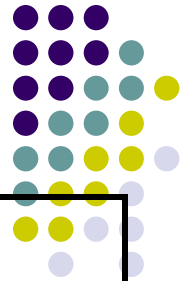


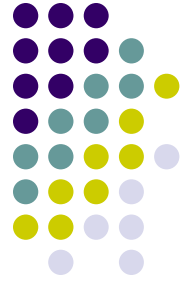
**Session Code: BA**  
**Making Suppliers Greater**  
**Strategic Stakeholders Within**  
**Purchasing Organizations**  
**Dr. Eberhard E. Scheuing, C.P.M.**  
**Dr. Peter O'Reilly, C.P.M.- Chairperson-**  
**ISM Services Group**  
**Monday, May 7, 2007**  
**9:00 – 10:20 a.m.**

# From Purchasing to Sourcing



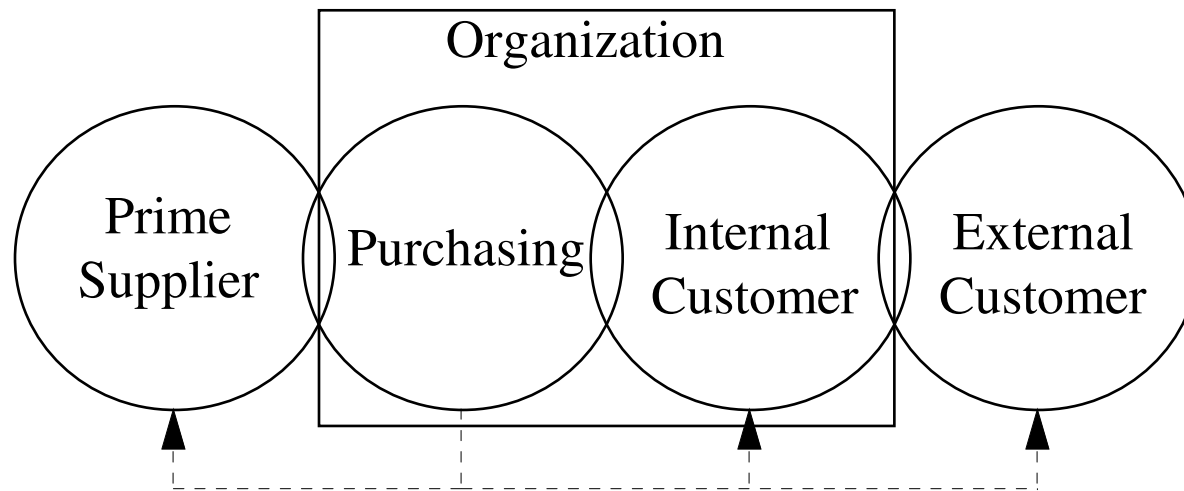
	Past	Present	Future
<b>Name</b>	Purchasing	Procurement	Sourcing
<b>Role</b>	Department	Function	Process
<b>Sources</b>	Vendors	Suppliers	Partners
<b>Focus</b>	Price	Cost	Value
<b>People</b>	Clerks	Professionals	Leaders
<b>Perspective</b>	Cost Center	Profit Center	Resource
<b>Approach</b>	Adversary	Value Chain	Value Nets

# Understanding Your Supplier Pool



- **Spend Patterns**
- **Spenders and their Needs**
- **Supplier Capabilities, Plans, and Trends**
- **Leverage and Rationalization Opportunities**

# Purchasing's Role in Managing Value Chains

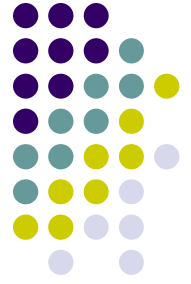


# **New Thoughts on the Purchasing – Supplier Relationship**



- **Improve the flow of information between Suppliers and Purchasing.**
- **Make Suppliers a part of your Purchasing Team.**
- **Create a professional relationship with your suppliers.**

