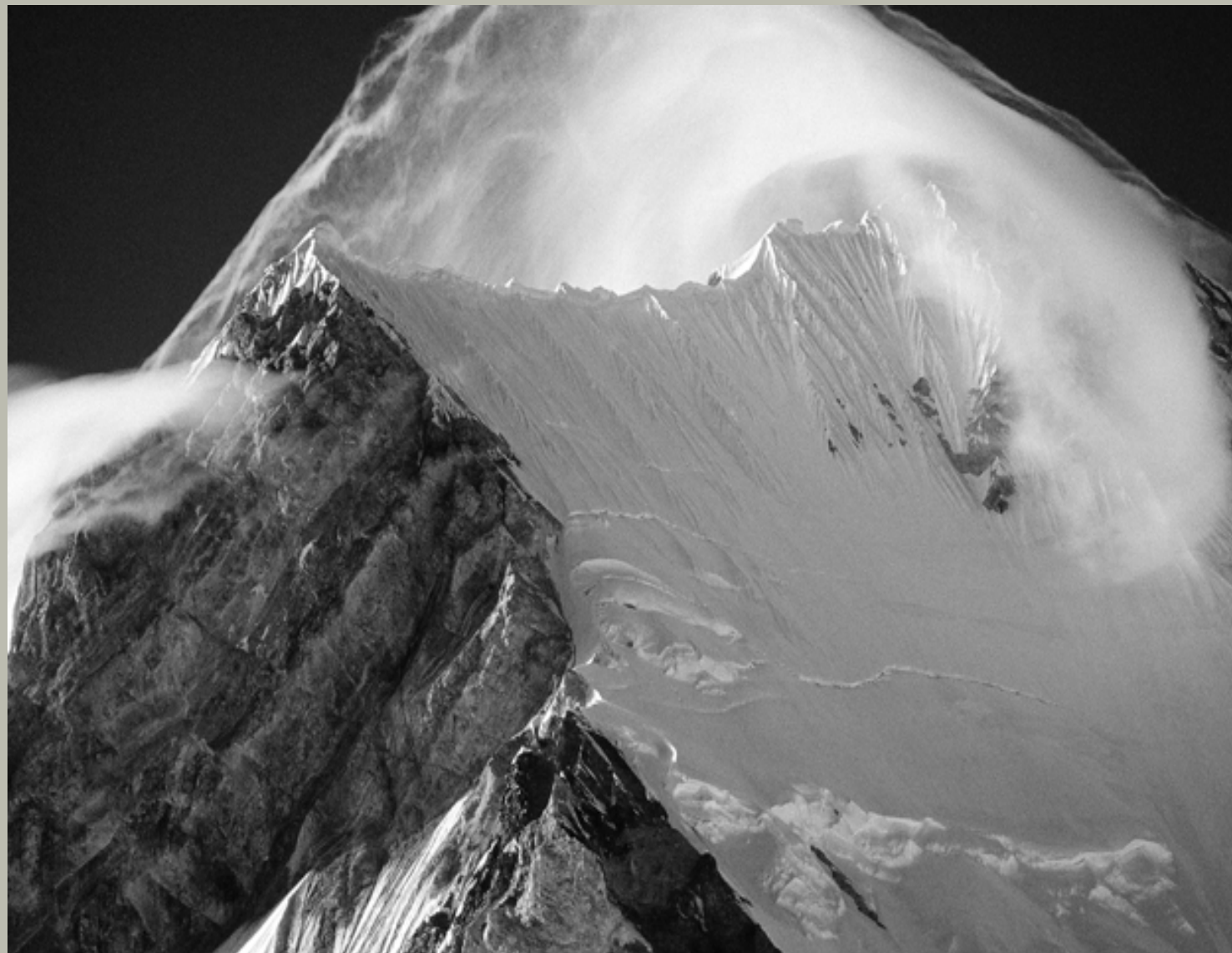


## Benchmarking Business Relationship Management “The Four Faces of Building Value with Major Suppliers”





# Benchmarking 'best practice' ... central to emerging 'next practice'

## Leaders of the International Procurement Leadership Forum

## Official Sponsor, 2008



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## Support Partners of the Global Benchmarking Survey 2007



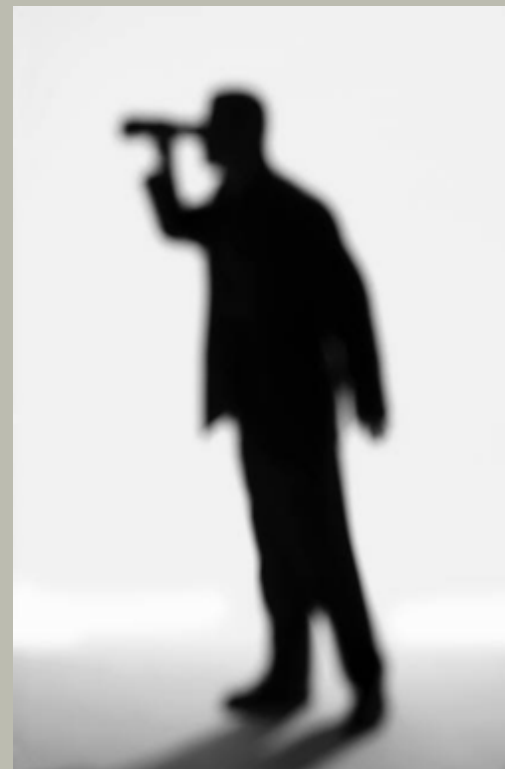
## Examples of IPLF Participants, 2006 and 2007

**Face 1: Business Requirements  
& the Value Drivers**

**Face 2: Different Types of  
Supplier Relationship Management**

**Face 3: Operationalising Strategic  
Supplier Relationship Management**

**Face 4: Leadership, People  
& Behavioural Implications**



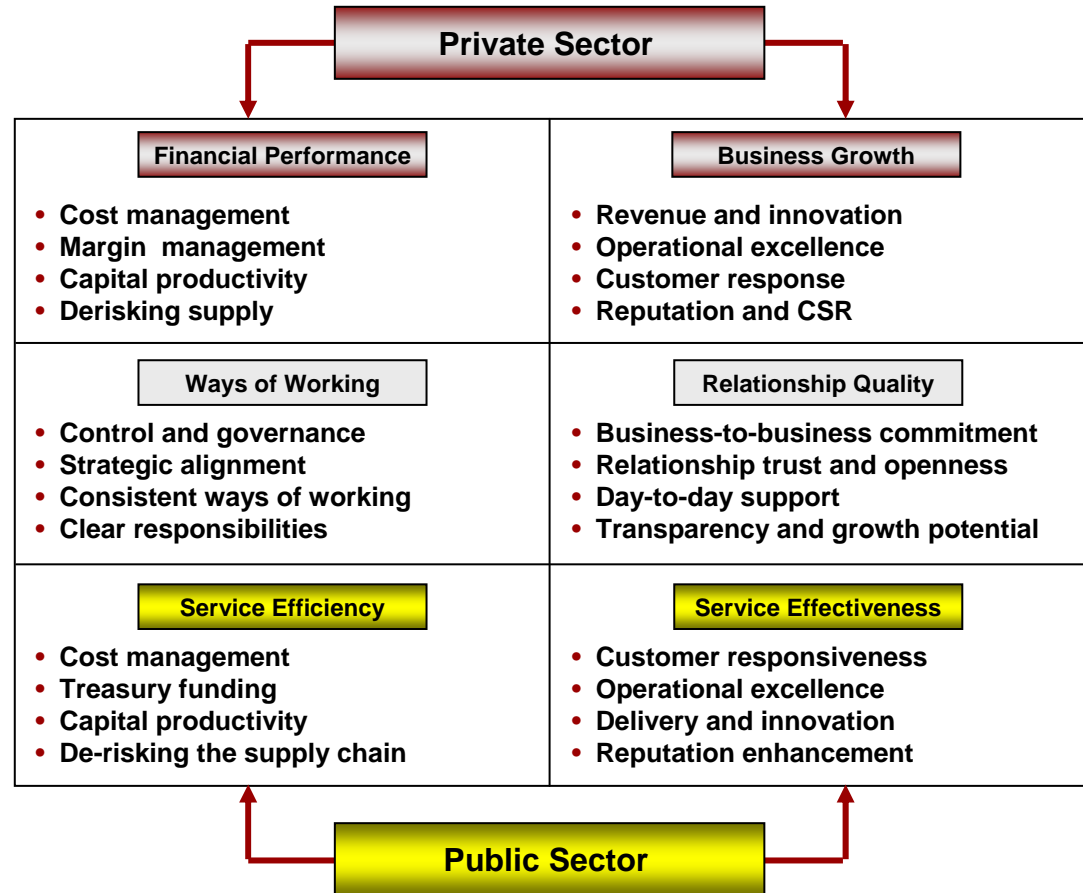
# One theme is the 'hard drivers' of relationship management

