

THE PATH TO SUPPLIER MANAGEMENT EXCELLENCE





Introduction

A good supplier relation is one of the key parameters to achieve supply chain excellence as almost every company is dependent on their suppliers. Suppliers have a direct impact on an organization's product/service quality, competitiveness and also product innovation. For majority of the organizations, selecting a supplier is a strategic step which would not only generate cost efficiency but also help the company grow.

A good liaison between the buyer and supplier improves collaboration, thus increasing the efficiency and productivity for the organization when it comes to managing the supply chain. It would also offer benefits like:

- Avoiding costly & potentially devastating supply disruption
- Reducing risk towards scenarios like; defects / environmental problem/ safety issues etc.
- Implementing corrective actions before the problem becomes a big headache or hits the bottom line

This e-book will cover the 3 stages for effective supplier management.

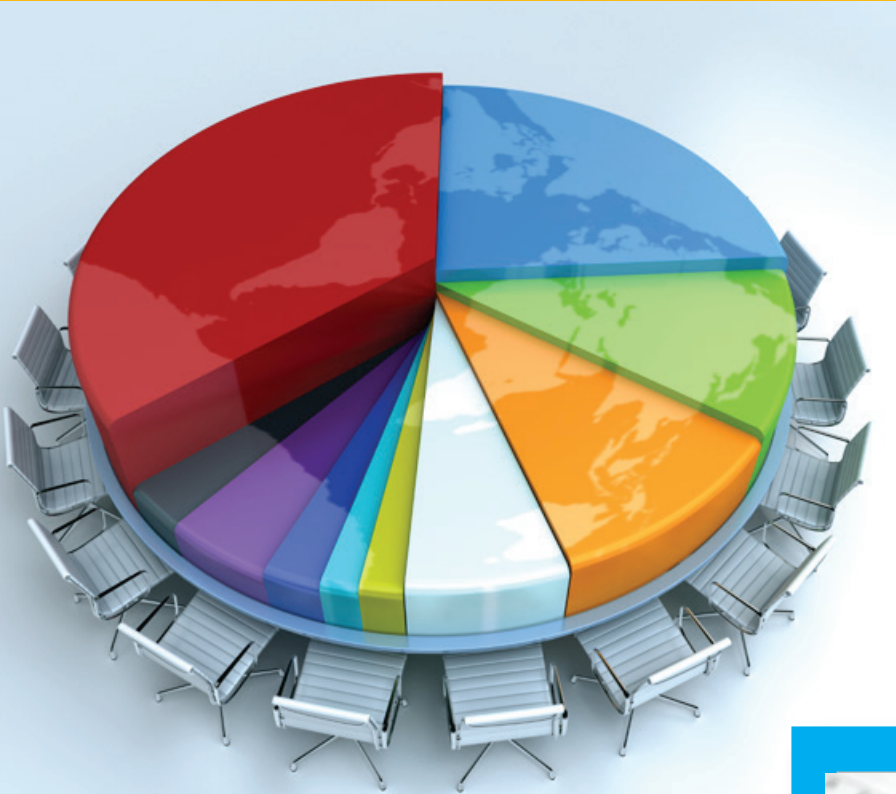


STAGE 1: FOUNDATIONS OF AN EFFECTIVE SUPPLIER RELATIONSHIP

Understand The Value Proposition Of Your Stakeholders

Value propositions differ for internal & external stakeholders. For instance, internal stakeholders focus on price savings through preferred supplier contract compliance whereas external stakeholders focus on building relationships that create business value. Internal stakeholders prefer rigid contracts as opposed to flexible contracts preferred by external stakeholders.

Having understood the value proposition, the next important step for the CPO/head of the procurement is to address the concerns of the stakeholder surrounding the key value propositions.



Gauge The Ecosystem

This involves keeping a tab on how the changes in the ecosystem will impact the key commodities that you source including the competitors.

This requires having a strong system for collecting market

intelligence to track commodity prices. For instance, if the price of the commodity falls, the organization can then demand the commodity from the supplier at new reduced price.





Conduct Scenario Planning For Impact Assessment

This is to gauge the impact of macro-economic scenarios on the organization's supply chain & sourcing strategies.

Establish theoretical scenario planning to combat risks emanating from events that cannot be predicted viz. pandemic threat, cyber attack, natural disasters etc.

Conducting scenario planning is simple for predictable events and market fluctuations.



Looking For Suppliers

Finding a suitable competitive supplier is fundamental to the success of a sourcing strategy. An effective supplier discovery process helps to find a new supplier which increases a company's sourcing leverage and gives an opportunity to evaluate different suppliers across markets / geographies based on their capabilities.

Companies can refer to supplier registry or external networks to scout for suppliers. However this can be very tedious and time consuming.

Modern sourcing tools can be used to engage with suppliers early through supplier portal. This helps in saving time and finding relevant suppliers faster.





