Supplier Relationship Management
Background
CASME RoundTable meetings on supplier relationship management (SRM) were held in Asia, Australasia, Europe and North America. The following main topics were discussed:

- Programme development
- Stakeholder and supplier engagement
- Processes
- Measuring and achieving value
- Technology and training
- Future trends in SRM.

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

Programme Development

- SRM programmes may be developed and managed by teams or individuals within Procurement or the business; for example:
  - Procurement centres of excellence (COEs) or global procurement excellence teams
  - Individuals or teams dedicated to SRM and/or supplier innovation
  - Category managers as part of their role
  - The business units and/or budget holders.

- Strategic objectives include centralising and expanding SRM programmes and establishing standardised processes, co-ordination and alignment across the organisation.

- SRM programmes are generally developed at the global level and applied at the regional and local levels in alignment with the geographic scope of category managers’ responsibilities, and to accommodate the various cultures and business practices in different regions and countries.

- SRM may be initially implemented in one region, then rolled out in other regions when the practices, processes and cultural alignment have been established.

- The maturity of Procurement and the extent to which it is regarded as a strategic partner are critical factors in obtaining credibility and recognition for its role and responsibilities in SRM.

- Procurement’s role and activities when developing SRM programmes include:
  - Identifying the stakeholders and key personnel who manage supplier relationships
  - Partnering with the stakeholders to develop the SRM strategy, policies, objectives and governance framework
  - Defining the objectives of SRM and aligning them with those of Procurement and the business
  - Demonstrating the value and benefits of SRM to the stakeholders
  - Identifying the suppliers for inclusion in the programme, and the criteria on which this is based
  - Gaining an understanding of the existing relationships between the stakeholders and suppliers.

Objectives of SRM

- The objectives of SRM include achieving:
  - Long-term strategic relationships and alignment between the company and its key suppliers to support mutual business development
  - A competitive advantage in the market and new business opportunities through innovation and collaboration
  - High-level relationship management and governance between the senior executives of the client and supplier companies
  - The status of preferred customer or customer of choice with suppliers
  - Assurance of continuity of supply for critical and strategic categories
  - Improved risk management and compliance, increased transparency, accountability and governance of the supply chain
  - Compliance with the organisation’s corporate social responsibility (CSR) and sustainability policies
  - Recognition of Procurement as a valued strategic partner.
Stakeholder and Supplier Engagement

Stakeholder engagement

- Successful approaches for engaging the stakeholders and encouraging their participation in SRM include:
  - Promoting the importance and value of SRM to the stakeholders in terms of improving risk management, governance and compliance, as well as benefits such as increased quality, innovation and value from suppliers
  - Aligning the objectives of SRM with those of the stakeholders
  - Approaching each business unit individually to discuss the objectives and key performance indicators (KPIs) for SRM
  - Requesting input from the stakeholders regarding the suppliers for inclusion in the programme
  - Issuing surveys to the stakeholders asking them to rank their suppliers in order of criticality
  - Participating in business review meetings with stakeholders and suppliers, to determine the current status of relationships and the ongoing management requirements
  - Ensuring that the stakeholders understand that they need to commit time, resources and budget funds for SRM to be effective and provide value
  - Conducting workshops focused on change management and guiding the stakeholders through their roles and responsibilities
  - Establishing an internal portal specifically for SRM to provide the stakeholders with access to relevant information
  - Applying SRM initially with a few selected suppliers and using the successful results achieved and confidence gained to increase stakeholder buy-in and engagement and gradually expand the programme.

Senior management

- The involvement and support of senior management is being obtained by:
  - Promoting the benefits of SRM to senior executives, tailored to their roles and specific areas of interest
  - Demonstrating how SRM and can make a positive impact on the company’s bottom line
  - Providing senior executives with positive feedback from the stakeholders regarding SRM
  - Using success stories regarding the delivery of positive results and value through SRM
  - Including senior executives in the supplier selection and engagement processes for SRM
  - Inviting senior executives to attend SRM events and annual reviews with strategic suppliers
  - Establishing top-to-top engagement between the senior executives of the client and supplier companies.

Supplier segmentation

- SRM is typically only applied to a small percentage of a company’s suppliers, with the number of suppliers that are included in the programme depending on the size of the company and its supply base.
- Supplier segmentation is conducted to identify those for inclusion in the SRM programme, by categorising suppliers and placing them in the top tier according to defined criteria that includes the:
  - Amount of spend and/or risk represented by suppliers
  - Criticality of the products or services provided by the suppliers to the company’s business operations
  - Category, and whether the supplier is classified as being strategic, operational, or transactional
  - Value of the supplier to the business in terms of the provision of specialised services or innovation
  - Profile of the supplier company and its status in terms of being a sole or single source, a diverse supplier, or a start-up or developing company.
- Supplier segmentation and categorisation may be based on the Pareto 80/20 model, with the top 20 suppliers representing 80% of the company’s spend, or the Kraljic model for classifying suppliers.
- Consultation with and input from the stakeholders are essential when selecting suppliers for SRM, to ensure alignment and fulfil their business requirements and objectives.
Processes

- In addition to selecting the suppliers for inclusion and engaging the stakeholders and suppliers in SRM, the main activities and interactions within SRM programmes include:
  - Gathering information from the stakeholders and senior management regarding their requirements and strategic objectives, in order to align SRM with these
  - Developing and implementing the engagement and communication strategies
  - Establishing the SRM processes, governance framework, guidelines, tools and templates, and identifying opportunities for automating processes
  - Defining the SRM requirements and responsibilities for both the suppliers and stakeholders
  - Co-ordinating the exchange of SRM information and best practices, and communicating initiatives, achievements and best practices across the organisation
  - Conducting 360° feedback surveys to obtain feedback from the stakeholders, suppliers and relationship managers; and requesting net promoter scores (NPSs) from the stakeholders and suppliers to evaluate the status of relationships
  - Managing the ongoing collection and exchange of data and information between the Procurement, the stakeholders and suppliers by establishing structured processes and a dedicated platform
  - Conducting quarterly business reviews (QBRs) and executive business reviews (EBRs) with stakeholders and suppliers, as well as arranging top-to-top meetings between the senior executives of the client and supplier companies
  - Organising supplier forums, summits, innovation days and workshops, and supplier award/recognition presentations.

