We’re Not Ready To Implement An SRM Program
EXCUSE #1: SRM IS JUST A “NICE-TO-HAVE”

What is SRM? At a most basic level, SRM can be defined as proactive management of supplier relationships to ensure optimised performance and satisfaction. However, the goal is to take performance beyond mere contract compliance to extract maximum value from the relationship.

In reality, SRM programs have most relevance to relationships with strategic suppliers i.e. those whose performance can have a significant impact on the top or bottom line of the buying organisation, who are difficult to replace, and where the level of expenditure is considered to be high. In these relationships we can probably identify 3 tiers of performance:

- Contract compliance
- Suspected latent added value
- Unidentified added value

SRM is all about putting principles and processes in place to move the relationship from the minimum state of contract compliance through to the extraction of latent added value (suspected and not yet identified). As the chart below illustrates, buying organisations can manage their supplier relationships in any one of 3 ways:

- “Deal & Forget” where the relationships are misaligned, under-managed, and not performing;
- “Benign Neglect” where relationships are aligned and managed, and performance is drifting;
- “Utopia” where relationships are fully aligned, managed and performing well.

It is hard to believe that some organisations are not ready to move the management of their key supplier relationships from under-performing “Deal & Forget” to optimised “Utopia”.

THE PARADOX

One of the paradoxes in the world of Procurement and Purchasing is that everyone seems to agree that Supplier Relationship Management (SRM) is a worthy business practice, yet many organisations admit that they do not implement it. Why? The most common excuse is that “we’re not ready”.

Implicit in this excuse are 3 beliefs:

1. SRM delivers only “nice-to-have” benefits. Sure it would be useful, but it does not actually deliver real substantive benefits;
2. We’re not actually sure how to do it;
3. Implementing an SRM program is very demanding.

This paper will address all 3 points.
EXCUSE #2: WE’RE NOT SURE HOW TO DO IT

Good exponents of supplier relationships are probably already practising some elements of SRM:

- Aligning the objectives for the relationship with those of the wider buying organisation;
- Gathering stakeholder input and support (including the supplier);
- Setting specific objectives for the relationship;
- Evaluating performance and satisfaction against these objectives;
- Considering two-way 360° accountability;
- Targeted action planning.

The goal when introducing a formal SRM program is to take these practices and ensure that they are applied rigorously and uniformly across your organisation.

At this level of supplier management it will be imperative to include “soft” measures of performance as well as harder KPIs. (Indeed, achievement of basic contract compliance is probably well measured already.) So issues like trust, relationship, understanding, openness, market knowledge, cost management and proactivity should certainly feature.

EXCUSE #3: IMPLEMENTING SRM IS VERY DEMANDING

The introduction of and implementing a rigorous SRM program will indeed be very demanding if by this you are thinking of starting from scratch with the aim of applying it across hundreds of supplier relationships. Instead we would suggest a more cautious, phased approach – crawl before you walk, and walk before you run. Initiators should be mindful that SRM practices must be tailored to needs and culture of your organisation. There is no “one size fits all” solution.

Additionally, most organisations apply SRM only to strategic suppliers. If you are not sure which suppliers fall into this category, you might first want to consider a basic segmentation of your supply base. For example:

- Strategic partnership
- Developing partnership
- Preferred supplier
- Approved supplier

Finally, when selecting a supplier to trial with SRM, it is probably best to pick one where there is strong support from the management team on both sides to take the business agenda forward. Reiterating, a goal at the introductory stage will be to learn and share about what both organisations want out of a closer, more mutual business relationship.
EFFECTIVE RELATIONSHIPS

Effective Relationships helps organisations maximise value and performance from supplier relationships. We provide a range of tools and services covering all aspects of SRM including performance diagnostic, segmentation, performance evaluation, action planning, and training.

Our goal is to help our clients maximise value and performance from supplier relationships. We offer services in 3 broad areas:

- Relationship management
- Contract management
- SRM Support Services and Training

**Relationship Evaluator™**

Relationship Evaluator provides a robust framework to help organisations assess performance and satisfaction in their supplier relationships. Set-up and implementation can be tailored to the specific needs of our clients, including:

- Customisation of the scorecard (evaluation criteria);
- Process – one-way or two-way.

Implementation is made as easy as possible so that management time can be spent on the more valuable aspects of the program such as analysis and action planning.

**Contract Monitor™**

Contract Monitor provides organisations with the ability to keep track of all their supply agreements, regardless of how they have been created. Contract Monitor allows organisations to input all the relevant agreement details plus an estimation of the time required to conduct a robust market/sourcing study in order to select a new provider.

The system allows you to build a simple, but powerful, timeline for your supply agreements. Ensuring you never miss a renewal date or sourcing opportunity again.

The automatic issuing of email reminders to the procurement staff covering all commercial agreements means risk and opportunities are highlighted in good time for action planning. There is also the ability to segment suppliers into four prime groups for more focused supplier activity and value creation.