

# NAEP

National Association *of*  
Educational Procurement

## Enhancing Supplier Value and Performance



## 2016 Innovators Forum Report

Key Insights from the NAEP Innovators Forum and  
Recommended Strategies for Procurement Leaders

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VENTURES, INC.

# Supplier Relationships

## Partnering to achieve strategic goals



### *2016 NAEP Innovators Forum*

This paper provides an overview of the 2016 Innovators Forum with a distillation of the key discussion points and recommendations regarding strategic supplier relationship management (SSRM). The group engaged in robust dialog about improving supplier relationships, but also focused on pragmatic ideas and practices that can be acted on today. The paper outlines a strategic supplier relationship management framework and recommendations for critical practices procurement leaders should follow.

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# Executive Summary

Engaging suppliers as strategic partners is not something we have done well as an industry. The Innovators Forum group through discussion and this white paper is expressing a strong point of view that we should change our thinking. Procurement leaders will need to first alter a mindset that often views suppliers as adversaries and companies to keep at 'arms length' instead of potential partners with substantial assets that can help achieve strategic goals.

Colleagues who practice strategic supplier relationship management at a high level report the following benefits:

- They have **great contracts**;
- Suppliers treat them as **top customers**;
- **Process efficiencies** are being realized;
- Stakeholders receive **great customer service**;
- **Spend is consolidated** with fewer suppliers; and
- The **executive team is gaining appreciation** for the importance of the program.

The first step in building a program to enhance supplier relationships is to develop a procurement vision that emphasizes value beyond price and a long-term view of key business drivers. This shift in mindset allows the procurement team to focus on other elements of value including process efficiencies, customer service and achieving goals that matter to stakeholders.

Managing suppliers with this level of intensity takes resources and thoughtfulness. It is critical for the procurement team to apply a set of criteria to supplier relationships in order to segment them into various categories. The importance of segmentation is to focus scarce procurement department resources on those relationships that have the potential to significantly impact objectives. In this regard, the establishment of strategic supplier goals and the metrics necessary to measure achievement is a critical process. The items we put on scorecards will drive a lot of meetings and associated activity. If most of this activity is transactional, perfunctory or looking backwards then we have missed a major opportunity to drive innovation and forward-looking improvements in our operation.

In the end, if we create true strategic partnerships with key suppliers, then we will have relationships with a long-term focus where goals have been jointly developed and the activity toward achieving these goals is jointly pursued. The price value represented in the contract will be leading practice and the other value created will exceed what could be achieved by price alone. Internal customers value service and process efficiency above all else and this is one substantial benefit that should occur with a strategic focus on supplier relationships.

**"Price is what you pay, value is what you get."**

-- Warren Buffett



# About the Innovators Forum

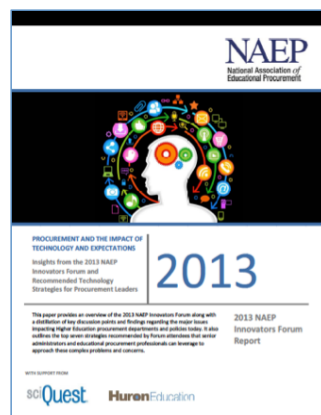
The National Association of Educational Procurement (NAEP) convened the 5<sup>th</sup> annual Innovators Forum in Denver, CO on February 22, 2016. College and university leaders gathered to discuss future trends in higher education and their impact on procurement. The purpose of the Innovators Forum is to engage in an analysis of the major issues impacting higher education institutions and procurement professionals and to better inform institutional stakeholders on alternative ways to approach these challenging issues.

The previous NAEP Innovators Forums resulted in distribution of white papers titled “Key Insights from the NAEP Innovators Forum and Recommended Strategies for Procurement Leaders”, “Procurement and the Impact of Technology and Expectations”, “Talent Management” and “The Procurement Brand”. Feedback from those attending this year and in previous years suggests these white papers are

powerful tools for senior leaders and procurement professionals to learn about the challenges confronting higher education procurement and to educate administration about those challenges.

Building upon the momentum of previous Forums, which explored a broad range of issues affecting higher education and procurement, this year’s group was asked to consider the topic of strategic supplier relationship management (SSRM).

The outcome of this year’s discussion continues the Forum’s goal of developing roadmaps that procurement professionals can use to better understand complex procurement topics, communicate those concepts effectively to senior leaders and to improve results in support of critical university strategic goals.



# Attendees

New attendees bring fresh ideas and insight. This year's Innovators Forum was assembled by NAEP with the intent of deepening strategic supplier relationship management discussions. Attendees included administrative and C-level executives along with procurement leadership, business officers and key suppliers. The team was committed to fulfilling the mission of the Innovators Forum by capturing and sharing insights with each other – and with their colleagues in higher education and procurement via this white paper – so that other institutions and industry professionals may benefit from their exchange of ideas.

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# Case for Change

A common theme in past Innovators Forums has been the expressed goal from the Chief Procurement Officer group to become an essential strategic partner to the university. There is diversity of thought regarding how best to achieve this, however, one common theme is that each procurement group should meet a standard of excellence when it comes to spend management. This is our core responsibility and our relationships with suppliers are an important component. As an industry we perform well at strategically sourcing contracts and managing various elements of the price relationship. However, spend management is more than price and the other components of value such as process improvement, product availability, service excellence and innovative ideas are what key stakeholders want.

