

The Supplier Relationship Management Process

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Overview

The supplier relationship management process provides the structure for how relationships with suppliers are developed and maintained. Just as close relationships need to be developed with key customers, management needs to develop these relationships with suppliers who are critical for the firm's success. Close relationships are developed with a small set of key suppliers based on the value that they provide to the organization over time, and more traditional relationships are maintained with the others. In this chapter, detailed descriptions of the strategic and operational sub-processes that comprise supplier relationship management are given. The interfaces that are necessary with the other supply chain management processes are identified and guidelines for successful implementation of the process are provided. The ultimate measure of the supplier relationship management process is the impact it has on the firm's financial performance as measured by EVA®. Specific metrics must be developed for each of the individual activities performed, and these metrics must be tied to financial performance.

After reading this chapter you should be able to:

- Explain the importance of the supplier relationship management process for every company.
- Understand why the supplier relationship management process needs to be cross-functional and name the functions that should be involved.
- Describe the strategic supplier relationship management process.
- Assess the importance of segmentation when implementing the supplier relationship management process and understand how segmentation is used to manage relationships with suppliers.
- Identify the appropriate method of segmenting suppliers.
- Explain how successful implementation of the supplier relationship management process affects economic value added (EVA®).
- Determine how supplier performance should be measured.
- Describe the operational supplier relationship management process.
- Understand why it is important to have a product and service agreement (PSA) with each key supplier as well as for each segment of other suppliers.
- Justify the importance of guidelines that make it clear to both parties how the benefits of process improvement will be shared with suppliers.