# Ways to Make Your Suppliers Active Stakeholders



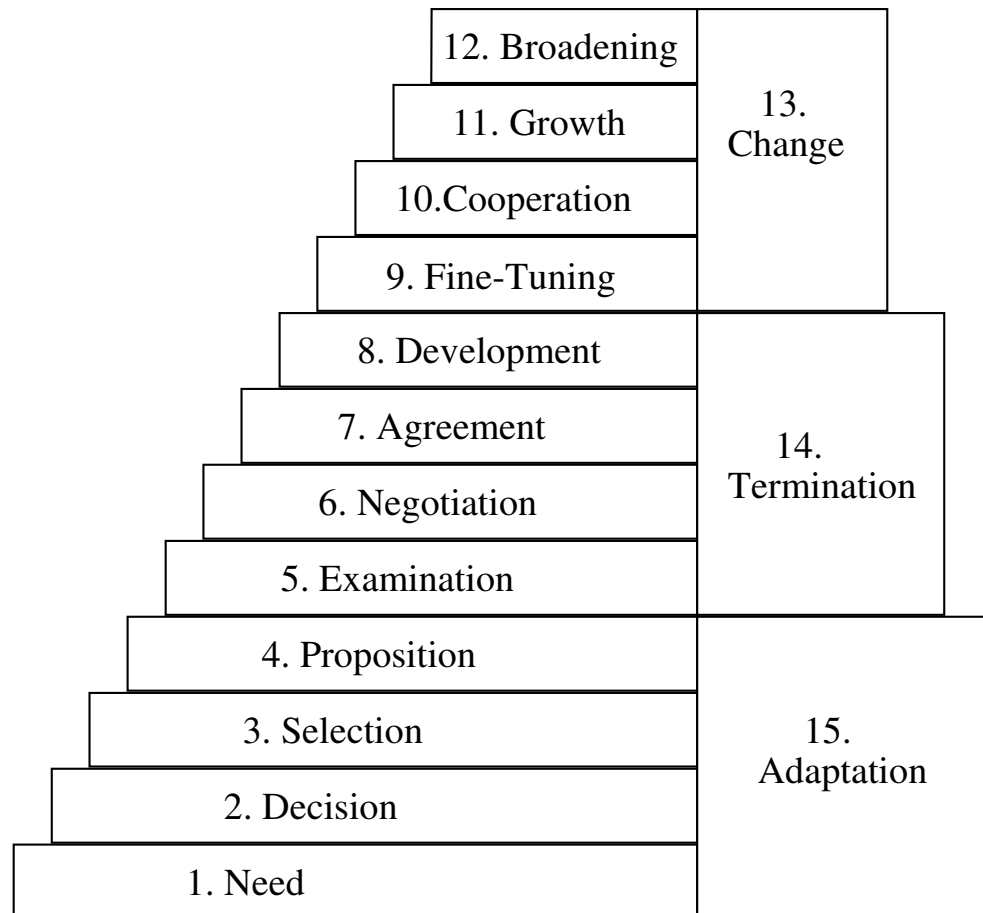
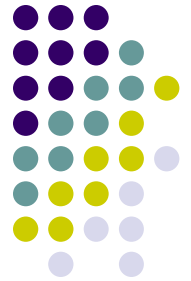
- **Select and Work with a Dynamic National Account Manager for Strategic Suppliers**
- **Strategic Supplier Councils**
- **Supplier Performance Scorecards**
- **Periodic Meetings with the Senior Management of Your Strategic Suppliers**
- **On-Site Supplier Support**
- **Participation in Purchasing's Strategic Planning Process**



# Sourcing Strategies

<b><i>High</i></b>	Long-Term Relationships	Strategic Alliances
<i>Cooperative Relationship</i> <b><i>Low</i></b>	Spot Buys	Competitive Bidding
	<b><i>Low</i></b>  <i>Competitive</i>	<b><i>High</i></b>  <i>Sourcing</i>

# The Relationship Life Cycle





# Supplier Evolution

## ***C. Certified Supplier***

- Continuous Improvement
- Just-in-Time Delivery
- Early Involvement

## ***B. Qualified Supplier***

- Satisfactory Performance
- Incoming Inspection
- Productivity Improvements

## ***A. Approved Supplier***

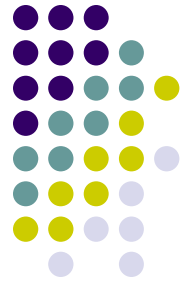
- Meets Minimum Criteria
- Statistical Process Control
- Limited Volume

# Supplier Performance Scorecard



<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>
<b>Expectations</b>	<b>Relative Importance</b>	<b>Performance Ratings</b>	<b>Weighted Ratings</b>
<b>Totals</b>	<b>100%</b>		