Screening The Suppliers

The sourcing team should be cautious of unscrupulous suppliers entering the supply chain and providing substandard raw materials.

Screening the suppliers ensures supply quality and cost assurance.

Sourcing teams should have a predetermined screening process that every supplier should go through.

Companies can have a questionnaire to judge the suppliers. The questions can vary depending upon the project requirements.

Assign weightage and score ranges to each question depending on the project need and complexity.



Selecting The Best Supplier

It is imperative for companies to select the right suppliers who not only provide items/ services at a competitive cost but also possesses the ability to reduce the impact of economic uncertainties on the supply chain.

The shortlisted suppliers after the qualifying round can be evaluated on different

parameters or scenarios like choosing a supplier from a particular geographic location or working with minority suppliers.

All stakeholders should be involved in the supplier selection process to ensure transparency and make evaluation process more objective.



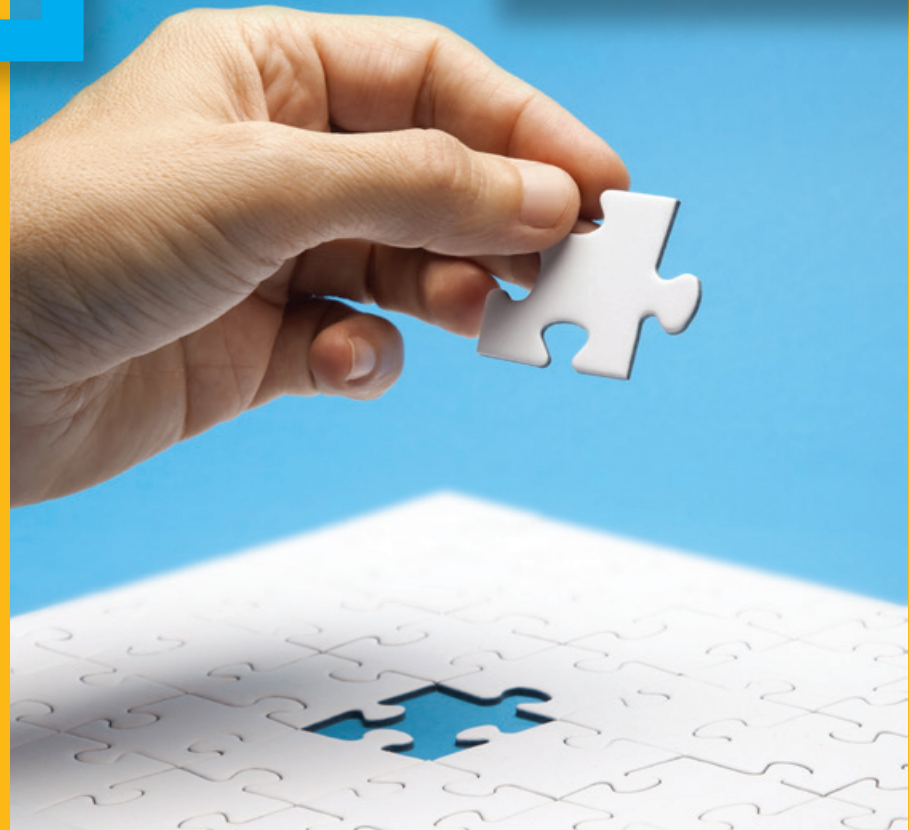
Build Relational Contracts

Author contracts by accommodating supplier views - this gives supplier a sense of ownership. This coupled with a transparent process helps build a relationship of trust between the buyer and the supplier.

Building relational contracts can help sourcing managers to plan for emergencies and uncertainties. A good relationship with the supplier

ensures supplier support at times of adversities.

Explore options in the contracting process keeping in mind the emerging risks.



Bringing The Supplier Onboard

Finalized suppliers should be equipped with the necessary knowledge and behavior to become a part of the company's supply chain.

process simple and less time consuming, wherein the suppliers can upload required documents and buyer can keep a track of the same.

Investing in a supplier portal makes the onboarding

For detailed reading you can download the whitepapers:

- Creating Agile Supply chains: The Role of Technology
- 5 Steps for Effective Supply Chain Management



STAGE 2 : IMPLEMENT SUPPLIER INFORMATION MANAGEMENT





Organize

Define the parameters that would be considered for supplier evaluation.

industry benchmarks or what information the competitors are collecting.

Get insights into information that needs to be collected from suppliers by evaluating the





Collect

Develop a portal where suppliers can feed their information on regular basis.

Key is to develop a user friendly portal to ensure supplier buy-in.

Investing in supplier portal makes it easy for the buyers to keep a track of information submitted by the suppliers.



Categorize

Assign commodity managers to monitor critical categories.

