
managing supply relationships

How to get the best out of your suppliers

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In brief

Too often, your supply chain management is relegated to the simple function of purchasing or inventory control. To optimise these relationships, see suppliers as the start of the food chain, not the end of it. While most will be a source of inputs, many can make a great contribution to your business. Suppliers are:

- Sources of market information
- Potential partners in new product development
- People with whom you can make profitable alliances
- Businesses that you can assist, in ways that will assist your business in return.

In this module, we will examine the broad range of issues that should be considered. We will:

- review your existing supply relationships
- look for where you can make improvements
- Identify suppliers with whom you might collaborate
- outline the issues you should consider if working together makes sense



Survey your supplier universe

List the range of services you depend on

Examine the entire universe of suppliers: include providers of services, producers of components, delivery firms, PR companies, marketing allies, landlords, utilities, software designers, stationery suppliers, external bookkeepers, accountants and legal advisers, or any other supply relationship or outsourced service that is part of the functioning of your firm.

SUPPLIER	SERVICE



Rank your suppliers

How do they rate?

SERVICE YARDSTICK	SUPPLIER A	SUPPLIER B	SUPPLIER C
Responsive: do they respond to changing demands or new needs?			
Quality: does the product or service meet the standards of you and your customers?			
Priority: where do you rank with the supplier?			
Flexibility: can they adjust at short notice?			
Pricing: are they competitive? Does price match service levels?			
Creativity: do they provide solutions?			
Potential: could they develop new products?			
Trust: do they have a culture of cooperation?			
TOTAL:			



List your preferred outcomes

How can you help lift their rankings?

SERVICE YARDSTICK	DESIRED OUTCOME	ACTION YOU COULD TAKE
Responsive		
Quality		
Priority		
Flexibility		
Pricing		
Creativity		
Potential		
Trust		



Examine ways to build win-win relationships

Consider these. Think of others.

Free Resources

Assist suppliers by outsourcing more to them. This will help them grow while giving you more flexibility in coping with changing conditions and focus your resources on your strengths.

Boost Efficiency

Share your plans. Disclose your future demand to help suppliers meet your needs. They can manage their business more effectively and deliver on time while you cut your inventory costs and avoid stoppages.

Enhance Innovation

Can you work with a supplier to develop a new product which means more business for both of you? Can you form a service alliance?

Promote Strong Relationships

Review your payment and delivery terms. Can you assist your supplier during tough times and get support from them when you need it in return? How can you build trust over time?

Examine Diversification

Is their business likely to grow more quickly than yours? Should you invest in them rather than yourself? Are they a potential acquisition? Are there businesses you could jointly develop?



Collaboration

Assessing a potential alliance

Why have you chosen this supplier? Are you culturally aligned? Do you share, or complement each others' strengths?

How could you assist them in their service offering? What would they gain from greater cooperation? What would you gain?

What joint activities could you carry out? What targets - service, output, financial - do you think you could achieve together?

What are the costs to both firms to achieve those targets? What are the rewards if those targets are reached?

What steps are required to generate a constructive dialogue with them?



Implementation

Structuring a partnership

Agree on the central objective; embed a culture of cooperation.

Appoint personnel; assign responsibilities.

Draw up budgets; set mutually agreed KPIs.



Evaluate

Has it worked?

Examine execution of all areas of your agreement. Is further commitment or technical assistance required?

Check progress against KPIs; evaluate staff involved in the process.

Hold regular reviews to assess impact on service provisions and to avoid potential problems.

On agreed date, review success or otherwise of strategy

Re-evaluate the relationship and, subject to agreement, terminate it, amend it or continue.



For more information, visit my website www.alanhargreaves.com

Hi, I'm Alan Hargreaves. I specialise in simplifying complex business problems. In over 35 years as a business executive, I have never found an issue that cannot be addressed through identifying the essential but simple steps required to make any problem manageable. It might be your career, your firm, your team or your strategy. It doesn't matter. All hurdles can be lowered through dispassionate analysis, and all executives can embrace simple processes to take them forward. Using these techniques, I have helped hundreds of people through the various stages of their business or career development. It may be the challenge of taking on new responsibilities; it could be the task of managing a business you have created yourself; it may be handling a difficult team in the midst of major change. I use a straightforward combination of key principles to get results: collaboration, adaptation, simplification and action. You can contact me anytime at alan@alanhargreaves.com.



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