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Supply and Demand: Ten Ways to Successfully Manage Suppliers in the Mobility Industry

Supplier management means different things to different people; especially depending in what industry you work. Ask a manufacturer about supplier management and you are likely to get an answer that focuses on reducing production errors. Pose the same question to someone in another industry and the answer may emphasize price or service quality.

A mobility professional might define supplier management by stressing the people aspect, measured in many ways, such as transferee or assignee satisfaction rates.

None of these perspectives are wrong. Supplier management is a broad term, and it can be applied in a variety of ways. Perhaps it's best to think about supplier management as getting as close to perfection as possible, whether that's relative to cost, performance, on-time delivery or any other key metric.

The Evolution of Supplier Management

Decades ago—and surprisingly not as long ago in certain industries—supplier management was based more on the relationship established between company and supplier. Less attention was paid to supplier performance and expertise or what specific strengths they brought to the relationship.

Somewhere along the line that approach changed. Now companies select suppliers on a variety of factors, including capabilities, cost and how clearly defined requirements are met.

Today, it's a partnership, and that partnership mentality means everyone has accountability to success—something to lose and something to gain. It also means both the company and supplier have to work together to achieve a common set of goals. In mobility, those goals typically include creating long-term partnerships, improving the employee (transferee or assignee) experience and containing costs.

What's in it for Me?

Companies that successfully manage their suppliers can expect to reduce costs, build supplier loyalty and become their suppliers' customer of choice. Companies also gain more consistent service across regions because their suppliers will know exactly what is expected and what requirements must be met.

Companies that approach supplier management like a partnership will often see their suppliers perform better, and in mobility—an industry where performance is directly tied to cost and quality of the employee experience—that’s a significant benefit. Take real estate brokers, for example. When a broker is performing at the highest level, he or she will price a home at the right price and sell it within the specified time frame. As a result, the home doesn’t go into inventory, which means fewer costs and less risk for the company.

Suppliers who take the partnership approach will outperform their competitors, win more business and be more successful. That’s the great part of a strong supplier management program—everyone wins.

Best Practices

There are several ways to manage suppliers, and different approaches may work for different companies. The following ten best practices will help you forge a stronger partnership with your suppliers and have you both reaping the rewards.

1. *Make supplier management part of your culture.* In order for your supplier management efforts to be successful, it cannot just be part of your supply chain department. It has to be part of your corporate culture, and it must be coordinated at all levels within a company, from sourcing executives to business unit staff to senior executives.

2. *Segment suppliers.* Companies work with several suppliers, and each has a varying impact on the business—from those who have little impact on your business to those whom you could not do business without. While it’s wise to strengthen relationships with all suppliers, it’s important to know which suppliers to focus on.

3. *Create alliances.* Once you determine who your most important suppliers are, create an alliance with them, a long-term relationship driven by cooperation, trust, mutual investment and a belief in the benefit of the partnership. Create an “Alliance Management Team”¹. By having members from both sides assigned to this alliance, the team can focus on maintaining a healthy relationship and improving together.

4. *Identify collaboration opportunities.* With these key, strategic suppliers, focus your attention and resources on identifying how you can work together to reach a common goal, whether that’s introducing a new service, improving customer service or performance or reducing costs.

5. *Become the customer of choice.* It’s counterproductive to strong-arm suppliers into getting what you want. Instead, become the customer of choice for your suppliers so they will want to work with you. This is the ultimate partnership, and it ensures you’ll get preferential treatment regarding availability, cost, technology access, innovation and risk reduction.

6. *Use balanced scorecards.* To accurately assess suppliers, use a balanced scorecard approach to evaluate performance, quality, costs, key relationship indicators, continuous improvement, or any other metric that is important to your company. Applying this approach across all suppliers allows you to compare apples to apples to better understand your top performers.

7. *Encourage competition.* Nothing encourages a boost in performance like a little competition. Revealing to a supplier where they rank compared to similar suppliers helps them understand where they stand. For example, a real estate broker might feel that their scorecard performance is impressive, until they discover

¹ An “Alliance Management Team” is created with representatives from both the *buyer* and *supplier* who will drive the success of the relationship. This team will make sure the relationship remains healthy, issues are addressed and drive continuous improvements. (From Alliance Management (a.k.a. Supplier Relationship Management) Referenced).

they rank near the middle of the list. Once they realize they are not performing as well as they thought, there is greater motivation to step up their game.

8. *Gather candid feedback.* Partnership is a two-way street and it's important to gather constructive input from your suppliers on how they like working with you. This feedback isn't always easy to get from suppliers, as they might not want to "rock the boat." Consider gathering candid feedback through online surveys or even a third party. Regardless of how you capture this information, the key is to listen and remain open-minded throughout the process. It's also critical that you do not sit on this information. Use it to drive real results. When a company makes a bold commitment to listening to supplier feedback, meaningful relationships can thrive.

9. *Communicate.* It might sound simple, but some companies do not communicate with their suppliers. Or if they do, it's an email here or a text there. Pick up the phone or meet face to face. Conversation is important, especially in service-based industries.

10. *Recognize excellence.* Recognition encourages better performance. You are no doubt holding suppliers accountable, but be sure to also recognize them when they are successfully meeting your expectations. The more you recognize their efforts, the more they will give you something to recognize.

Today, supplier management should not be based on an "us against them" mentality. Instead, it should be a coordinated approach to get better. How companies manage suppliers can determine whether they forge a strong competitive advantage. Not only does that apply to the company sourcing suppliers, but to suppliers as well.

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