The Innovators Forum group believes we should think of certain suppliers as partners, not adversaries. We might consider our supply base to be a portfolio of relationships with different characteristics. Some of our suppliers have the potential to make significant impacts on our goals and these are candidates for 'strategic supplier' status. The group believes the following items are key elements of the business case for gaining greater value from supplier relationships:

- The **value promised** in our strategically sourced agreements needs to be **delivered and measured**;
- Improved **process efficiency** and **elimination or reduction of systemic issues**;
- Increased **customer service**;
- Support and help to **advance the University's mission**; and
- **Drive innovative solutions** to problems important to the University.

There is a considerable amount of consulting experience supported by research to suggest that unmanaged contracts (supplier relationships) will drain a substantial amount of value over time. The value leakage is not due to

**"My team is increasingly being asked to participate in very strategic contract discussions. Thinking about these potential suppliers as partners with jointly developed goals has helped improve procurement's contribution to strategic university goals and also enhanced our brand image."**

*-- Nichol Luoma, Arizona State University  
(Innovators Forum Participant)*

improper actions, but is the result of relationships suffering from neglect. Products change, prices change, people interpret contract provisions differently, account representation changes etc. As procurement professionals we are conditioned to think of value only in terms of price reductions or cost savings. Mature supplier relationships should harvest price opportunities. Arguably, there is greater value in non-price components; although they are harder to measure. Consider the impact that key suppliers can have on customer service and the efficiency of procure-to-pay transactions. These are critical value elements for key stakeholders.

Often, procurement and/or public policies force short-term thinking, but committing to strategic supplier partnerships requires a long-term view. Why do revenue-based contracts usually embrace longer term, strategic considerations (dining operations, printing rights, bookstore operations, athletic apparel, others), but not spend based contracts. It is critical that strategic supplier relationships be driven by a set of goals and objectives and the criteria needed to measure progress against them. The word 'strategic' implies that we are operating against a thoughtful plan to bring about a desired future state that is an improvement over what we have today.



# SSRM Framework

Strategic Supplier Relationship Management (SSRM) is a complex topic that is often confused with Supplier Performance Management, Contract Management or other similar idea. Universities typically have thousands of suppliers and a limited resource pool to manage them. The Innovators Forum group was focused on the management of 'strategic' suppliers. There are many contracts that are implemented by procurement team's and there is a series of activities typically associated with the management of these contracts. Those activities are generally characterized as compliance related. In other words, can we determine through measurement whether the contract terms have been complied with. In the case of strategic supplier management we are more focused on activities such as spend analytics, advanced eProcurement processes, two-way communication around strategic goals, driving innovation, extracting value beyond price and building strong supplier relationships that can evolve into true partnerships.

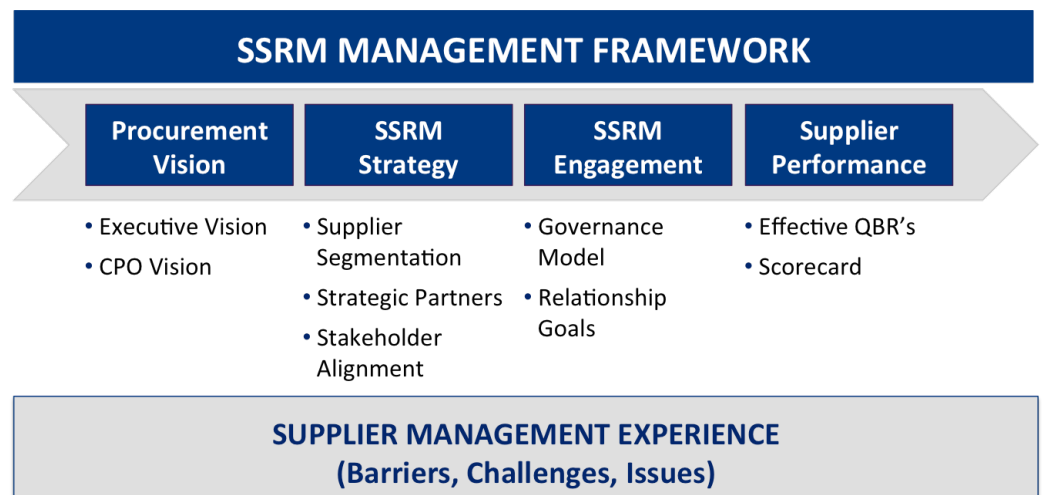
**"Having quarterly business meetings is not the same as running an effective SSRM program. It is critical to think about the key business drivers in the contract and to jointly set goals that make operational improvements."**

*-- Jim Knight, Innovators Forum Facilitator  
(Innovators Forum Participant)*

The amount of material on this topic is voluminous. In preparation for the forum discussion the group read a few background articles and from these common themes emerged. This allowed the group to discuss strategic supplier relationship management with the following general understanding and agreement:

1. The purpose of SSRM is to engage the right stakeholders to create ownership in a framework that will drive continuous efficiency improvements and other value<sup>1</sup>;
2. Selecting the right partners is critical. This is facilitated by thoughtfully developing the right criteria<sup>1</sup>;
3. A key enabling process for SSRM programs involves a common understanding of data management. What data will be collected, who is responsible for producing it and what will be shared in the relationship<sup>2</sup>;
4. Your SSRM program requires a strong focus on the customer to understand their needs for products and services and how that is best obtained through the supplier<sup>3</sup>; and
5. True supplier partnership strategies involve two-way communication and jointly developed strategies. Most customers only focus on what the supplier can do for them, but they should also think about what they can do to help lower the supplier's operational costs<sup>4</sup>.