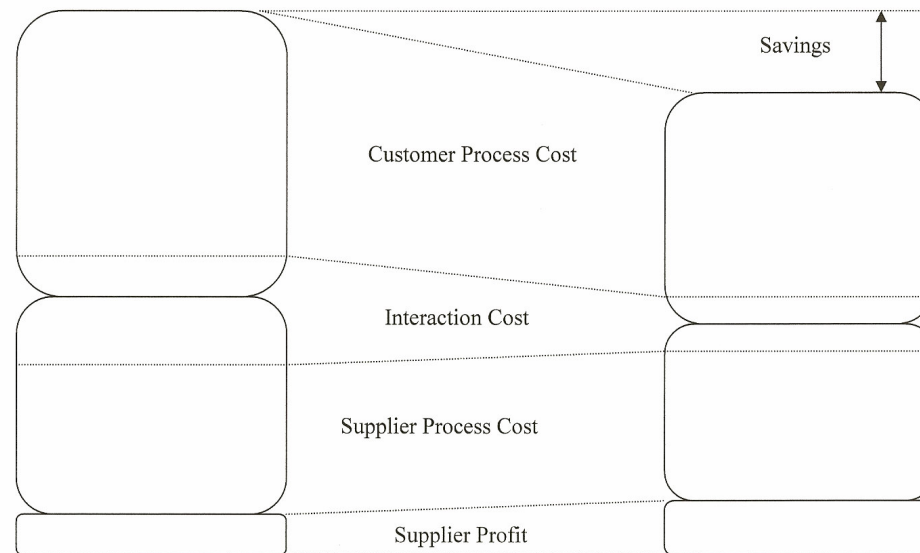
# Sample Supplier Performance Scorecard



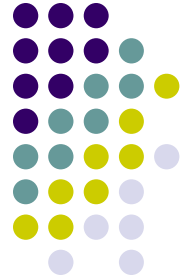
<b>Categories/ Criteria</b>	<b>Weights</b>	<b>Ratings</b>	<b>Weighted Ratings</b>
<b>Quality</b>	.25		
<b>Price/Cost</b>	.22		
<b>Technical Support</b>	.18		
<b>Service</b>	.35		
<b>Total</b>	1.00		



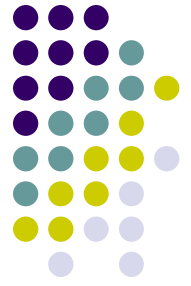
## Managing Total System Cost



# Innovative Inventory Approaches



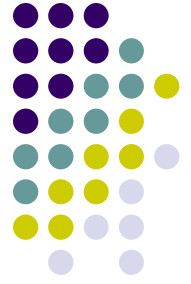
- **Supplier-managed inventories**
- **MRP transparency**
- **Quick response**
- **Just-in-Time Management**
- **Consigned Inventories**
- **Free Trade Zones**
- **Rolling Inventories**



# Supplier Ombudsman

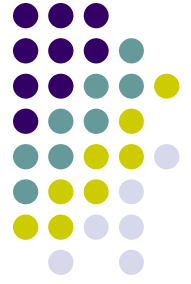
- A *supplier ombudsman* should be:
  - Impartial and well-respected
  - A high-level person
  - Listening carefully and investigating thoroughly
  - Presuming innocence until proof of wrongdoing
  - Acting decisively to correct wrongdoing

# Rules of Engagement (Purchasing Ethics)



- **Conflict of interest**
- **Favoritism**
- **Outside activities**
- **Gifts**
- **Entertainment**
- **Confidential Information**
- **Proper bidding procedures**

# Supplier Participation in Cross-Functional Teams

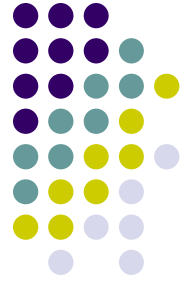


- **Cycle time reduction**
- **Ability to solve complex business problems**
- **Strong customer focus**
- **Creativity**
- **Organizational learning**
- **Smooth implementation**
- **Supplier Representatives**

# The Supplier National Account Manager (NAM)

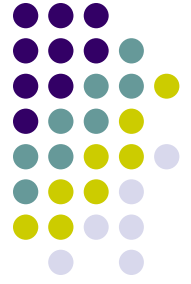


- **Selecting the Proper NAM for Your Company**
- **Changing NAM Partners**
- **Involving the Senior Management of Your Suppliers in the Process (The Gap Issue)**
- **Strategic Planning and the NAM**
- **Lessons Learned**