10,000 individuals were contacted, with c. 1,000 survey responses and interviews

## Sectoral Case Files

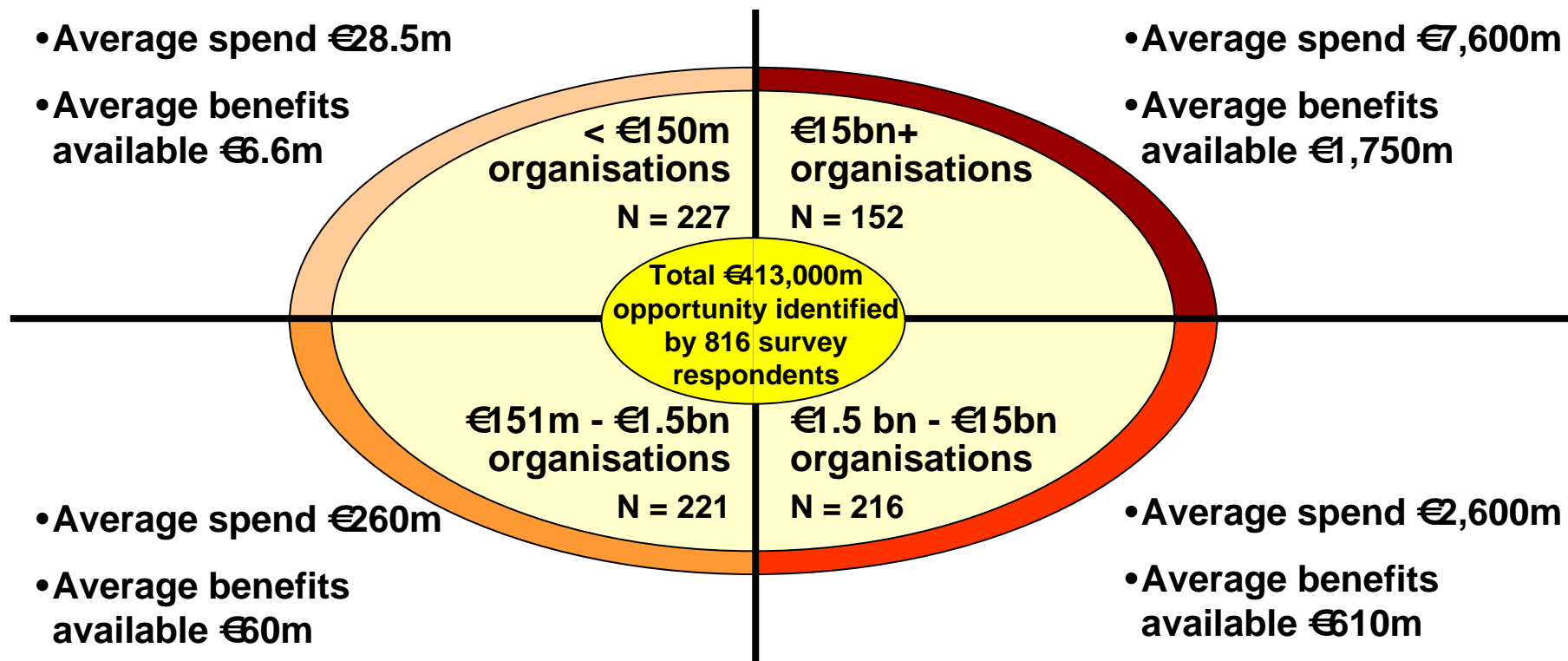
<b>Retail &amp; Consumer Brands</b>
<b>Automotives</b>
<b>Aerospace</b>
<b>Pharmaceuticals</b>
<b>Financial Services</b>
<b>Public Sector</b>

Different types of value map exist - some are explicit, most are not



# Cost down and value up potential with strategic suppliers is 20% +

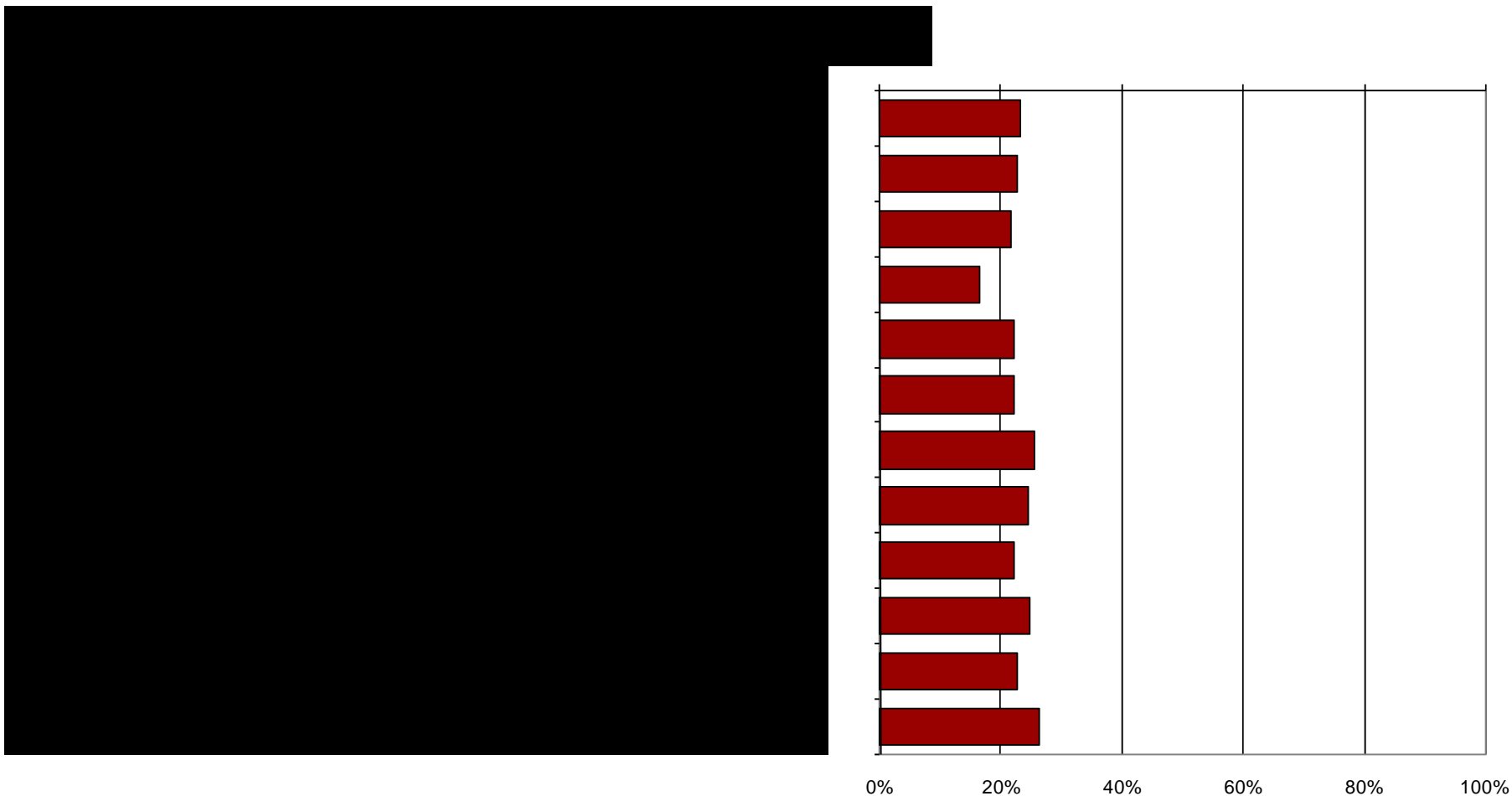
Survey respondents identified 23% incremental value across multiple factors