The Innovators Forum participants are hopeful this white paper will help members of the profession make progress toward obtaining greater value and performance from their key supplier relationships and will spur their colleagues toward action. The 2016 Innovators Forum group discussed key elements of SSRM in a pragmatic fashion by following key elements of the framework.



# Procurement Vision

All procurement programs and activities should be linked to the strategic vision of the Chief Procurement Officer (CPO), the executive where the CPO reports (typically the Chief Financial Officer) and the goals and objectives of the University. Increasingly, the procurement team is becoming an essential strategic partner in helping key constituent groups achieve their goals and objectives.

It is the responsibility of the CPO to establish a clear vision for obtaining greater value from supplier relationships and establishing the framework for a SSRM program. The Innovators Forum group began this discussion by recognizing that the CPO's vision should start by considering what matters most to the executive team as it relates to supplier performance and value. The executive team will most likely care about the following items:

- Obtaining a **higher level** of value creation;
- The delivery of **process excellence**;
- The delivery of **innovative ideas** in cost management to the university community;
- **Risk mitigation**; and
- Advancing **customer service** to a leading practice level.

Incorporating the executive team's objectives into a coherent procurement vision will likely include the following elements:

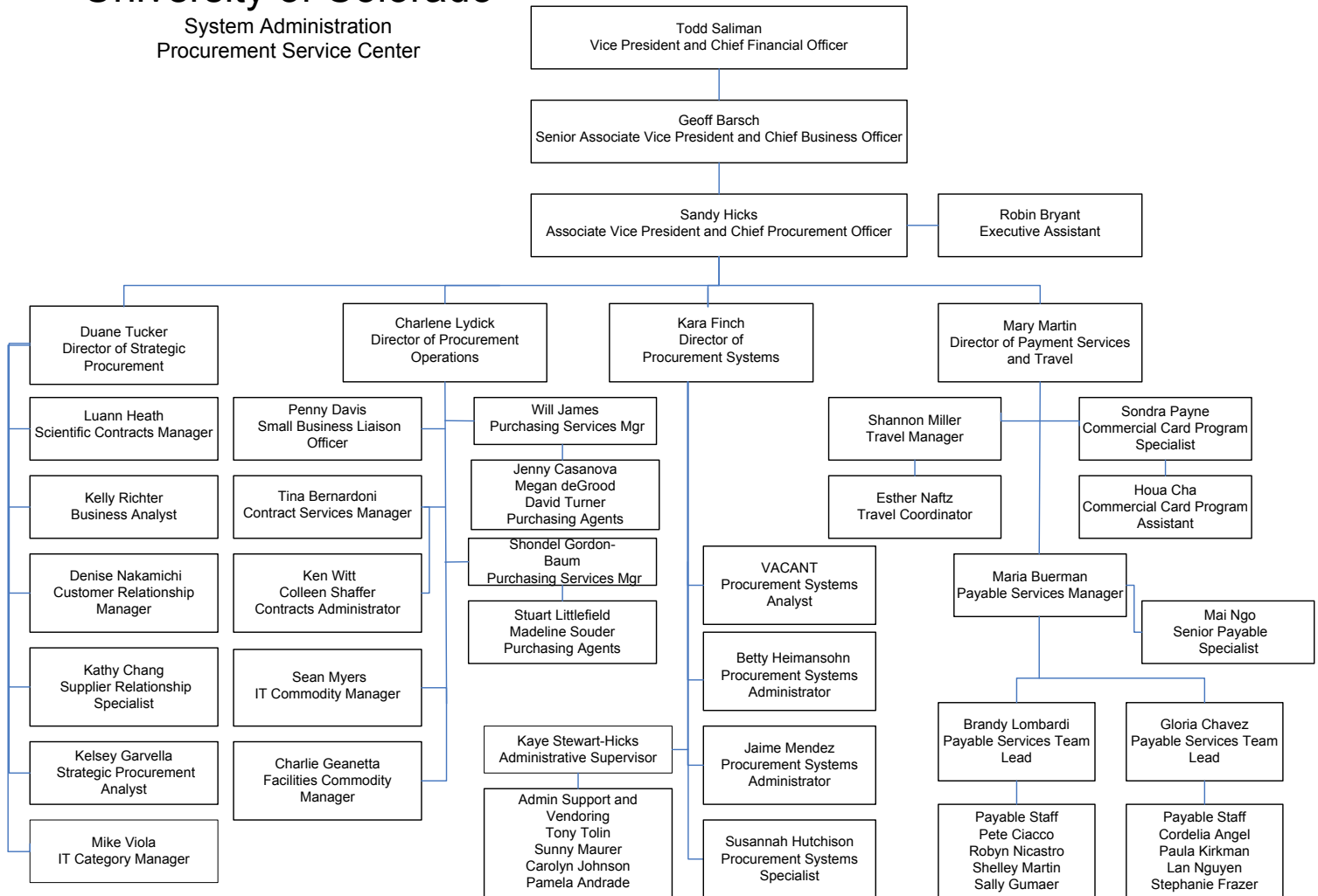
- Understanding and **aligning goals** with key stakeholders;
- Working with suppliers to **achieve a common understanding of what strategic partnership means**;
- Making sure that procurement **team resources are focused on strategic issues** where the greatest returns are expected;
- **Educating members of the executive team** and key constituent groups to the value of SSRM; and
- **Educating other members** of the procurement team to the value of SSRM and their role.