Group suppliers based on priorities and type of purchases viz. strategic partners, preferable suppliers, general suppliers etc.

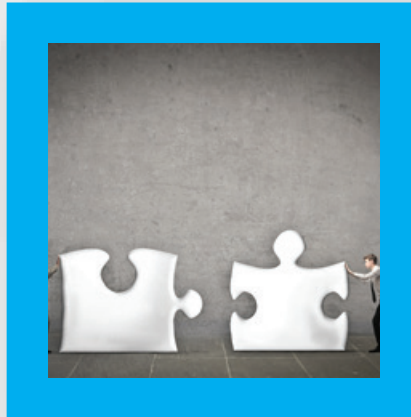


Alert

Alert suppliers to update information on regular basis as decided by the organization/ department.

Receive alerts for non-compliance by suppliers in terms of information updates to take appropriate action.





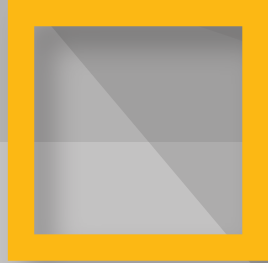
Integrate

Integrate supplier information with other tools like Supplier Performance Management, Accounts Payable, etc.

Enable the organization in managing key performance indicators & supplier scorecards.

For detailed reading you can download the whitepaper:

- Procurement Simplified with Supplier Information Management



STAGE 3 : SUPPLIER PERFORMANCE & EXPECTATION MANAGEMENT



Define a Competitive Framework

Focus on the objectives that the organization aims to achieve by answering the question “How do we compete?”

Reshape the routine performance agendas like purchase price variance, cost savings or avoidance, reliable/on-time delivery etc. to the ones more aligned to the organization’s competitive goal.

For instance, an enterprise that intends to win in the market on a combination of technology leadership, product features and style should generate very different supplier performance expectations and metrics than enterprises competing on things like low cost producer, legendary customer support, or high market share.





Baseline & Benchmark

Establish performance baselines - where are we today? And competitive benchmarks - where are the market leaders and how rapidly are they improving?

Achieve the competitive benchmarks by giving suppliers creative incentives to offer and deliver better performance vis-à-vis any competing customers they may serve, investing in research and market intelligence operations etc.



Target & Design

Set aggressive yet realistic performance-improvement targets and design/implement metrics that systematically and consistently drive supplier performance toward the improvement targets.

Use competitive benchmarks to set the targets. However, it is important to consider factors like performance improvement targets, that need to be high enough to inspire creativity, innovation but not so high as to be unattainable within a reasonable time period.

Design metrics that are (a) comprehensive enough to drive to desired results without creating unintended behaviors and (b) simple enough to be easily and cost effectively executed and interpreted as a basis for action and decision making.



Refine & Improve

Reporting and actively managing metrics to improve targets.

The organizations should continually refine targets, benchmarks, and metrics in response to what it learns through Supplier Performance Management and through external changes.

Performance targets need to be realistic but at the same time should trend upward over time with the objective of either obtaining or maintaining market leadership.



Supplier Development

There is no one defined way for supplier development. Those suppliers who do not meet the targets should be given support in terms of knowledge, finance, and process improvement capabilities to make them more efficient.

Supplier development programs when executed correctly can help the organization to improve supplier performance, product/service quality, reduce cost and attain higher value addition from the suppliers.





Start Over

Complete reconfiguration of metrics if and when conditions within an enterprise or its market change substantially. For example, a change in corporate leadership, advent of new competitors, economic boom/bust, technology innovation, change in customer preference etc.

It may not be necessary to rewrite supplier performance metrics right away.

- For detailed reading you can download the whitepaper:**
- Get Competitive with Supplier Metrics - Aligning Performance Improvement Drivers with Enterprise Objective

Organizations must always be looking ahead to understand what might need to change.

Adopt flexible processes and tools that easily accommodate changes and refinements.

To read more about Supplier Management, [Click here](#)

About Zycus

At Zycus we are 100% dedicated to positioning procurement at the heart of business performance. With our spirit of innovation and a passion to help procurement create even greater business advantages, we have evolved our portfolio to a full suite of Procurement Performance Solutions – Spend Analysis, e-Sourcing, Contract Management, Supplier Management, Procure-to-Pay (P2P) and Financial Savings Management. Behind every Zycus solution stands an organisation that possesses deep, detailed procurement expertise and a sharp focus on being responsive to customers. We are a large – 600+ and growing – company with a physical presence in virtually every major region of the globe. We see each customer as a partner in innovation and no client is too small to deserve our attention. With more than 200 solution deployments among Global 1000 clients, we search the world continually for procurement practices proven to drive competitive business performance. We incorporate these practices into easy-to-use solutions that give procurement teams the power to get moving quickly – from any point of departure – and to continue innovating and pushing business and procurement performance to new heights.



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