- |                               |                              |                         |                           |                                |
|-------------------------------|------------------------------|-------------------------|---------------------------|--------------------------------|
| <b>1</b> Total cost reduction | <b>3</b> Product innovation  | <b>5</b> Quality levels | <b>7</b> Supply assurance | <b>9</b> Supplier control      |
| <b>2</b> Revenue generation   | <b>4</b> Process improvement | <b>6</b> Service levels | <b>8</b> Speed to market  | <b>10</b> Relationship quality |

## Benefits identified by survey respondents

*The survey indicated that a broad range of additional value is available from strategic suppliers.*

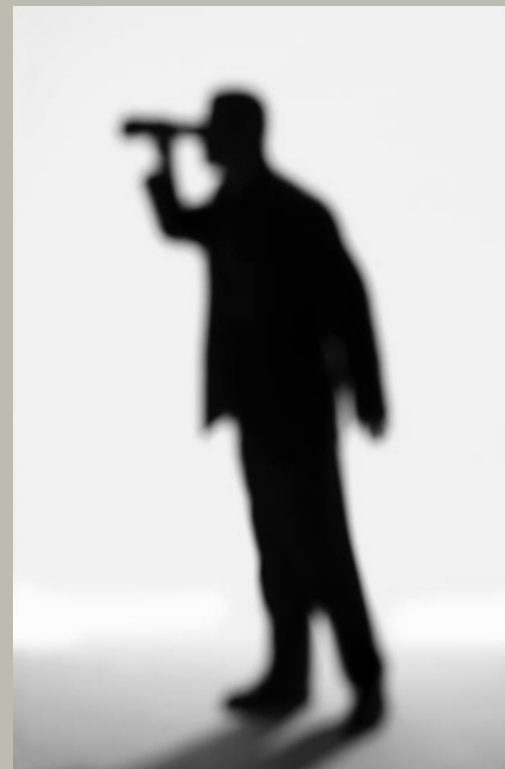


**Face 1: Business Requirements  
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**Face 2: Different Types  
of Relationship Management**

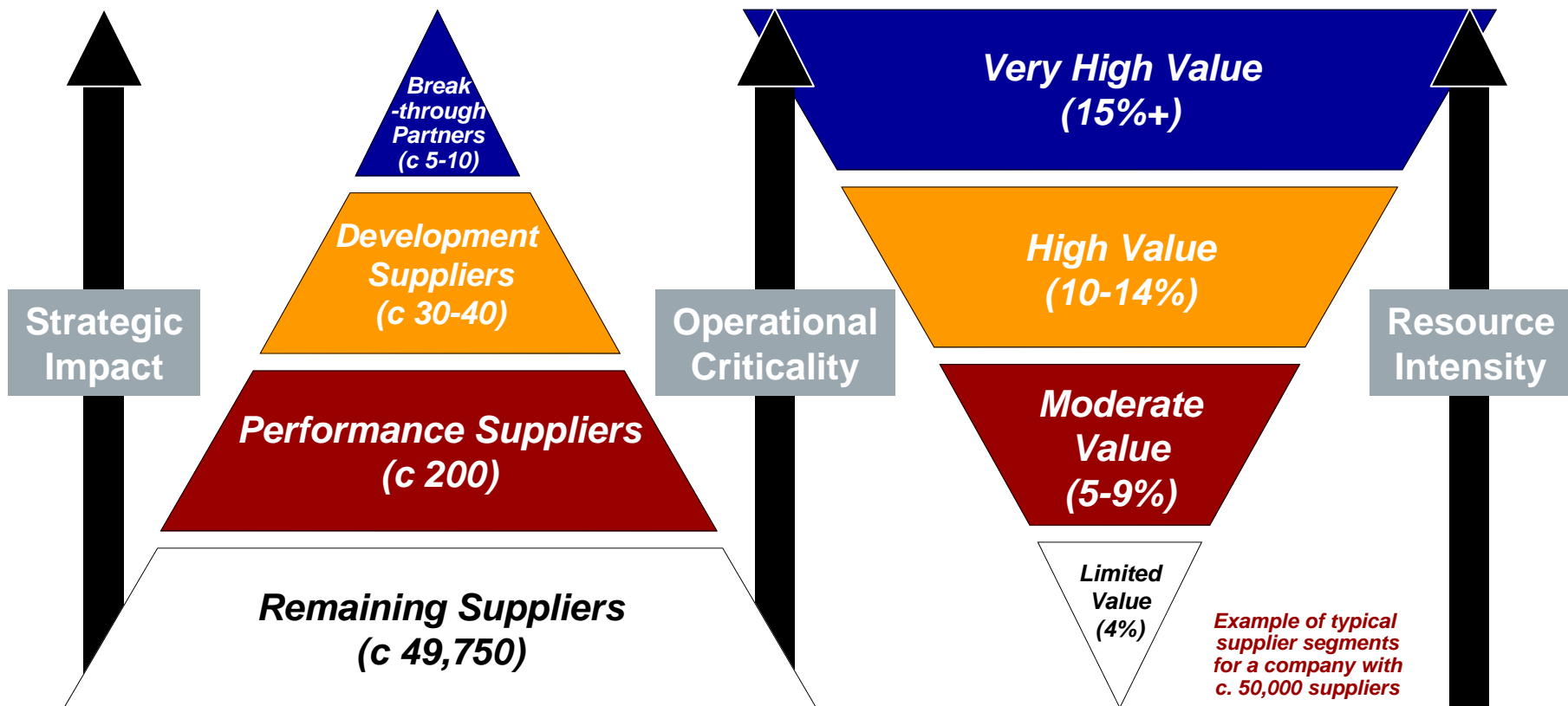
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# Value-based segmentation drives relationship management