# Procurement Vision

## University of Colorado

System Administration  
Procurement Service Center



5/1/16

**“We place strong emphasis on managing our strategic suppliers. We initially focused on process efficiency and customer service. As the program matures we are transitioning toward the achievement of jointly developed strategic goals.”**

*-- Sandy Hicks, University of Colorado (Innovators Forum Chair)*



# Strategic Supplier Strategy

Forum attendees next turned their attention to two elements of SSRM strategy: 1) the method and criteria by which the procurement team should segment the supply base into different management characteristics and 2) the specific criteria that should define our most important **'strategic'** suppliers. Procurement teams always face resource constraints and there is a constant internal battle to direct resources to strategic activity and avoid unproductive time. One clear value strategic suppliers should bring to the table is a partnership to resolve recurring and systemic procure-to-pay issues that waste resource time.

## ***Supply Base Segmentation***

We only have a few resources available for the intensive supplier engagement activities required to manage key relationships at a strategic level. It is critically important for the procurement leadership team to focus resources where they are appropriate. Step 1 in this process is to determine how best to 'segment' the supply base by distinguishing characteristics. There are many ways to go about this, but the Innovators Forum group suggested some form of the following:

- Tier 1: ***Strategic Partners*** (the greatest opportunity to make an impact);
- Tier 2: Preferred Suppliers (actions to direct spend);
- Tier 3: Contract Suppliers (beyond one PO, enabled in ePro system, approved suppliers, other);
- Tier 4: Tactical Suppliers; and
- Tier 5: Unmanaged, new or problematic suppliers.

## ***Strategic Partners, Characteristics of ...***

The criteria for becoming a strategic supplier to the University should not be considered lightly. This designation is highly valuable to the supplier and will set in motion a whole series of activities that require work on both ends of the relationship. The group discussed and reached consensus on the following suggested criteria:

- The supplier understands and has ***alignment with the university mission and partnership goals***;
- There will be a high ***investment in the relationship*** (resources and engagement level);
- There is an ***opportunity to have broad impact*** on the university (high spend, value & risk);
- There is a significant potential to ***create value beyond price***; and
- The chance to ***impact key end-users*** is high (many touch opportunities).

Some examples of strategic suppliers mentioned were MRO, office supplies, information technology (hardware and software services), business system applications, life sciences, food, travel, managed print, construction and temporary labor and staffing. There was additional discussion regarding supplier relationships that are not typically managed by procurement, but perhaps should be. Some of these supplier relationships include: outsourced contracts, pouring rights agreements, revenue agreements and major construction contractors.