Measuring and Achieving Value

- The metrics for evaluating the effectiveness and value of the SRM should be defined with the stakeholders and senior management to ensure alignment with their objectives, and be limited to a few, relevant KPIs that are easy to measure.

- The KPIs that are being used to measure the effectiveness and value of SRM, and may be connected with the overall KPIs for Procurement and COEs, include metrics regarding:
  - Service and performance quality
  - Continuous improvement
  - Cost savings
  - Added value
  - Risk factors
  - Strategic alignment
  - Achieving objectives
  - Communication and collaboration
  - Responsiveness and corrective actions
  - Stakeholder satisfaction
  - CSR, sustainability and supplier diversity
  - Innovation; such as the number of innovative solutions offered by suppliers and the number implemented by the company.

- The benefits and value of the SRM programme may be reported to senior management and the business using case studies, dashboards, presentations and summaries on the company’s intranet, or verbally on an ad hoc basis, or through the usual channels for reporting Procurement’s performance.

- The value that is being achieved through effective SRM includes the:
  - Stakeholders recognising the value of Procurement's involvement in supplier relationships
  - Suppliers understanding the benefits of strategic partnerships such as development opportunities
  - Creation of opportunities to recognise suppliers’ positive contributions to the company’s business
  - Suppliers investing time and money to ensure compliance with the company’s requirements and policies, such as those regarding sustainable and responsible sourcing
  - Generation and implementation of innovative solutions for mutual benefit.
Technology and Training

Technology

- The availability of tools dedicated to SRM is limited, and there is no single solution for conducting the end-to-end procurement process, including SRM. In many organisations, Microsoft Excel, PowerPoint, and SharePoint are the principal tools that are being used for administering SRM.
- The technological tools that are being used for SRM activities include:
  - Coupa Supplier Management
  - GEP Smart
  - IHS Markit Know Your Third Party (KY3P)
  - Jaggaer
  - LeanLinking
  - Microsoft Power BI
  - Salesforce adapted for SRM
  - SAP Ariba Vendor Relationship Management
  - ServiceNow
  - Tableau
  - Tradeshift.

Training

- With the role of Procurement evolving from focusing on cost savings to strategic sourcing and relationship management, greater emphasis is being placed on procurement professionals having the soft skills needed for developing effective relationships with the stakeholders and suppliers.
- SRM training is being provided to procurement professionals through on-the-job training, coaching by the centre of excellence (COE), and supplier management certification courses. Templates and guidelines regarding the policies, procedures, and governance framework for SRM are provided to procurement professionals with SRM responsibilities; and sessions regarding specific SRM-related topics may be provided to the category managers, stakeholders and senior management.

Future Trends in SRM

- SRM programmes will continue to be developed, expanded and formalised, as SRM and strategic relationships with suppliers become more important, the value delivered through SRM is recognised by the business, and SRM becomes part of company culture.
- The automation and outsourcing of procurement processes will increase, to enable Procurement to focus on delivering strategic value through activities such as SRM, and to increase its involvement in managing project risk and governance.
- SRM will become a core component of category strategies and the end-to-end procurement process as an important tool for value generation.
- Technological platforms dedicated to SRM will be implemented by Procurement, to collate SRM information within a single central database accessible to everyone, to facilitate and automate SRM workflows, and to assist collaboration.
- SRM will become foundational to the development of associated programmes, such as supplier diversity, sustainability and innovation.

Resource Centre Links

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

- Asia
- Australasia
- Europe (Notes from the two meetings that were held on the same day)
- North America
Further 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
- RoundTables
- Virtual Events - Virtual RoundTables, Category SpotLights, Panel Discussions and Guest Webinars
- Link-Ups

Comparative Insights and Intelligence
- Notes and Recordings from events
- Global Digests
- Good Practice and Category Strategy Guides
- ToolKits

Unique and Authentic Benchmarking
- Procurement Examiners - extended studies and SnapShots
- Best In Class
- Deal BenchMarkers

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.

Important
This document is a summary of the facilitated discussions between the delegates at various meetings held from June to September 2020. We recommend that any references, particularly to legislation, or recommendations contained in these notes are cross-checked by the reader in order to verify their accuracy prior to being acted upon. Any third-party organisations named in this document are not recommendations but are examples of companies mentioned during the meetings that might be considered when tendering for appropriate goods or services. These are not intended to form an exhaustive list and it is likely that other organisations not listed may also provide similar goods or services.

Any intellectual property (IP) (including, but not limited to, copyright and database rights) in this work is vested in CASME, which is the trading name of Market Focus Research Limited, (‘CASME’ or ‘Market Focus’), and the document is issued in confidence for the purpose only for which it is supplied. It must not be reproduced or distributed in whole or in part in any material form or medium except under an agreement or with the consent in writing of CASME and then only on condition that this notice is included in any such reproduction. Full terms and conditions can be accessed at the CASME Resource Centre: www.casme.com.