*A limited number of suppliers will drive the largest sources of value*



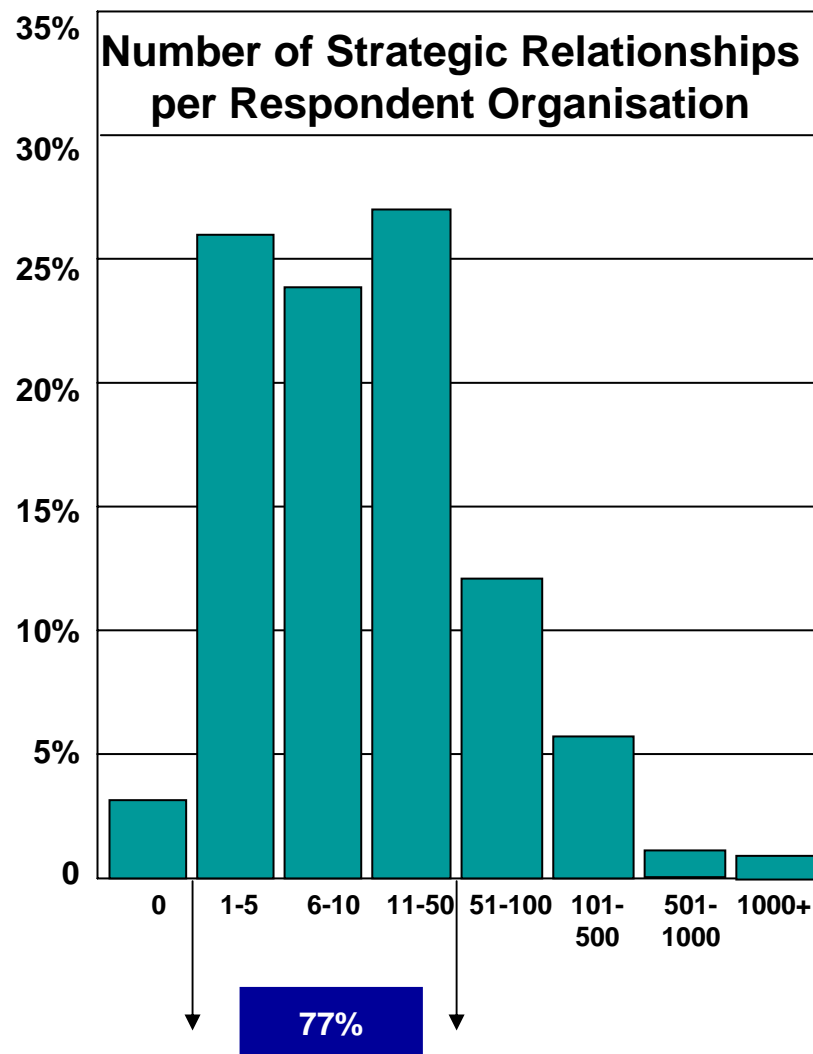


## Strategic suppliers are strongly connected to the value map

*77% of survey respondents have 50 or fewer strategic suppliers*

### Criteria for a Strategic Supplier

- 1st: Impact of the supplier on current and future sales revenue.
- 2nd: Importance of the supplier to product / service innovation.
- 3rd: Access to business critical supplier capabilities and competences.
- 4th: Ability to reduce current or future cost base substantially.
- 5th: High level of expenditure with the supplier.
- 6th: Expected length and continuity of the supplier relationship.
- 7th: High dependency and high switching costs with the supplier.
- 8th: Access to proprietary technologies and intellectual property.
- 9th: Quality of personal relationships between us and the supplier.
- 10th: Importance of the supplier for entry into new markets / geographies.

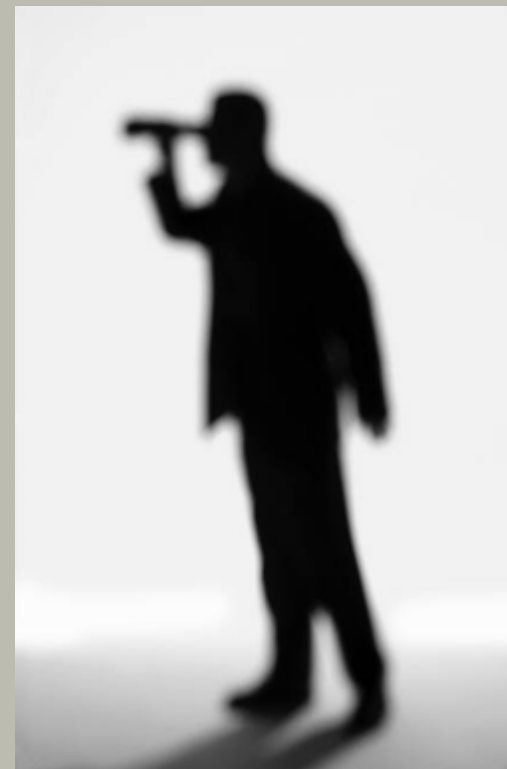


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# Building real depth in SRM process, practice, tools and techniques

## The IPLF benchmarking survey examined capability across five key steps



- Governance
- Segmentation
- Mobilisation
- Form SSMTs
- Kick-off meetings
- Communications
- Review strategies
- Spend & performance
- Relationship perceptions
- Relationship analysis
- Available options
- Relationship strategy
- Performance management
- Supplier development
- Breakthrough value creation

