



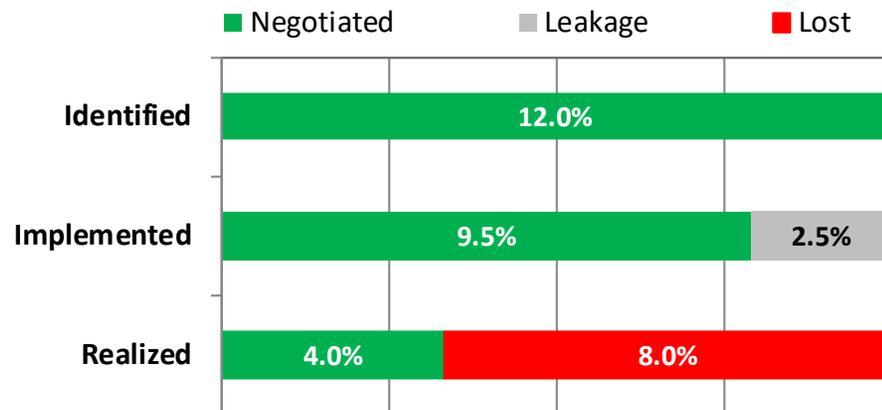
Improving Supplier Performance | Supplier Relationship Management

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Supplier Relationship Management | Did you know?

Supplier Relationship Management enables information exchange and joint problem solving to enhance spend visibility. 75% of budgeted sourcing savings can disappear within 18 months without rigorous, structured supplier management process



Characterized by sourcing activity and negotiated pricing, where savings potential is attainable.

After the contract has been executed, the bank begins to realize the identified savings.

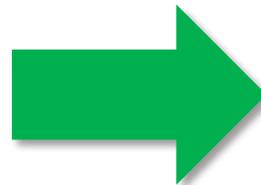
Once savings are realized, savings can be lost over time without Supplier Relationship Management

Source: Aberdeen Group: The CFO's View of Procurement

In order for an organization to sustain the benefits of a mature Strategic Sourcing process, a shift of the Supplier Relationship Management function must occur

Typical SRM

- Some understanding of risk
- May not have full redundancy
- Cost reductions <= budgeted
- Some gaps in people or process
- Relationships are reactive



Market-Leading SRM

- Risk is closely managed
- Supply continuity is ensured
- Cost reductions are fully achieved
- Controls / compliance are defined
- Win – Win Relationship

Supplier Relationship Management | What?

Supplier Relationship Management (SRM) is a set of principles and processes for establishing the governance structure for managing a supplier relationship. It focuses on the performance and development of the relationship, while identifying and mitigating potential risk and creating value

Supplier Performance Improvement

Driving supplier performance improvement and reducing Total Cost of Ownership through systematic supplier management (supplier scorecard, feedback, and review) and continuous improvement programs

Supplier Risk Management

Understanding critical suppliers through three dimensions: materiality and relevance, potential business impact associated with supplier unavailability, and probability of supplier default

Supplier Development

Supplier involvement and collaboration throughout the product / service lifecycle in order to identify value engineering and innovation opportunities and continuously eliminate waste and reduce cost while Improving quality



Supplier Relationship Management | Why?

Ever changing economic conditions, market competition and improving the customer experience are driving organizations to adopt a more strategic, holistic and collaborative approach to leveraging and managing their suppliers

Improve Relationships with Top Suppliers



- Move from transactional to engaging supplier relationships
- Structure more frequent, transparent, and effective interactions
- Demonstrates commitment to relationship

Increased Top to Top Connectivity



- Opportunity to develop relationship with leadership and top decision makers
- Ability to escalate issues to leadership more easily
- Demonstrates commitment to relationship

Improved Communication



- Agreed upon meeting cadence and structure
- Transparency of successes and detractors from the relationship
- SRM provides a forum / platform for addressing issues

Improved Resource Allocation on Account



- Suppliers will have a better understanding of company needs and align account management accordingly
- Improved resource alignment allows for better use of time during Company/supplier engagements

Closer Coordination



- Established cadence of discussions enables better coordination of schedules and day-to-day priorities
- Close coordination establishes working norms that can be the basis for mitigating issues and identifying mutually beneficial opportunities

Increased Understanding of Strategic Objectives



- SRM provides the forum to review the company and suppliers' strategic objectives and understand each other's perspective on the market
- Understanding goals and perspective will lead to a more engaging and mutually beneficial relationship

Supplier Relationship Management | Success Factors

In order to develop and implement an effective Supplier Relationship Management program, the following critical success factors should be considered.

Strategic Planning

- Ensure senior management buy-in: Demonstrate not only cost savings and risk avoidance, but also the added value that high-performing suppliers can bring
- Align supplier management with corporate and organizational goals and objectives
- Engage a cross-functional team that includes other groups within the organization such as business units, finance, risk management, legal, and IT
- Consider a phased approach when rolling out a supplier management program, perhaps starting with a pilot phase that includes suppliers that can deliver “quick wins”

Performance Management

- Measure what matters: What gets measured gets managed
- Use both quantitative measures (e.g. Fill rate, on-time delivery %) and qualitative measures (e.g. stakeholder satisfaction, supplier’s value-added contributions)
- Baseline and set performance targets for metrics used
- Supplier performance management should not be used primarily as a punitive measure; rather as a tool for identifying/closing performance gaps

Risk Management

- When assessing supplier risk, a combination of micro and macro risk factors should be reviewed
- A high risk profile does not necessarily disqualify a potential supplier; however, it should lead to further investigation and formal discussions on mitigation strategies
- A cross-functional team approach (with representation from enterprise risk, finance, and procurement) works best when assessing supplier risk

Development

- Ensure information sharing between the organization and the suppliers (but be sure not to share information that may erode your leverage)
- Develop mutual trust built on transparency, realistic commitments, and executive management alignment
- Build true joint efforts with equitable resource input, dedicated people, and sharing of productivity gains
- Emphasize total value creation, not price reduction



Begin realizing cost and risk reductions, value creation and the benefits of enhanced strategic supplier relationships and business alignment

Supplier Relationship Management | Our Experts



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