing them of the internal key contacts for SRM
  - o Providing channels and opportunities for the suppliers to provide feedback regarding SRM, the company as a customer, and potential improvements
  - o Conducting regular SRM meetings, strategic business reviews (SBRs) and/or quarterly business reviews (QBRs) with the stakeholders and suppliers, to enhance communication and relationship development, exchange information and feedback, identify and resolve challenges, and discuss actionable strategies with the suppliers to improve their performance and capabilities, and assist their business development
  - o Organising strategic meetings between the senior executives of the organisation and the supplier companies on an annual or six-monthly basis
  - o Educating the suppliers regarding the company's business and processes, and its long-term strategic objectives
  - o Identifying opportunities for enhancing relationships through collaboration and joint investment in mutually-beneficial innovation projects
  - o Hosting supplier days as part of the supplier recognition and collaboration initiative
  - o Organising supplier innovation days and ideation sessions to discuss challenges and enable the suppliers to present solutions that may deliver value to the business.

Measuring and Achieving Value

- The effectiveness and value of SRM should be measured using metrics that are aligned with the company's and the stakeholders' objectives, and increase or reinforce their support for the programme. This involves:
  - Evaluating the cost-effectiveness of the SRM programme in terms of the tangible and intangible benefits that have been attained
  - Assessing the impact of SRM on value generation and increased efficiency for the stakeholders and the suppliers
  - Using a sliding scale to rate the progress of the SRM programme against specific milestones and objectives
  - Obtaining feedback from the stakeholders and suppliers and analysing the results.
- The success of SRM is being evaluated using metrics regarding:
  - Improved risk management and compliance
  - Improved product or service quality
  - Increased customer satisfaction
  - Reduced costs
  - Decreased lead times
  - Continuity of supply
  - Improved inventory management
  - Increased sustainability, diversity and inclusion (D&I) within suppliers' companies and supply chains
  - The delivery of innovation and value by suppliers.
- A matrix may be applied to define the current status and structure of the programme, assess the ongoing progress of the programme and develop improvement strategies, and evaluate the achievement of targets and strategic value.
- Effective SRM provides value by:
  - Improving relationships with suppliers in order to become a customer of choice
  - Gaining access to innovation, market intelligence and competitive insights
  - Ensuring continuity of supply during market disruptions
  - Obtaining training and support from the suppliers
  - Enabling the transparent exchange of information with the suppliers
  - Increasing efficiency by improving the suppliers' service delivery
  - Achieving environmental, social and governance (ESG) targets.
- Feedback regarding SRM is being obtained by conducting:
  - 360° reviews, in which Procurement, the stakeholders and suppliers provide feedback to each other
  - Requesting the stakeholders to provide net promoter scores (NPSs) for their suppliers
  - SRM and QBR meetings with the stakeholders and suppliers
  - Post-project reviews with the stakeholders to determine whether SRM assisted them in achieving their objectives, and if the suppliers delivered value that contributed to successful outcomes.
- Gathering and analysing feedback from the stakeholders and suppliers enables Procurement to:
  - Continuously improve the SRM programme and processes
  - Understand the contribution of the suppliers to the company achieving its business objectives
  - Identify opportunities to optimise the suppliers' value
  - Benchmark the SRM programme by requesting the suppliers to compare it against those of the company's competitors.
- The results of SRM are communicated to the stakeholders and the business by:
  - Presenting reports to senior management
  - Providing updates and case studies in emailed newsletters
  - SRM champions or sponsors communicating successes to the business
  - Including the results in category planning update meetings with the stakeholders
  - Establishing a dashboard to record and report the results of the programme
  - Enabling access to data visualisation through a self-service platform
  - Conducting monthly meetings to showcase the achievements of the SRM programme.