1. Executive Briefing

2. Supplier Segmentation

3. Supplier Conditioning

4. Supplier Charter

5. Supplier Conference & Forum

6. SSMT Roles & Responsibilities

7. SSMT Kick-Off Meetings

8. Change Management

9. Quick Wins

10. Key Account Management

11. Project Planning Tools

12. Stakeholder Engagement

13. Historic Spend Profile

14. Internal Relationship Perception

15. Supplier Relationship Perception

16. Supplier Strategy Analysis

17. Technology Road Map

18. Power & Dependency Profiling

19. Supplier Key Account Management

20. Options Meetings

21. Risk Analysis

22. Relationship Strategy

23. Contract & Supplier Review Meetings

24. Contract Administration

25. Contract Management

26. Supplier Performance Scorecard

27. Business Requirements

28. Statement of Requirements

29. Procurement Benefits Tracking

30. Promoting Trust

31. Project Charter

32. Project Organisation

33. Managing Conflict

34. Facilitation Toolkit

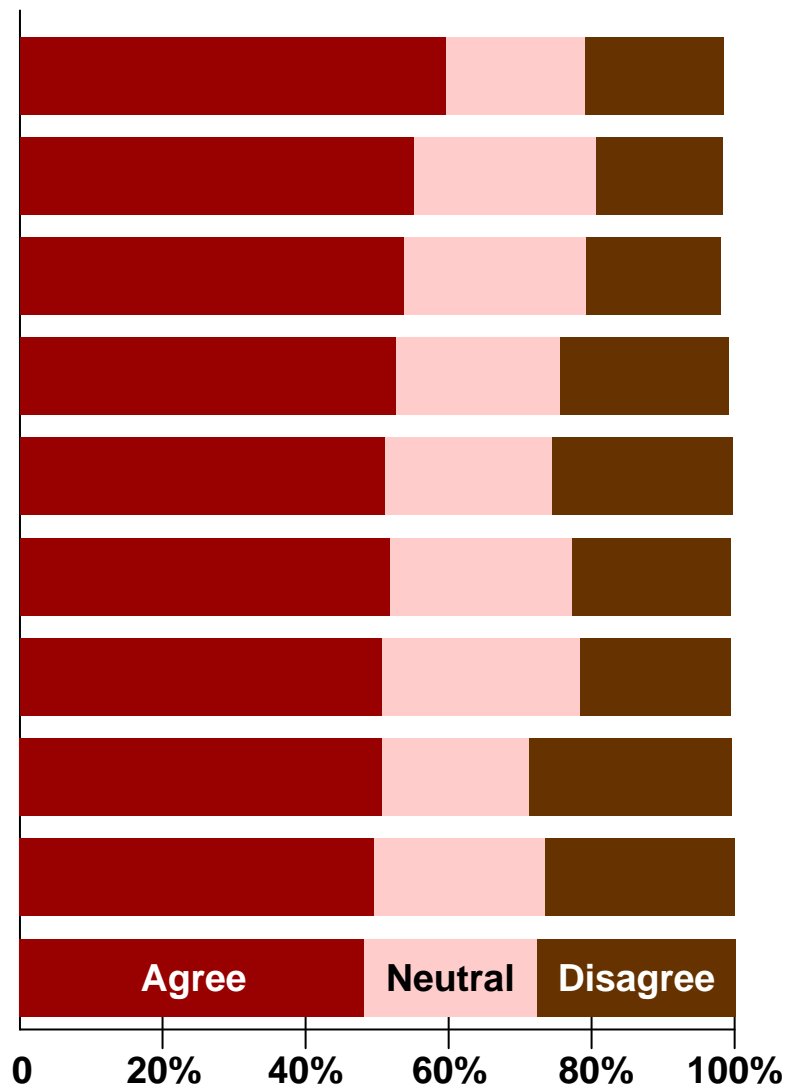
35. Breakthrough Value Creation

36. Breakthrough Value Project Implementation

# Strategic supplier management is in its infancy ...

## *Early days - lots of gaps - driven by problems - lack of business backed process*

1. No training in strategic supplier relationship leadership
2. No documented relationship strategies for our strategic suppliers
3. No quantification of the benefits and ROI of working with strategic suppliers
4. No specific budget or resources allocated to strategic supplier initiatives
5. No regular, board to board review process between us & strategic suppliers
6. No guidelines or frameworks to share benefits with strategic suppliers
7. No focus with strategic suppliers on radically restructuring ways of working
8. Focus is on purchase price and reducing costs through negotiation
9. Contracting focuses on conventional contracts and performance to contract
10. Performance improvement is driven by problems

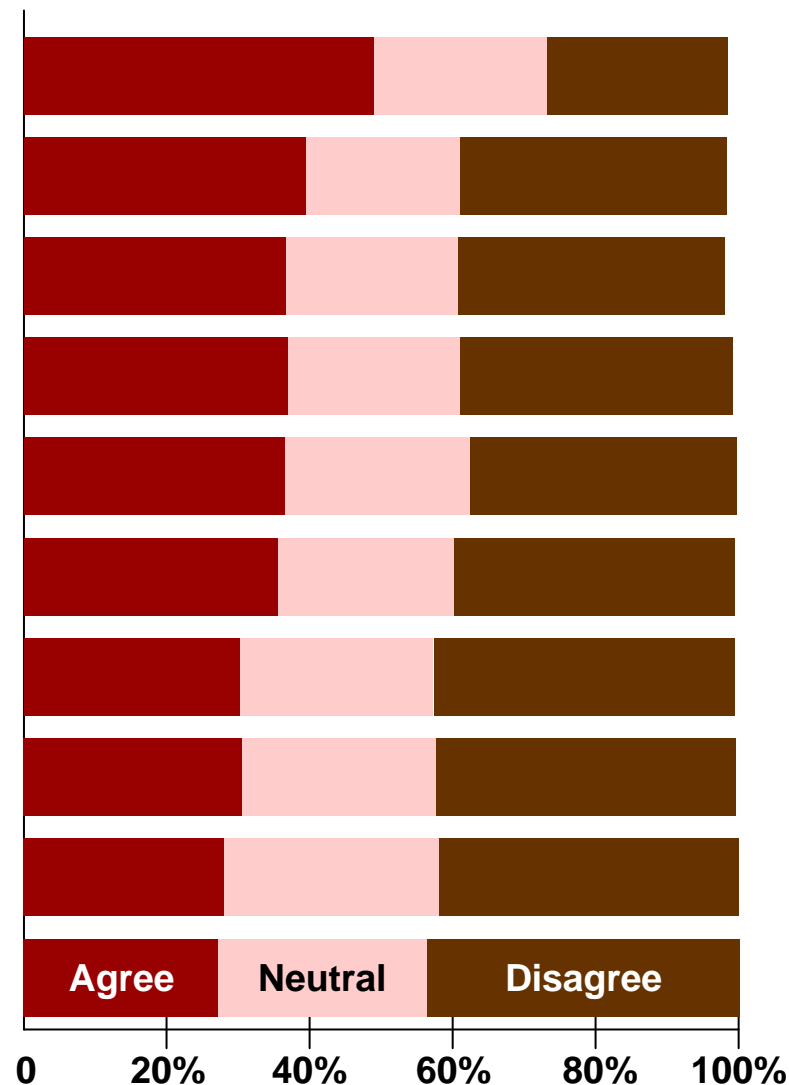


*N = 788 survey respondents*

... but there are certainly pockets of excellence and good practice

## *Top executives are interested - lots of opportunity - some leaders in place*

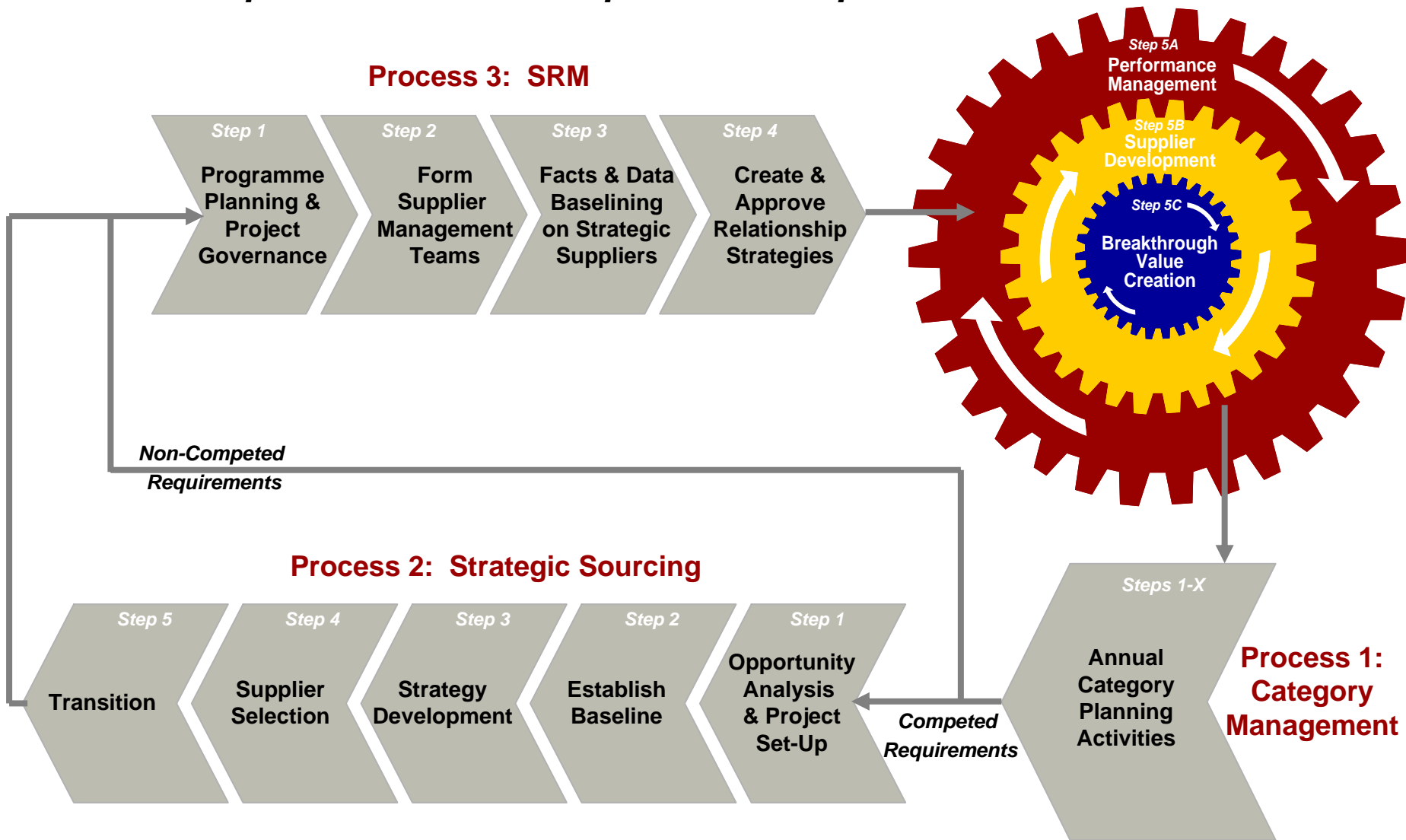
1. Regular, open dialogue takes place with strategic suppliers about performance
2. A top executive sponsor owns strategic supplier initiatives
3. Business case and benefits of strategic supplier initiatives are identified
4. Forums and reviews take place to examine internal data about strategic suppliers
5. Strategic suppliers are frequently worked with to find new ways of reducing costs
6. Full-time, dedicated relationship leaders are in place for strategic suppliers
7. Cross-functional teams exist with clear responsibilities for strategic suppliers
8. Defined and structured processes exist for managing strategic suppliers
9. Future impact of strategic suppliers' plans on the buying organisation are understood
10. Stakeholders are fully prepared to commit staff time to strategic supplier relationships