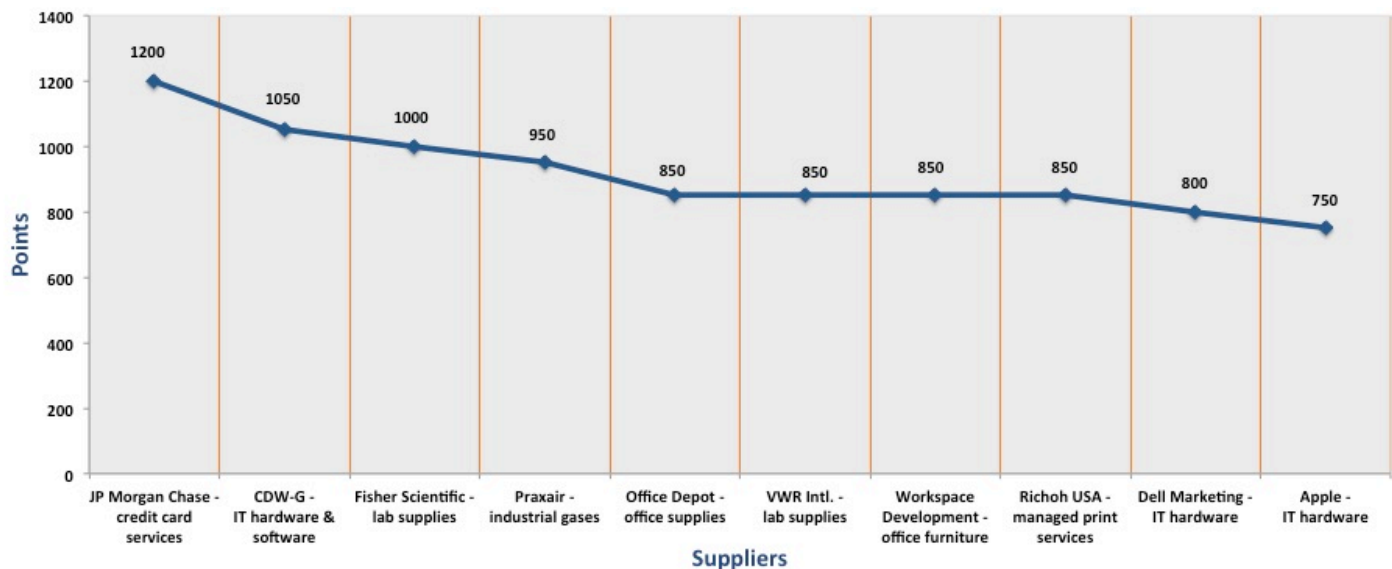
# Strategic Supplier Strategy

## Case Study – University of Washington (Identifying Strategic Supplier Relationships)

Below is a methodology for identifying strategic supplier relationships.

Goals	Methodology	Parameters
<ul style="list-style-type: none"><li>• Reduce costs</li><li>• Improve quality and service for customers</li><li>• Improve process efficiency</li><li>• Stimulate continuous improvement</li><li>• Reduce risks to the University</li><li>• Support University initiatives</li><li>• Standardize contract management process</li><li>• Foster synergies for mutual benefit</li></ul>	<ul style="list-style-type: none"><li>• Create a standard method of analyzing spend to identify our most important suppliers and contracts</li><li>• Identify the parameters that are important elements of a strategic supplier relationship</li><li>• Assign points relative to the importance of each parameter</li></ul>	<ul style="list-style-type: none"><li>• Create Spend (dollars): 100 – 300 pts.</li><li>• Number of transactions (purchase orders): 50 – 150 pts.</li><li>• Number of user departments: 50 – 150 pts.</li><li>• Amount of revenue: 0 – 150 pts.</li><li>• Risk/criticality: 50 – 150 pts.</li><li>• Ability to influence supplier: 0 – 300 pts.</li></ul>

## Top 10 Strategic Contracts Identified



“We have given a lot of thought to the criteria for being a strategic supplier. The methodology we developed forced us to identify suppliers with the most potential to impact our goals and objectives.”

-- Mark Conley, University of Washington  
(Innovators Forum Participant)

# Strategic Supplier Engagement

Customers often make judgments about their procurement experience based on outcomes they receive from key suppliers. As is true with any management system, it takes vision, governance, jointly determined objectives, goals, execution and measurement to obtain desired outcomes and value. It is critical for the right people from the university and the supplier to be engaged in the SSRM process. There is a fair amount of variability in the way Forum participants conduct strategic supplier meetings. However, a couple of common themes emerged from the conversation: 1) most members of the group start with a focus on suppliers that matter to procurement and can impact the efficiency and customer service goals of CPO's and 2) procurement team members must have strong relationship skills to successfully manage this process. Supplier participants also discussed how their sales organizations and associated skill sets needed to evolve to match account relationships that emphasize value beyond price management and jointly determined strategic goals. Incorporating stakeholder viewpoints and participation is difficult and an area for improvement in the future.

**"We believe it is important to integrate the SRM program with strategic sourcing. When we think a competitive solicitation may give rise to a strategic relationship we attach a rider to our request for proposal so suppliers understand our expectations before bidding on our work."**

*-- John Joshua, University of Texas Supply Chain Alliance (Innovators Forum Participant)*

The most important aspect of engaging suppliers strategically is to define relationship goals for the term of the contract. It is critical for this discussion to involve a two-way dialog that finishes with jointly determined goals and action plans. A summary of the Forum participant's discussion on relationship goals is listed below.

## **Relationship Goals, Supplier Perspective**

- Did we provide **best in class service**;
- Did we **adhere to contract pricing**;
- Did we participate in **value added initiatives** that were valued by the community (e.g. sustainability);
- Did we **embrace the P2P tools** at the university; and
- Did we **drive innovation** or **provide expertise** that was helpful?

## **Relationship Goals, CPO's**

- Contract **compliance goals** and measurement (trend);
- **Service satisfaction goals** and measurement (trend);
- Supplier's **account goals** (review);
- A jointly established **account vision**;
- A **constant flow of ideas** to support the vision;
- A joint **definition of value**;
- A **confirmation of value** delivered (log);
- A **roadmap** for delivering value; and
- A **path** for the next 3 to 5 years.

## **Sample Contract Rider for SRM**

### **RIDER XXX** **SUPPLIER RELATIONSHIP MANAGEMENT**

1.0 Supplier Relationship Management ("SRM") Program Requirements

2.0 ...

3.0 ...

4.0 ...

5.0 ...



# Strategic Supplier Engagement

## **Supplier Point of View – What are the Benefits of an Effective Supplier Relationship Program?**

The consistent communication and project management provided by an effective Supplier Relationship Management (SRM) program leads to success for both the supplier and the customer. The results build momentum and drive relationship evolution, allowing for continuous value creation. Simply put, the well-defined process and structure lead to the desired result.