Future SRM Strategies

- SRM programmes will continue to be progressed, expanded and formalised by:
  - o Broadening the concept of category management and realigning the processes of strategic planning with strategic management
  - o Establishing the distinction between routine supplier management activities and SRM initiatives
  - o Improving the processes for developing SRM initiatives and increasing the maturity of the programme
  - o Establishing a procurement portal that is integrated with various other systems, to provide the stakeholders with a single, simple platform for interacting with Procurement
  - o Holding annual 'supplier-of-the-year' award events in order to demonstrate recognition of the suppliers' achievements and contribution to the company's business, and to incentivise improved supplier performance.

- Procurement's priorities for improving SRM and increasing the value it provides to the business include:
  - o Recruiting specialists dedicated to performing SRM
  - o Including SRM in the category managers' and objectives and performance metrics
  - o Simplifying processes and eliminating redundant activities
  - o Developing trust with suppliers at both the company and personal levels
  - o Assisting small supplier companies to develop into successful businesses
  - o Placing greater emphasis on objectives such as improved sustainability and risk management to enhance the value proposition of SRM
  - o Increasing collaboration with the stakeholders to develop relevant performance metrics and targets
  - o Defining, measuring and demonstrating the value of SRM
  - o Developing long-term partnerships to ensure that the suppliers actively offer innovative ideas to the company rather than its competitors; and evaluating and efficiently implementing innovative solutions with the suppliers
  - o Implementing the optimal technological solutions for administering SRM that can be configured to align SRM with the company's requirements, consolidate data from various sources, provide useful dashboards, reduce efforts, increase transparency and operationality, and enhance the collection of data and exchange of information.

- The technological systems that are being used or considered for administering SRM programmes include:
  - o Supplier management and SRM software and platforms, such as HICX, LeanLinking and Vizibl
  - o Salesforce customised for SRM with LUPR
  - o Source-to-pay systems, such as Ariba, Coupa, GEP Smart and Workday
  - o Supplier databases such as TealBook
  - o Third-party risk management software, such as Aravo
  - o Business intelligence tools, such as Microsoft Power BI, Tableau and Qlik Sense
  - o Collaboration tools, such as SharePoint and Teams, plus Excel spreadsheets and PowerPoint
  - o Digital workflow platforms such as Jira and ServiceNow.

Resource Centre Links

The following are links to the full meeting reports for each region:

- Asia
- Australasia
- EMEA 1
- EMEA 2
- Latin America
- North America 1
- North America 2

ADDITIONAL INFORMATION

Global Digests provide valuable category and strategic insights to CASME members, as part of a much wider subscription service that is delivered to hundreds of corporate indirect procurement teams worldwide.

CASME connects the authentic experiences and perspectives of its global membership network, comprising thousands of procurement professionals, and delivers information services that enrich personal knowledge and team performance.

With more than 200 events, and 1,000+ insight materials and benchmarking reports to choose from, CASME is a great resource for networking, learning and personal development.

Our members actively benefit from:

Unrivalled EVENTS AND NETWORKING

- Interactive Events – including RoundTables, Mini-RoundTables and Panel Discussions
- Briefings – such as Category SpotLights, Guest Webinars and Podcasts
- Link-Ups – which are one-to-one facilitated introductions

Comparative INSIGHTS AND INTELLIGENCE

- Peer Intelligence – Reports and Recordings from events, and Global Digests
- Procurement Guides – ToolKits, and Good Practice and Category Strategy Guides
- Partner Intelligence – such as research papers

Unique and Authentic BENCHMARKING

- Procurement Examiners – including extended studies, SnapShots and Panel Discussion Reports
- Best in Class – with Maturity Matrix and Index.

Furthermore, our impartial services are delivered across 24 indirect procurement categories and practice areas, without input or influence from suppliers or sponsors.

ALREADY A MEMBER?

Log in to the CASME Resource Centre to register for an event, personalise your Dashboard, or print your CPD/CEH certificate as proof of accredited CIPS/ISM/PASIA professional learning hours.

Talk to your local CASME client services representative to discover how we can help.

NOT A MEMBER?

Visit casme.com for more information, and Request a Demo or Contact Us to discover how CASME membership will provide vital information to support the achievement of your strategic objectives and category plans.

CASME

INSPIRING PROCUREMENT EXCELLENCE