Agenda

› Exploring the definition of SRM
› SRM in the current global business climate
› The six pillars of SRM: A model of leading practice
› Highlights of 2016 global research
› Call to action
STATE OF FLUX

Headquartered in London and with offices USA, Australia, New Zealand, European offices in Switzerland, and Greece, State of Flux has been supporting clients in procurement for over 13 years.

Our service delivery model

Supplier Relationship Management
Contract Lifecycle Management
Sourcing and Category Management

Consulting
Training
Technology

Consultancy and Research
Including IACCM accreditation
SM technology

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Exploring the definition of **SRM**: What does it mean to you and your business?
What is SRM?

Multiple definitions — Common themes

- **Value**
- **Trust**
- **Collaboration**
- **Mutuality**
- **Process**

Supplier relationship management (SRM) is the discipline of strategically planning for and managing all interactions with third party organizations that supply goods and/or services to an organization in order to maximize the value of those interactions.

*Wikipedia*

‘the process for managing these two aspects in the interaction between two entities - one entity is the supplier of goods or services and the other entity is the customer/end-user organisation’.

*CIPS*

Supplier relationship management (also called Vendor Relationship Management) is a set of principles, processes, and tools that can assist organizations to maximize relationship value with suppliers and minimize risk and management of overhead through the entire supplier relationship life cycle.

*Principles and Practices or Public Procurement 2012*

SRM is about the need to rigorously analyze when and how to leverage suppliers’ assets, capabilities, and knowledge as a source of competitive advantage; and the resultant need to view and manage supplier relationships as a strategic asset, as opposed to merely a cost centre.

*Procurement consultancy*

“SRM is the function that seeks to develop successful, collaborative relationships with key suppliers for the delivery of significant tangible business benefits for both parties”

*IACCM*

Supplier relationship management (SRM) is a process in business by which an organization systematizes its interactions with individuals or organizes the delivery of raw goods and services.

*Technosedia 2014*

Supplier Relationship Management (SRM) is a term used to describe the process by which a business interacts and conducts business with a company that furnishes goods that are either products or services.

*About Money 2015*
“The discipline of working collaboratively with suppliers that are vital to the success of the organisation to build trust and deliver mutual value

A system of rules for behaviour, methods or practice

Cross-functional and cross-business team working

Key suppliers – not for every relationship

Trust is a vital component

Worth the time and effort for both parties
Why is SRM important?

**RELATIONSHIP MANAGEMENT** - delivers value beyond the contract.

**PERFORMANCE MANAGEMENT** - enables incremental value through continuous improvement.

**CONTRACT & RISK MANAGEMENT** - helps secure contract value.

**VALUE ERODED** - when contract, performance and risk are not effectively managed.

**VALUE LOST** - over zealous negotiation results in an unsustainable position for the supplier and relationship damage.
SRM built on solid foundations

SRM is part of a holistic approach to supplier management where all the components are connected.
COMPANIES CAN WEATHER THE PERFECT STORM WITH SRM AT THE HELM

DIGITAL SRM – SUPPLIER RELATIONSHIPS IN THE NEW TECHNOLOGY LANDSCAPE
STATE OF FLUX 2016 GLOBAL SRM RESEARCH REPORT

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COMPETITION
DISRUPTION
Competition, disruption and market turbulence set the stage for commerce in the 21st century. Companies can thrive in the new environment by collaborating with suppliers to innovate and boost efficiency. But only if the relationship is right.

**SO HOW ARE WE DOING?**

**THE CURRENT STATE OF SRM**
THE SIX PILLARS OF SRM

1. VALUE
2. ENGAGEMENT
3. GOVERNANCE
4. PEOPLE
5. TECHNOLOGY
6. COLLABORATION

VALUE
SRM global research

› 8 years
› Over 1500 different companies
› Over 750,000 data points
2016 global SRM research

275 respondents
More than 25 industry sectors represented
2016 RESEARCH SUMMARY 275 responses

SIX PILLARS OF SRM

1 VALUE
2 ENGAGEMENT
3 GOVERNANCE
4 TECHNOLOGY
5 COLLABORATION
6 VALUE

FOUR LEVELS OF MATURITY

ADVANCED
ESTABLISHED
DEVELOPING
UNDEVELOPED

LEADERS
29 COMPANIES (10.5%) 

FOLLOWERS
101 COMPANIES (37%)
What does leading SRM practice look like?

The six pillars of SRM

1. VALUE

• Existing contract value being secured

• A clear value proposition linked to strategic objectives

• Broad range of new value opportunities identified

• Financial and non-financial benefits captured and reported

• Value for suppliers identified and shared
95% of SRM leaders have created a value proposition

75% turn it into an SRM ‘sales pitch’

A value proposition is less evident amongst followers and others at 65% and 33% respectively

Top benefits identified within the SRM value proposition:

• Cost reduction/avoidance
• Improved risk management
• Innovation/business growth
• Operational efficiencies
• Improved account management
• Improved internal customer satisfaction
• Discretionary effort from suppliers
• Access to market insight

65% of leaders can measure financial and non-financial benefits

20% of all respondents report post contract benefit equal to or exceeding 4%
What does leading SRM practice look like?