The hallmark of an effective SRM is that value creation projects are jointly agreed upon. The team, which is how both institutions should view the relationship, comes together to determine opportunities and prioritizes them based upon the greatest return and the feasibility of success. The customer and supplier both need to participate in the projects in order to increase project ownership. Inevitably, obstacles will arise and the structure of the program will allow the team to identify issues quickly and to develop creative solutions. Each party should benefit from the outcome that will motivate the team to embark on new projects.

Value creation cannot occur if there is not a high level of performance by both parties. Operational issues are significant barriers to progress and often hijack the time and resources that are needed to create added value. Effective SRM programs include agreed upon performance measurements to monitor operational areas that are critical to daily business activities. Regular meetings and communication support follow-up and resolution. Perhaps most importantly, the communication structure includes after-action review to determine the root cause of issues and the implementation of business processes that will mitigate recurrence.

While SRM is not a panacea for dysfunctional teams or cultures, the disciplined processes do support the improved performance of teams. Consistent communication, problem solving, and value creation drive the supplier/customer relationship to a higher level, allowing for even greater mutual returns. Strategic suppliers do not wish to be a transactional partner that is focused on resolving basic operational issues. They truly desire to become a valued business partner to customers, working on important institutional issues.

*-- Gary Galluzzi, Vice President,  
Thermo Fisher Scientific (Innovators Forum Participant)*



# Strategic Supplier Performance

As Procurement professionals most of us are highly skilled at strategic sourcing and negotiating contracts. However, experience and research tell us that a significant portion of the value will leak away if we do not manage our agreements. Products change, pricing terms need updating, contract language may be subject to interpretation, key cost drivers are not managed and other contract compliance issues may arise. These issues are especially problematic if they occur with our most strategic suppliers. If that is the case, then we are missing a real opportunity to make an impact on our campuses. Our ability to extract the maximum value possible from strategic supplier relationships ultimately depends on how well we run Quarterly Business Reviews (QBR's) and how well we construct and manage the scorecards that tell us whether the contract value we expected is realized. The Forum group has a wealth of experience on this topic and shares the following insights for consideration by their colleagues:

## Quarterly Business Review, Best Practice Suggestions

- The university should **control the agenda**, but make sure it is **mutually developed with the supplier**;
- There should be **a common view of the key business drivers**;
- There should be **a common understanding of data to share** and **statistics to benchmark**;
- If your **program is mature**, then your agendas should **emphasize topics that look forward** and if your program is in the **early stages** you might **emphasize resolving transactional and systemic issues**;
- There should be a **two-way dialog and knowledge share** linked to goal attainment;
- The university should **take ownership for the data** and not be reliant on the supplier for this; and
- **Do not have a quarterly meeting for the sake of a meeting**. It is okay to have a PBR (Periodic Business Review). The needs of each university and supplier relationship will determine this; and
- QBR's are a serious commitment of time – it is important to **have the right level of the supplier's organization** participating in them.

## Case Study – University of Texas System, Supply Chain Alliance (An Introduction to SRM Webinar)



SUPPLY CHAIN ALLIANCE  
THE UNIVERSITY of TEXAS SYSTEM  
Creating Value Through Collaboration

### An Introduction to Supplier Relationship Management

#### Objectives

Introduce SRM as a business strategy for value creation.

What is SRM

SRM,  
Performance  
Management and  
Strategic Sourcing

Benefits of SRM

SRM Program  
Readiness

Measuring  
Success

# Strategic Supplier Performance

## Case Study – University of Colorado (Supplier Scorecard)

### SUPPLIER SCORECARD

Supplier Name:  
Review Period: Q4 FY14  
Date: April 05, 2016



University of Colorado  
Boulder | Colorado Springs | Denver | Anschutz Medical Campus

#### Satisfaction Metrics - Quarterly

Key Areas	Owner	Current Period					Previous Period				
		0	1	2	3	4	0	1	2	3	4
Supplier Satisfaction	Supplier										
SRM Satisfaction	PSC										
Procurement Satisfaction	PSC										
AP Satisfaction	PSC										
Marketplace Satisfaction	PSC										
Department Satisfaction	PSC										

#### Compliance Metrics - Quarterly

Key Areas	Current		Previous	
	Target	Actual	Target	Actual
Billing Compliance				
E-Invoice Delivery (paper invoices vs catalog orders)	99%		99%	TBD
PO/Invoice Match Exception	99%		99%	TBD
Survey Responsiveness	100%		100%	100%
Maximum 5% aggregate increase annually regarding Hot List	100%		100%	100%
Aggregate on time delivery rate of 95%	95%		95%	100%
Order Accuracy rate of 95%	95%		95%	99%

#### Delivery Metrics - Annual

Key Areas	Target	Actual
Savings Delivery		
Cost Avoidance Delivery		

#### Goal Tracking

Key Areas	Owner	Target	Actual
Supplier Specific Goal			
Supplier Specific Goal			

#### Business Relationship

Key Areas	Owner	Target	Actual
Payment Plus	Supplier	Enabled	Enabled
Contract Key Dates	Next Business Review		
	End of Contract		



