Supplier Relationship Management (SRM)

What is SRM?

SRM is the overarching strategic approach to determine and implement different supplier based interventions;

- Applied as appropriate across the supply base to maximise value to the organisation
- Reduce supply chain risk
- Prioritised against available resources
- Enhance value to the end customer
- Enabling the organisation to achieve its goals

For SRM to contribute effectively to organisational success requires cross-functional participation, without this, innovation may never gain traction, risk of the pursuit of wrong goals and insignificant impact made.

The Model

Identifying and understanding the organisation’s needs which determines the specific relationship with the supply base e.g. are the objectives problem solving, driving innovation and/or reaching for corporate goals? What additional value do we wish to secure? Adopting the right relationship with the right supplier for the right reasons – realising and optimising supplier potential.

A typical supply base ranges from a multitude of transactional to strategic suppliers, it is impractical to have a relationship with every one of them, therefore a selective approach is required. It is recommended in conjunction with the use of the Kraljic model to segment the supply base as per the principles below.

Segmentation of Suppliers

The information contained in this document has been supplied to you by Cofely who are CIPS’s Total Facilities Management Knowledge Partner. CIPS takes no responsibility for any loss or damage in anyway arising from your interpretation or use of this information.
The 3 Pillars of SRM

Segmentation “Who” forms one of the SRM pillars. To compliment this, the “What” and “How” pillars are also required.

To support the overarching strategy a VIPER “What” model could be adopted – each element determining the value an organisation needs and wants to realise from the segmented supply base.

The “How” is driven by the specific approaches aligned to the supply chain e.g. if the full supply chain requires intervention then a Supply Chain Management approach is adopted.

Supplier Reviews

For Strategic, Preferred, Major & Critical segmented suppliers a VIPER Review and Score card mechanism (see below) could be adopted. Criteria within each VIPER element are discussed, reviewed and rated with the suppliers during review meetings, thus forming a measurement platform.

Overall supplier ratings could also enabled by Customer Feedback/rating mechanism if featured within P2P platforms.

The consolidated outputs of the supplier reviews and ratings enables parties to focus on areas for improvement, promotion of new ideas and celebration of success areas. It also provides an organisation with the ability to compare competitor supplier performance within the same category.
As referenced earlier, for SRM to contribute effectively to organisational success it requires cross-functional participation. It is recommended that the VIPER score card is developed with insights and input from key stakeholders including operations, ensuring measurement criteria is balanced and not procurement biased. In preparation for supplier reviews operational input/feedback should be received from the business, particularly if reviews are taking place with procurement only in attendance.

Post supplier reviews, VIPER score cards and supplier review minutes should be made available electronically (central portal) to the business to ensure updates are fully transparent and communications are two-way.

An example of a communications matrix for Preferred Suppliers is detailed below.

<table>
<thead>
<tr>
<th>What</th>
<th>Who</th>
<th>When</th>
<th>How</th>
<th>Why</th>
</tr>
</thead>
<tbody>
<tr>
<td>Review meeting</td>
<td>CPO</td>
<td>Annually</td>
<td>Meeting (Face2Face, Webex…)</td>
<td>To ensure business objectives/requirements are being met</td>
</tr>
</tbody>
</table>

| Assessment      | Value Innovation Performance Effectiveness Risk | Input from: CM, Sustainability PM/Ops/Tech Other | Regularly | Options: SCR/SPM/SM/ SL&D/SCM Scorecard Minutes | To evaluate and compare supplier performance in order to mitigate risk, enable continuous improvement, drive innovation & add value to the business |
| Communication   | Internal & External (Cofely & Suppliers) | TBD            | Mail Phone (Social Media?) | To build a partnership relationship |