

Procurement in a Supply Chain World

Chapter 4: Managing Suppliers



Accessibility Statement

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Learning Objectives

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- Explain what can be measured in terms of Supplier Performance.
- Apply different types of supplier performance evaluation techniques.
- Understand why and how to optimize the supply base.
- Apply a supplier development process.
- Understand how to maintain relationships with suppliers.

Introduction

Developing long-term relationships with suppliers is a strategy that can be beneficial to both the supplier and the buyer.

- Too many suppliers can be costly to manage
- Managing the number of suppliers minimizes risks
- Replacing poor performing suppliers can be costly

Measuring Performance

Measuring supplier performance determines if the supplier is meeting their obligations to the contract.

- What can you measure?
 - Delivery
 - Quality
 - Cost
 - Continuous Improvement
 - Other: Communication, compatibility, sustainability
- How to measure?
 - Informal Evaluations
 - Formal Evaluations
 - Categorical Evaluations
 - Weighted Point Evaluations
 - Cost Base Evaluations

Supply Base Rationalization

Supply base rationalization aims to determine the number and mix of suppliers. The following are methods to use to optimize the supply base:

- Pareto Analysis
- Supplier Performance

LINCS in Supply Chain Management Consortium (2017, March)

Supplier Development

- What is Supplier Development?
- Factors Critical to Supplier Development Success:
 - Executive Commitment
 - Trust-Based Relationships
 - Data **and** Measurement
 - Financial and Personnel Commitments
 - Credibility
 - Power Relationships

Maintaining Procurement Relationships

Ideally a contract resulting from a procurement process is a formal expression of **a** trusting relationship between two parties.

Consider that Procurement Process is:

- A relationship building process
- A form of networking
- A balance between building effective relationships and avoiding inappropriate preferences

Repairing Damaged Relationships

Despite best efforts sometimes relationships go awry. Consider the following in repairing damaged procurement relationships:

- Acknowledge past mistakes
- Find the real source of the problem
- Identify and implement corrective actions
- Monitor and maintain relationship

Brown, J. (2010)

Key Takeaways

Managing suppliers takes discipline and effort. You can do this by:

- Measuring supplier performance:
 - Measure what is important
 - Optimize the supply base based on measurements
 - Eliminate poor performing suppliers based on measurements
- Reduce the number of suppliers
- Develop suppliers
- Maintain positive supplier relations through:
 - Co-operation
 - Investments

References

Brown, J. (2010, September 4). *4 steps to rebuilding customer-supplier relationships*. CSMP's Supply Chain Quarterly.

<http://www.supplychainquarterly.com/topics/Procurement/scq201003supplier/>.

LINCS in Supply Chain Management Consortium. (2017, March). *Supply management and procurement certification track*. Version:

v2.26. <https://www.skillscommons.org/bitstream/handle/taaccct/14294/LINCS%20Supply%20Management%20and%20Procurement%20Content.pdf?sequence=1&isAllowed=y>.