

Julie Fraser: Managing supplier relationships beyond strategic sourcing

Strategic sourcing is a critical start to a supplier relationship, but it is not sufficient. So why is it that we hear so little about supplier relationship management (SRM)?

-- Manufacturing Business Technology, 7/21/2009 2:43:00 PM MDT

High profile news stories about tainted or unsafe toys, food, computers, and pharmaceuticals point to a problem every manufacturer faces: managing suppliers. Companies can suffer immeasurable brand damage when a supplier's quality slips, not to mention the more concrete costs of recalls, customer alerts, and lawsuits.

As industry networks stretch beyond traditional regional boundaries and companies seek to limit travel, differences in communication styles and culture will only increase these risks. Strategic sourcing is a critical start to a supplier relationship, but it is not nearly sufficient. Once a supplier is selected, the ongoing work of monitoring and helping improve their performance and practices begins.

This involves rationalizing and consolidating sourcing, managing parts and suppliers, controlling contracts through their lifecycle, evaluating and delivering supplier scorecards, and collaborating with suppliers to better ensure mutual success. So why is it that we hear so little about supplier relationship management (SRM)?

One reason may be that it's now often a component part of larger software suites. For example, i2, Oracle, SAP, IBM and JDA, all have acquired and subsequently built out SRM capabilities as part of their supply chain capabilities.

PLM companies have also extended into certain areas of SRM. Siemens PLM has Teamcenter for SRM with its services partner CapGemini. Dassault works with i2. Most of the PLM focus is on sourcing and supplier selection, but it can be extended across the life-cycle successfully.

The supplier selection process can also be supported by buying sites such as GlobalSpec, PartMiner, and Mfg.com. Look for the ability to build up relationship data and scorecards over time, not just during selection.

Infrastructure for collaboration

A private or public network can be a dynamic and low-infrastructure means to collaborate and manage suppliers effectively. While exchanges such as Axway, ChemConnect, DemandTech, e2open, Exostar, and GXS started as EDI-focused, these now provide deeper buyer-supplier services.

There is one other angle of supplier relationship management that is not well known, and it may be a cornerstone to success in this volatile environment: supplier risk management.

Such software can help predict whether and when a supplier will have a glitch-whether in finances, quality, or delivery. Dun & Bradstreet has added this capability to its portfolio through acquisition, and has some major customers reaping extraordinary benefits.

Companies must learn to work with suppliers as effectively as if they were part of their own company. This requires a new level of communication and collaboration to build the trust and visibility that allows everyone to truly create win-win situations. SRM can contribute to:

- lower risks of supply delays, quality problems, and negative publicity;
- improved ability for supplier management teams to focus on exceptions, relationships, and strategy;
- reduced cost of goods sold; and
- greater supply chain effectiveness and flexibility.



Perhaps this is the year-while volumes for many products are relatively low-that companies will re-focus on the supply base. SRM is not the answer to the questions, but it can reduce the effort needed, and help ensure that sound processes are in place and working reliably.

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