*N = 788 survey respondents*

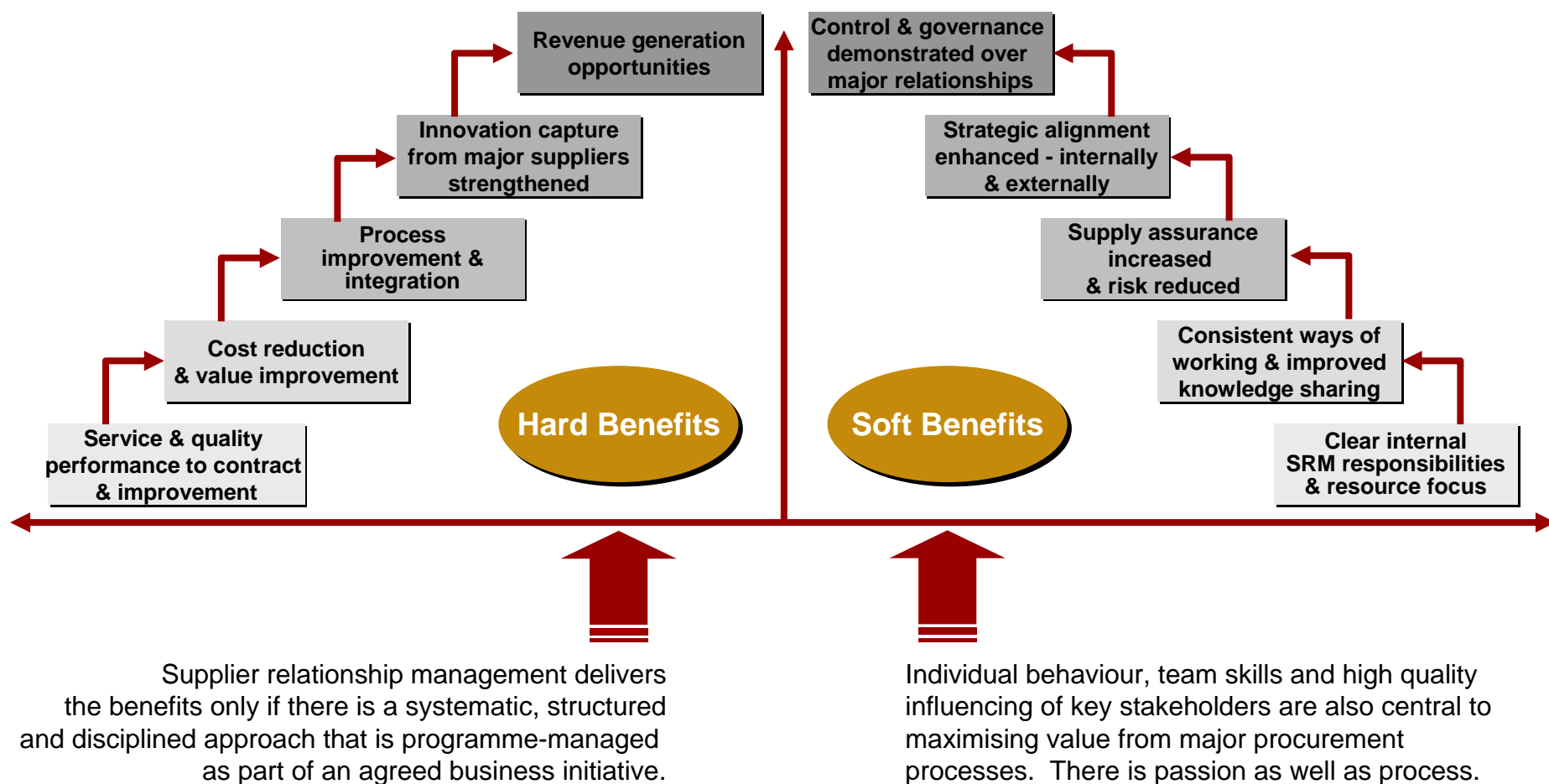
# Linking SRM to subcategory sourcing and category planning

*Do we need separate or connected procurement processes?*



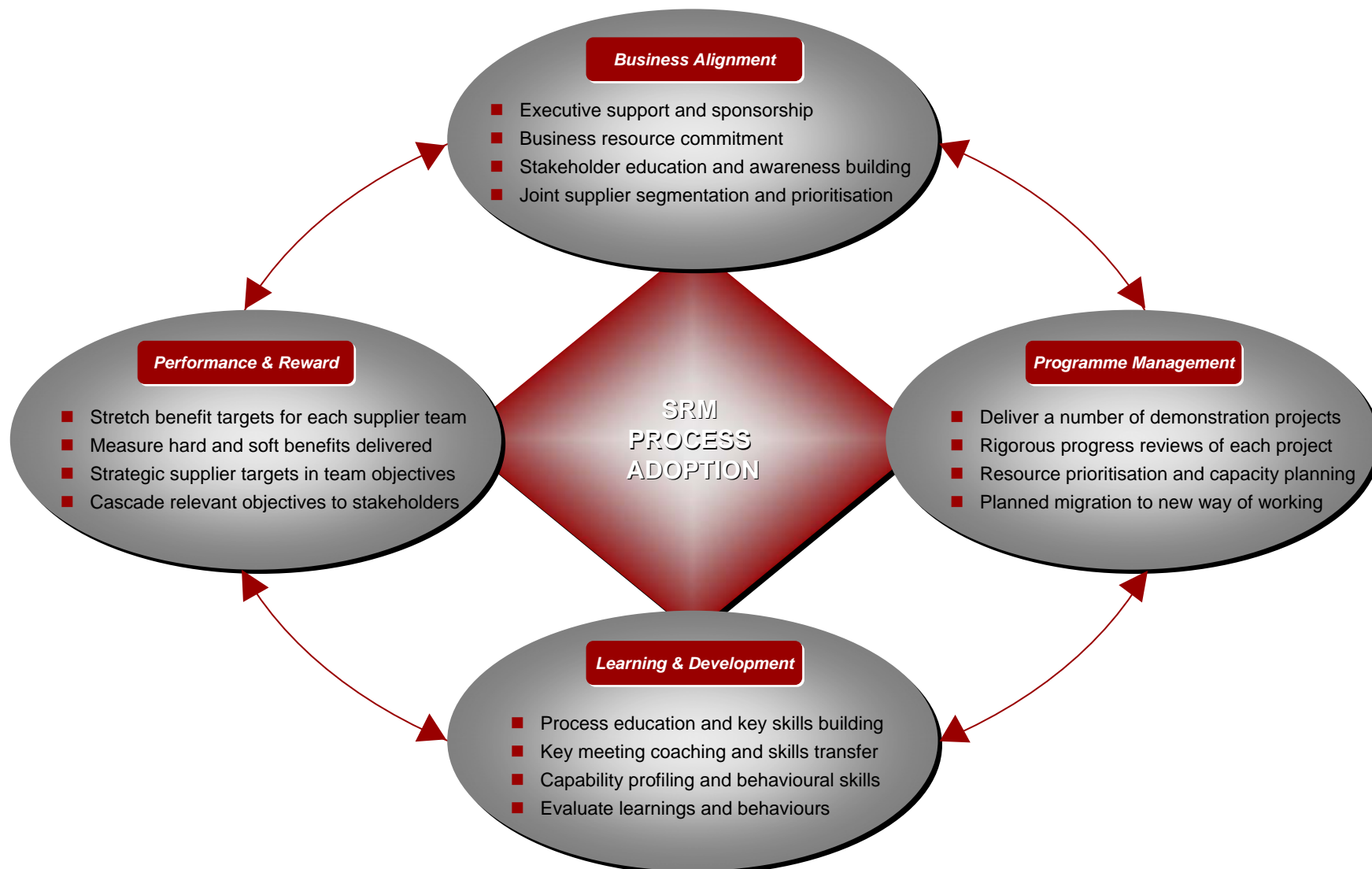
## Clarifying desired benefits from SRM is critical in shaping approach