# Strategic Supplier Performance

## Case Study – The University of California, San Diego (Business Review Protocol)

### Purpose of Protocol

- Provide an SOP for preparing and conducting business reviews
- Create a unified slide deck template for these types of presentations
- Standardize and emphasize Strategic Procurement's role in supplier management
- Allow newer members of IPPS to become familiar with the business review process

### Protocol Layout

The protocol consists of three separate documents

1. Word document which outlines the entire review creation process including:
  - Gathering data from Spend Radar
  - Performing data analysis and chart/graph creation in Excel
  - Formatting PowerPoint slide deck
2. Excel document which gives examples of data analysis and chart/graph creation—meant to be used in tandem with Word document
3. Power Point document which shows what a finished business review slide deck should look like

### Plans for Implementing the Protocol

- The protocol will be sent out to each Commodity Team Lead
- Each Team Lead should choose a supplier who they would like to set up a business review with
  - Use the protocol to prepare the business review
- Disseminate to the commodity group and have a designated buyer prepare a business review using the protocol

**“Based on experience we understand how important a well run supplier business review meeting is. We take great care in preparing for these meetings and incorporating viewpoints from key stakeholders. We have taken the time to establish a protocol for how the meetings will be conducted and the type of data that will be gathered and presented.”**

*-- Ted Johnson  
University of California, San Diego  
(Innovators Forum Participant)*

# Barriers and Challenges

The discussion on this topic was focused on the barriers and challenges within our universities that make it difficult to build the strategic supplier relationships we prefer. Procurement leaders are competing with other university priorities and trying to manage a complex business with a lean resource pool and perhaps with talent that is not optimized for relationship building. Some of the **barriers** and **challenges** we face include:

- A **majority** of university leaders do not see or understand the **value** of strategic supplier relationships;
- Our internal **organizational design** may not adequately separate **strategic** from **tactical** operations;
- Lack of **talent** that can focus on and build strategic supplier relationships that go **beyond price**;
- Getting our suppliers to understand our **goals and objectives** and not treat SSRM as simply another way to increase sales;
- **Overcoming** the **traditional perception** that procurement is only interested **in short-term** outcomes; and
- **Policy choices** that require periodic bidding or accepting the low bid or other similar requirements that are not ideal for the **long-term investments** that suppliers and procurement departments need to make to **provide the next level of value**.



# Next Steps

## Actions We Can Take Now

While barriers and challenges exist for any important task we undertake, it is leadership and vision that overcomes these obstacles. Developing a compelling business case for SSRM requires a journey that will take time and a focus on continuous improvement. While the members of the Forum group are pursuing advanced SSRM objectives, they offer the following advice based on their experience to colleagues who may be at the beginning stages of developing better supplier relationships.

- The Chief Procurement Officer should **take ownership** for **contract performance management**;
- Review your **solicitation documents** and build in an **expectation** for SSRM;
- Establish **criteria** to segment your supplier base and identify the few that qualify as **strategic**;
- In each of your key supplier relationships, think about the **3 to 5 key cost** drivers in the contract and the **goals you want to achieve** at the end of the contract term;
- **Initially focus SSRM objectives on procurement goals** that remove systemic issues in the procure-to-pay process and increase the efficiency of your staff;
- Establish the **framework** and **strategic vision** for a **SSRM program**; and
- Think about how your key suppliers can **improve customer service** to key stakeholder groups as an **extension of your team**.

## Actions the Innovators Group is Considering

One of the great benefits to any forum of colleagues is that people learn from each other and become interested in the activities occurring on other campuses. Readers of this paper may find it useful to understand how the Innovators Forum group is pushing the envelope in SSRM on their campuses. The following ideas are a few of the ones expressed during the group's time together in Denver:

- The group sees **value in managing all key supplier agreements**, not just those with a procurement focus;
- Moving SSRM **responsibilities to managers who are focused on strategic activities** and who can focus on this responsibility;
- **Focusing on the talent gap** and refining job descriptions, roles & responsibilities, salary bands etc. to hire the right people with relationship skills;
- Everyone has some sort of scorecard process, but really taking the time to **think strategically and long-term about the goals we want to achieve** with our strategic suppliers;
- Making sure that QBR meetings **pay sufficient attention to forward looking goals**, rather than backward looking compliance activities;
- Thinking about current contracts and whether they **pay enough attention to positive 'reward'** for doing things right as opposed to only considering penalties for performance failures;
- Working extensively with suppliers to **provide data in the format and timeframe the University needs** to enhance data analysis and continuous improvement activity;
- Working with suppliers to **make sure their account representation matches the professionalism necessary** to have a dynamic two-way dialog on key strategic goals;
- Working with suppliers to **drive innovation and enhanced customer service** from the relationship; and
- Working with key stakeholders to **increase procurement's involvement in outsourced contracts** and construction and facilities supplier / contractor relationships.