The six pillars of SRM

2. ENGAGEMENT

• Strong and active senior stakeholder engagement extending to C-suite

• Structured feedback gather via a voice of the supplier study

• Individual supplier engagement via a 360° approach

• Ongoing and dynamic stakeholder communication and management plans
ENGAGEMENT

SENIOR STAKEHOLDER ENGAGEMENT

- **20%** Strong and active engagement
- **57%** Supportive
- **21%** Neutral

55% of leaders report strong and active support from senior management

IS JUST BEING SUPPORTIVE ENOUGH? SENIOR STAKEHOLDERS NEED TO BE STRONG AND ACTIVE SUPPORTERS

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BUSINESS & OPERATIONAL COLLEAGUE ENGAGEMENT

- **10%** Strong and active engagement
- **59%** Supportive
- **26%** Neutral

Leaders are **twice as likely** to have strong and active support

**ONLY 1 IN 10 OPERATIONAL COLLEAGUES SHOW STRONG SUPPORT FOR SRM**
KEY SUPPLIER ENGAGEMENT & SUPPORT

- **17%** Strong and active engagement
- **60%** Supportive
- **22%** Neutral

Only 40% of companies have gathered feedback from their suppliers on how they are perceived as a customer. For leaders the figure is **75%**

95% of leaders enjoy support from suppliers
What does leading SRM practice look like?

The six pillars of SRM

3. GOVERNANCE

• Robust contract, risk and performance management in place

• Objective, enterprise-wide approach to supplier segmentation

• Differentiated supplier management treatment strategies

• Consistent working practices in place supported by policy; process frameworks; tools and templates
GOVERNANCE

87% of companies have segmented their suppliers but only 40% have involved the business.

Segmentation is increasingly reflecting growth and value creation potential as well as risk and spend.
Only a third of all companies conduct strategic relationship reviews.

50% of organisations are failing to embed effective performance management.

Just 48% have effective risk management in place with over half of their key suppliers.

THE FOUNDATIONS OF SRM

PERFORMANCE
ENHANCE VALUE

RISK
PROTECT VALUE

STRATEGIC
CREATE NEW VALUE
What does leading SRM practice look like?

The six pillars of SRM

4. PEOPLE

- The SRM role is clearly defined with key accountabilities
- Requisite SRM skills identified in a competencies framework
- Skills and competencies assessed → Gap analysis completed
- Training solutions developed / identified / delivered
Just 13% of companies report have an SRM people development strategy.
### THE TRAINING DEFICIT REMAINS

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Leaders are twice as likely to have invested in training

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Strategic thinking and Influencing top the skills shopping list

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What does leading SRM practice look like?

The six pillars of SRM

5. TECHNOLOGY

- Effective and efficient enabling technology is in place for relationship; collaboration; performance; risk; contract; innovation and information management
TECHNOLOGY

JUST 4% RATE TECHNOLOGY SUPPORT FOR SRM AS STRONG

LEADERS & FOLLOWERS RANKED ONLY AS DEVELOPING AND ALL OTHERS UNDEVELOPING

BUSINESSES ARE HEAVILY DEPENDENT ON BASIC FILE SHARING SOLUTIONS AND EXCEL FILES

63% 75% 54% 50%

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THE TECHNOLOGY DEFICIT REMAINS

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Is this technology we feel is important?

Is this technology we have now?
What does leading SRM practice look like?

The six pillars of SRM

6. COLLABORATION

• Interactions at all levels are characterized by trust & transparency as evidenced by a objective 360° process

• Exec-sponsored joint account plans have been formally implemented

• Relationships regularly reviewed and actions identified to continue development and improvement
COLLABORATION
THE SUPPLIER INNOVATION DICHOTOMY

75% of respondents say they are actively looking for supplier innovation right now

48% of companies reporting supplier innovation as a tangible benefit

33% of companies have a process to manage supplier innovation

MULTIPLE BARRIERS IDENTIFIED
(most internal)
TRUST

50% of respondents say the ability to build trust is an important SRM skill but only 7% have carried out any training.

ALIGNMENT

30%

Only 30% of businesses conduct 360° reviews of alignment and compatibility.

JOINT PLANNING

40% of organisations do not have joint account plans with their most important suppliers.

8% 42% 40% 10%
YES FOR SOME NO DON’T KNOW
2016 GLOBAL SRM MATURITY

Advanced

Established

Developing

Undeveloped

VALUE | ENGAGEMENT | GOVERNANCE | PEOPLE | TECHNOLOGY | COLLABORATION

LEADERS | FOLLOWERS | OTHERS

29 companies | 101 companies | 146 companies
OVERALL PROGRESS

85% of respondents reported progress on SRM in 2016

22% of respondents reported significant progress on SRM in 2016

BARRIERS REMAIN

1. LACK OF BUDGET AND RESOURCES
2. CHANGE & UNCERTAINTY
3. SKILLS
4. TECHNOLOGY ENABLEMENT
5. METRICS
SUMMARY

5
AREAS OF SRM MAKING THE MOST PROGRESS

→ Supplier segmentation
→ Developing supplier relationships
→ Developing supplier governance
→ Supplier engagement and support
→ Business and operational stakeholder support

5
AREAS OF SRM MAKING THE LEAST PROGRESS

→ Functionality and use of IT
→ Capturing and reporting benefits
→ Supplier innovation
→ Senior stakeholder support
→ Developing skills and competencies
CALL TO ACTION

→ The role of suppliers will only become more important

→ Companies will become more reliant on third parties

→ This represents both increased risk and opportunity

SRM NEEDS TO BE AN INTEGRATED BUSINESS CHANGE PROGRAMME THAT ADDRESSES ALL SIX PILLARS OF SRM
YOUR FEEDBACK IS IMPORTANT

Please take a few minutes to complete this brief survey.

Survey link: www.instituteforsupplymanagement.org/ZA17
or Scan the QR code on your smartphone.