- 1 **The specific benefits of SRM can be readily identified and quantified.**
- 2 **Benefits need to be targeted for each relationship from both a hard and a soft perspective.**
- 3 **Benefit measurement processes should recognise and reinforce benefit delivery**



## A change management approach is required to fully anchor SRM

### *Successfully launching strategic supplier initiatives needs an approved approach*





## What to include in a relationship strategy and approval document

### *Producing a persuasive, compelling strategy with clear return on investment (ROI)*

#### Part 1 Executive Summary

A short, persuasive summary of future strategy

#### Part 6 Risk Management

Major internal and external issues and potential sources of risk and vulnerability

#### Part 2 Key Information

Sub-category strategy, supplier strategic contribution and all critical data

#### Part 7 Cost : Benefit Analysis

Financial detail of business case, return on investment, value delivery and cost reductions

#### Part 3 Strategic Analysis

Analysis of available options, using strategy development tools

#### Part 8 Implementation Plan

Details of the plan, timings and change management requirements

#### Part 4 Relationship Strategy

Summary of breakthrough, performance management and supplier development options

#### Part 9 Governance

Roles and responsibilities for supplier engagement and the ongoing relationship

#### Part 5 Business Impact

Cross-business, cross-functional and supplier impact of the strategy

#### Part 10 Supporting Information

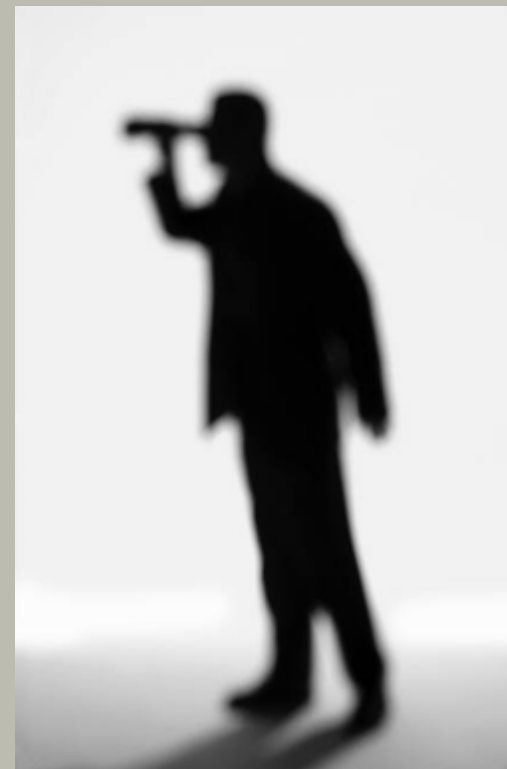
Appendices of supporting data, project management tools and project charters

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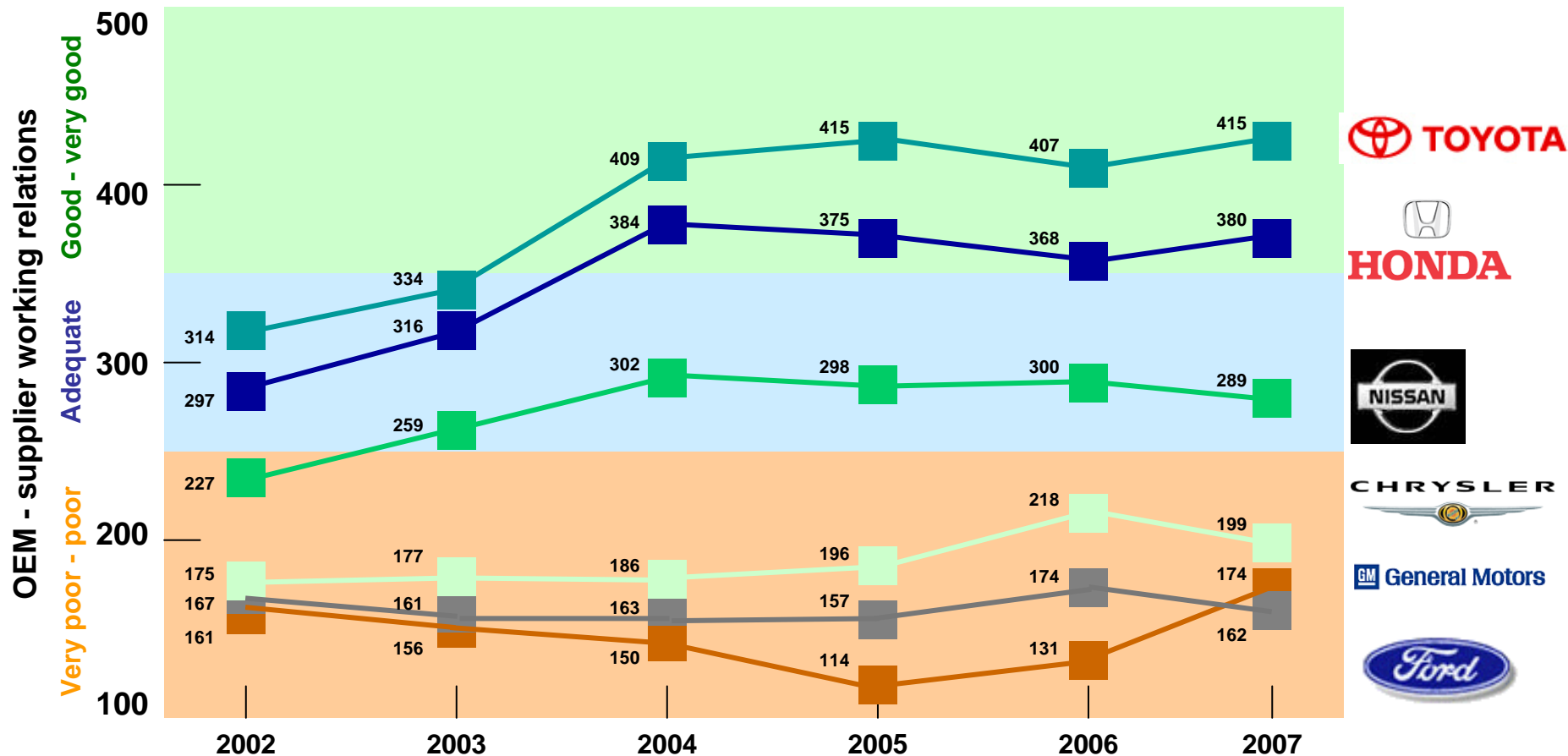
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# Assessing quality of relationship externally as well as internally