# Summary

This year's discussion on strategic supplier relationships is a direct link to the 2015 discussion on procurement brand and the 2014 discussion on talent management. In order to obtain greater value from our existing supplier relationships we need to commit to a partnership principle, "sell" the business case to executive sponsors, invest in the infrastructure needed to manage contracts and suppliers in a different way and obtain the talented people who are adept at relationship management. If we move aggressively down this path with thoughtfulness and pragmatism, then we have a great chance to significantly enhance the value we currently receive from key supplier relationships. Perhaps of greater value is that our customers will receive better service and process efficiencies will result. As procurement leaders we want to advance on our primary goal of becoming an essential strategic partner to the university community. Managing suppliers more strategically is one concrete step we can take to make this happen.



# Questions for Your Team

## *Procurement Vision*

- Do you view key suppliers as partners, adversaries or people to keep at arms length?
- If you thought of key suppliers as an extension of your team, how would you use them differently?
- Do you have a good understanding of what your end users and key stakeholders value from key suppliers?
- What would you say if you had 5 to 10 minutes to educate the executive team on the importance of supplier relationship management?
- Do you have a few key suppliers who are outstanding in delivering value to the university? If yes, what do your policies require you to do at the end of the contract term? Can you negotiate with the incumbent or must you run a competitive bid process?

## *Strategic Supplier Strategy*

- Do you know who the top suppliers are for the procurement team, for the university?
- Do you have criteria established to identify strategic suppliers?
- What is the primary objective of your supplier contracts and relationships? Is it primarily to control price or do you seek value beyond price?
- Think of a few supplier relationships managed outside of the procurement group. Do you think these relationships are managed well? What role should the procurement team play in these relationships?

## *Strategic Supplier Engagement*

- Do you meet with key suppliers on a periodic basis and if so is your time spent resolving tactical or strategic issues?
- Do you have a Quarterly Business Review (QBR) process? Who controls the agenda for these meetings?
- In the QBR process do you have a tight alignment among university, procurement and user department objectives?

## *Strategic Supplier Performance*

- Think about your top 5 supplier relationships. Do you know what goals you would like to accomplish with each of them in the next 3 to 5 years?
- Think about the contract you recently completed with your top 5 suppliers. Do you know the 3 to 5 key cost drivers in the contract and are you monitoring performance against these items?
- Do you have a scorecard in place to monitor goal attainment in your key supplier relationships? Are the goals short-term focused? Does the scorecard reflect a two-way partnership or one-way supplier performance monitoring?

# SSRM Resource Links

Following are resource links offered by your colleagues.

- AT Kearney – Assessment of Excellence in Procurement Study, 2014:  
<https://www.atkearney.com/procurement/assessment-of-excellence-in-procurement-study>
- University of Texas System, Supply Chain Alliance <http://www.utsystem.edu/hea/supplychainalliance/>
- University of Colorado – Organizational Chart: <https://www.cu.edu/psc/vision-mission>



# About Us

**NAEP** is the association of choice for educational procurement professionals dedicated to their continued professional development and to reinforcing the strategic role of procurement in education. Since the 1920's, NAEP has been the non-profit professional association primarily dedicated to serving higher education purchasing officers in the U.S. and Canada. In 1934, members of the Association founded E&I Cooperative Purchasing, Inc. as an important undertaking and benefit of NAEP membership. Currently, over 800 colleges and universities are members. NAEP is a member-focused association providing progressive knowledge management in strategic sourcing, supply chain, materials and logistics for procurement professionals. NAEP provides professional development and networking opportunities regionally and nationally. These meetings, workshops, and seminars provide knowledge transfer ranging from “beginning” to “advanced” and are conducted throughout the year and across the nation. Visit [www.NAEPnet.org](http://www.NAEPnet.org) to learn more.

**SciQuest** (NASDAQ: SQI) is a leading provider of eProcurement solutions to higher education that enables colleges and universities to realize significant efficiencies and savings on their purchases of indirect goods and services. SciQuest's unique expertise and innovative “source-to-settle” approach to eProcurement enables institutions to identify savings opportunities they may otherwise have missed, while improving contract management, compliance, and supplier management. Learn more about SciQuest's commitment to higher education at [www.sciquest.com/higher\\_education](http://www.sciquest.com/higher_education).

**Stonebridge Ventures** is a leading professional services firm focused on creating innovative solutions in the higher education procure to pay market. We work collaboratively with client partners to solve pressing challenges and help enhance the procurement team's role as an essential strategic partner. We specialize in strategic planning, spend analytics, category management, process improvement, supplier relationship management, organizational design and other important procurement issues. We have a particular expertise in driving collaboration between procurement and the facilities / construction team. Stonebridge helps you cultivate Better Connections with executives, suppliers, internal stakeholders and employees to deliver flexible solutions that enhance service, improve quality and reduce cost (procurement brand performance). Contact Jim Knight at [jknight@stonebridge-ventures.com](mailto:jknight@stonebridge-ventures.com) to learn more.

## END NOTES

- <sup>1</sup> “Supplier Relationship Management (SRM) Redefining the Value of Strategic Collaboration.” Deloitte, 2015.
- <sup>2</sup> “Public Procurement Practice: Supplier Relationship Management.” CIPS and NIGP, 2012.
- <sup>3</sup> “Strategy Guide: Supplier Relationship Management.” Procurement Leaders, Global Intelligence
- <sup>4</sup> “10 Strategies for Managing Suppliers.” Dave Blanchard, Industry Week, July 15, 2009.

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