# Strategic Supplier Councils

- **Which Suppliers to Invite?**
- **Should We Invite Competitors?**
- **Which Internal Stakeholders to Involve?**
- **Goal and Objectives of the SSC**
  - Savings
  - Cost Reductions
  - Process Improvements
- **How Often Should We Meet?**
- **Take-Aways and Follow-Ups**



# Supplier Conferences

- **Present the organization's needs and plans**
- **Recognize significant supplier accomplishments**
- **Ask for supplier input and feedback**
- **Open up/continue a critical dialog**
- **Offer opportunities for informal interaction**
- **Be enjoyable and worthwhile for all participants**

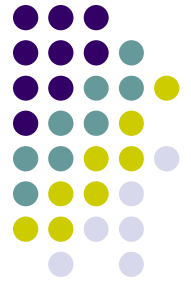


# Supplier Diversity

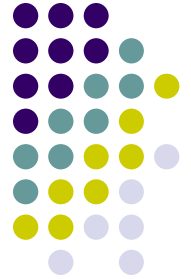
**Best Practices in *Supplier Diversity* include:**

- **Multi-Year Contracts**
- **Mentoring and Training**
- **Financial Support**
- **CEO Participation**
- **Recognition and Reward System**

# Early Supplier Involvement and Gainsharing



- **Join new product efforts from the outset**
- **Offer suggestions that save money and time**
- **Invest in R & D, systems and plant upgrades, and operational linkages**
- **Deliver defect-free products just-in-time and communicate electronically**
- **Continuously improve processes, quality, productivity, and cost**
- **Provide new technologies and market opportunities**
- **Demonstrate commitment and quick response**
- **Share jointly achieved gains**



# Strategic Alliances

- **Trust**
- **Commitment of Senior Management**
- **Shared Vision**
- **Performance Metrics**
- **Growing Relationships**
- **Early Successes on Both Sides**
- **Constant Feedback**

# Becoming a World Class Customer

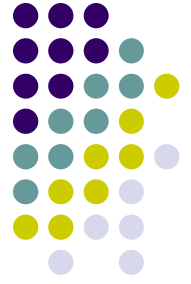


- ***World class customers:***
  - **Understand their suppliers' operations**
  - **Analyze their suppliers' costs**
  - **Engage in continuous dialog with their suppliers**
  - **Improve their procedures to help suppliers**
  - **Pay their suppliers promptly**

# Integrating Operations



**As organizational boundaries between suppliers and customers become more fluid, it behooves procurement professionals to consider and examine alternative supply arrangements.**



# Integrating Operations

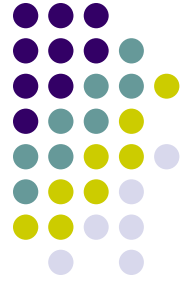
- **Supplier employees working on-site at customer organizations**
- **Suppliers producing their inputs on-site at customer firms**
- **Suppliers building plants next door to customer firms (Campus Concept)**
- **Suppliers providing pre-assembled modules**
- **Suppliers manufacturing complete end products (Hollow Corporation)**
- **Suppliers offering expanded service capabilities**

# Financial Support to Suppliers



**To ensure economic viability and influence on critical supply sources, companies may:**

- **Offer multi-year contracts**
- **Provide prepayments or loans**
- **Take minority stakes in selected suppliers**
- **Form joint ventures with key suppliers**



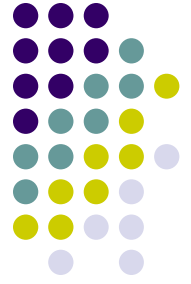
# Creating Value Networks

- ***Value Networks* are integrated ecosystems or resource configurations that minimize waste and create value for all participants:**
  - **Joint, integrated action**
  - **Sharing of pain and gain**
  - **Resource optimization**
  - **Long-term mega-alliances**
  - **Enhanced competitiveness and performance**

# Best Practices in Supply Management



- **Streamlined, Focused Supplier Base**
- **Continuous Dialog and Participation**
- **Supplier Development and Early Involvement**
- **Inventory Minimization and Gainsharing**
- **Benchmarking for Best Practices**
- **Consortium Purchasing**
- **Value-Added Services**



# Emerging Trends

- **Supplier Integration**
- **Strategic Sourcing**
- **Joint Product Development**
- **Value-Added Resource**
- **Profit Center**
- **Source of Competitive Advantage**