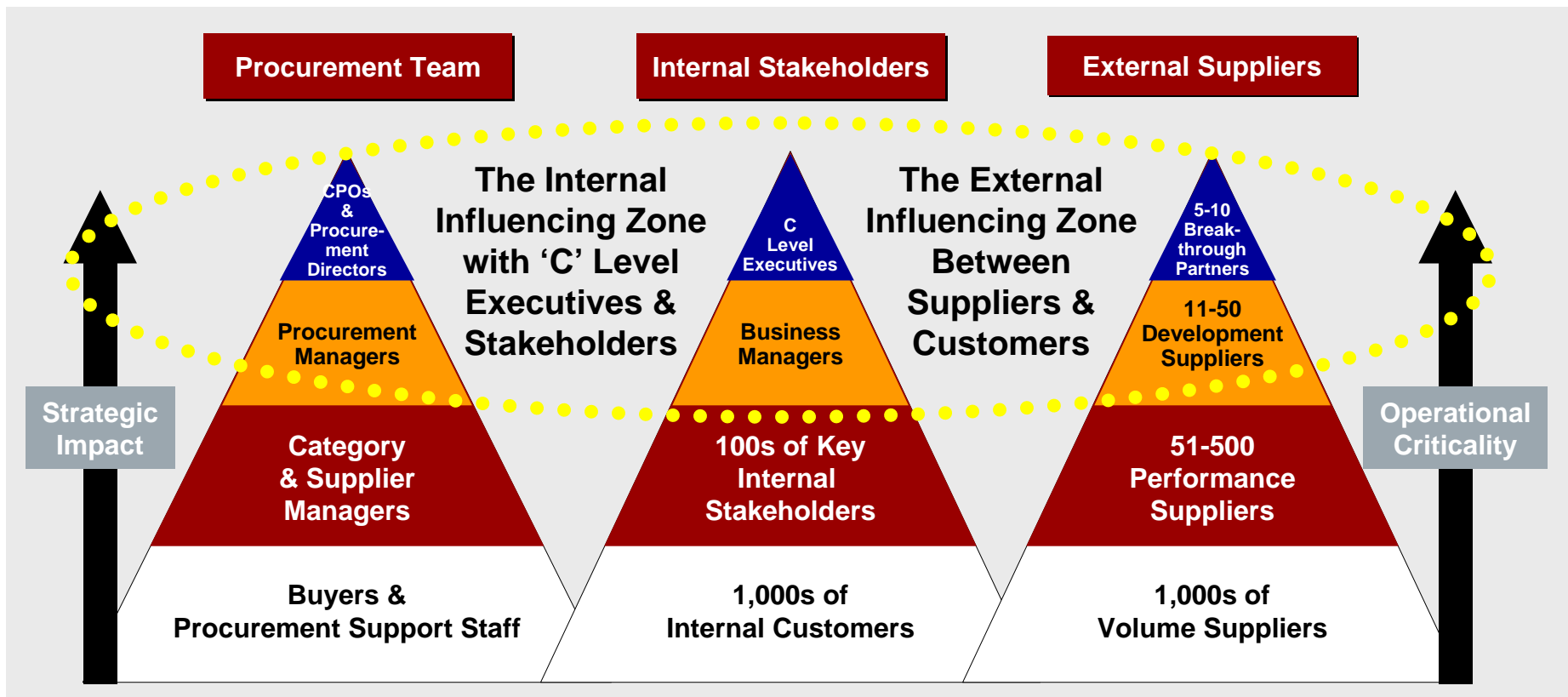
*Differences in quality of external working relationships between companies in the same sector appear to vary by at least 2-3 times' order of magnitude*



Full acknowledgement to CPO Agenda and Planning Perspectives, Inc., 2007.

# Assessing the challenges of the 'Influencing Zones'

*Quantifying the internal and external requirements for leaders and change agents*



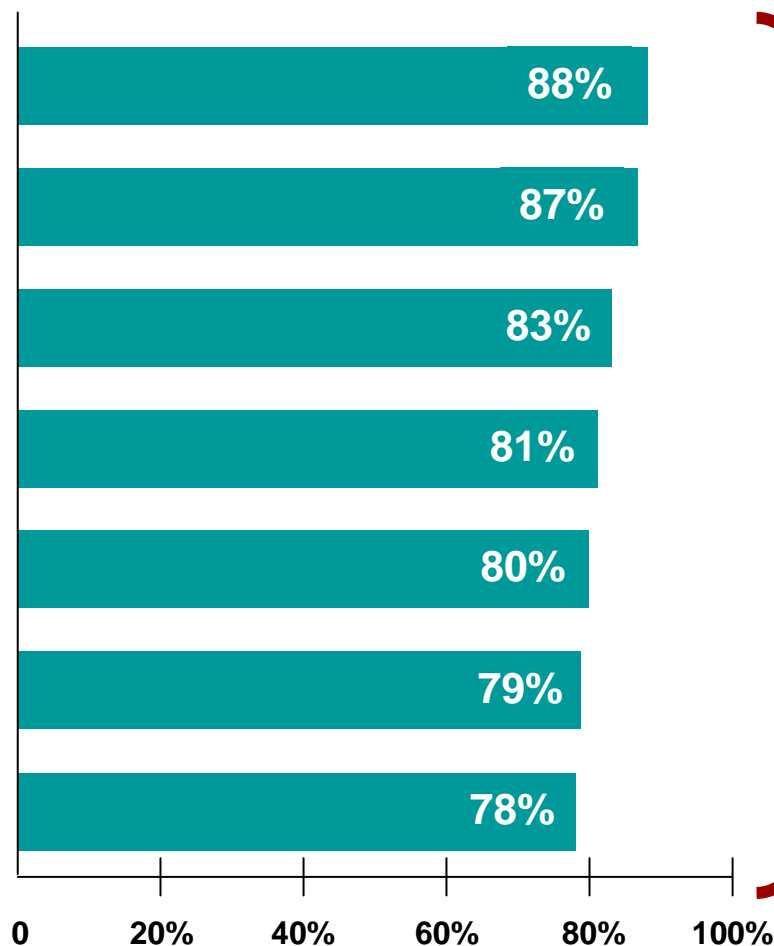
**How many top executives and key business managers need to be involved in sponsoring relationship management initiatives in your organisation?**

**How many suppliers or customers should be the key targets for significant relationship management activity over the next two years for your organisation?**

## A different profile on influencing and relationship management

*A common theme throughout the IPLF, 2006 and 2007, has been the need for much more sophisticated demonstration of influencing strategies*

1. Strategic negotiation & relationship development
2. Personal values, ethics, integrity & trustworthiness
3. Relationship strategy creation & business case development
4. Persuasion & influencing skills
5. Deep knowledge of suppliers and markets
6. Change management & project management
7. Relationship management & performance measurement tools & techniques



What is strategic negotiation?

What are the core influencing skills and strategies that need to be developed?

How far are they driven by personality, thinking style and intellectual ability?

## Four critical elements of SRM for procurement leaders to focus on

*Capturing value from strategic suppliers is all about change management*

