FOREIGN TRADE UNIVERSITY

HO CHI MINH CITY CAMPUS

GROUP ASSIGNMENT

Subject: Global Purchasing Management

Supplier Relationship Management
As a macro business process

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LIST OF ABBREVIATIONS

SRM	Supplier Relationship Management
PSA	Product/Service Agreement
CRM	Customer Relationship Management
BRS	Business Supply Relationships
P&G	Procter and Gamble
R&D	Research and Development

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CHAPTER 1: PURPOSES OF THE RESEARCH

1.1. Rationale

Supplier Relationship Management (SRM) plays a vital role in supply chain management, especially in the rapidly evolving and interconnected business landscape of today (Reynolds, 2024). An SRM system is strategically designed to foster collaboration with suppliers, enabling a company to develop new products competitively and manufacture goods efficiently (Park et al., 2009). The optimal level of supplier integration varies based on the nature of the relationship, requiring a strategy customized to each partnership. Additionally, integrating suppliers beyond the first tier of the supply chain can contribute to improved firm performance over time. (Lambert and Schwieterman, 2012).

Therefore, in this report, a detailed, prescriptive approach to implementing the supplier relationship management (SRM) process is provided within a firm based on focus groups with executives and corporate experience implementing the method. The research also describes supplier relationship management as a macro-business process and then presents the research methodology. A description of the supplier relationship management process is followed by a description of the strategic and operational processes that comprise supplier relationship management as well as the sub-processes and their activities.

1.2. Supplier relationship management as a macro business process

1.2.1. About the supplier relationship management (SRM)

Supplier relationship management (SRM) is a business process that focuses on effectively managing all interactions and communications between an organization and its suppliers (Kroenke, 2012). The term "suppliers" refers to any organization that provides goods or services to the firm that utilizes the SRM application. According to Moeller, Fassnacht, and Klose (2006), SRM involves a comprehensive set of activities, including establishing, developing, stabilizing, and ultimately dissolving relationships with internal suppliers (in-suppliers) as well as monitoring and evaluating external suppliers (out-suppliers). The primary goal of these activities is to generate and enhance value within these supplier relationships. Besides, it is essential for both parties involved to work collaboratively to stabilize their relationship through discussions and adjustments

(Johnson, et al., 2004). Furthermore, Giannakis, Doran, and Chen (2012) emphasized that supplier relationships often engage in a long-term relationship and high commitment. This will encourage both parties to pursue close collaboration, which can include the development of joint products and the sharing of cost reductions, ultimately maximizing mutual benefits for both the supplier and the organization.

In general, it is essential for an enterprise to not only ensure a high level of cultural compatibility with its channel partners but also to confirm that these partners are supportive of its corporate mission, values, and goals. This alignment is vital for fostering a productive and harmonious working relationship that can overcome the challenges of the competitive landscape.

1.2.2. Importance of SRM

Supplier relationship management (SRM) has undergone a significant transformation, evolving from a basic transactional function into a vital strategic imperative that businesses must embrace to thrive in today's competitive landscape. The importance of effective SRM cannot be overstated because it plays an important role in enhancing operational efficiency and fostering long-term partnerships. Here are some of the key advantages that come with implementing supplier relationship management programs:

- Lower costs: When organizations start their journey of seeking out and negotiating deals with new suppliers, they often encounter a variety of initial costs that can be quite substantial. These costs usually include expenses related to the onboarding process, negotiations, and establishing contracts with new suppliers.
- By establishing a mutually beneficial and valuable relationship with key suppliers, the enterprises can gain long-term cost savings through a reduction in issues related to product availability, quality inconsistencies, and delays in the supply chain.
- Improved efficiency: When the relationship between an organization and its suppliers develops, communication tends to improve significantly. Just like any other relationship, as trust and understanding develop, suppliers gain deeper insights into the organization's needs and operational processes.
- Consolidated supply chain: A deeper understanding between the organization and its suppliers can lead to a more consolidated supply chain. Therefore, by reducing the number of suppliers needed, organizations can simplify their buying and budgeting processes, which would be simplified and there could be great potential savings.

- Outsourcing activities: When the relationship between the supplier and the organization strengthens, a foundation of trust is built. This trust is essential as it allows organizations to consider permanently outsourcing non-core activities to their suppliers, which include inventory management, logistics, and even certain aspects of customer service.
- Ongoing improved operations: Establishing a long-term, healthy relationship between suppliers and organizations creates an environment conducive to the exchange of ideas, and constructive feedback and also fosters innovation, and encourages both parties to explore new ways of working together.

In conclusion, suppliers who share resources can generate competitive advantages and enhance relationships between firms (Cheung, Myers, and Mentzer, 2010). Simultaneously, enhancing an environment of trust, commitment, and interaction among partners can help mitigate speculation and adverse behaviors, ultimately leading to more fruitful and sustainable business relationships (Centola, et al., 2004).

1.3. Research Aims and Objectives

1.3.1. Research Aims

This research aims to explore Supplier Relationship Management (SRM) as a macro-level business process, emphasizing its cross-functional nature in fostering effective collaboration between organizations. The study seeks to provide a structured framework for managing business-to-business relationships to achieve mutual benefits, co-create value, and ultimately enhance shareholder value.

1.3.2. Research Objectives

- Analyze the role of SRM as a macro-level process in the broader context of supply chain management.
- Identify key components and cross-functional elements that contribute to effective SRM.
- Examine strategies for fostering long-term, value-driven relationships between suppliers and organizations.
- Propose a framework for integrating SRM practices into organizational strategies to maximize value creation and shareholder benefits.

1.4. Scope of the research

This research focuses on the macro-level perspective of SRM, encompassing its strategic importance across various organizational functions. It includes the examination of both theoretical and practical aspects of SRM, such as supplier segmentation, performance management, and collaborative value creation (Lambert and Schwieterman, 2012).

The research will be of particular interest to supply chain managers, procurement professionals, and business leaders seeking innovative strategies to manage supplier relationships. By offering actionable insights and a structured framework, this study aims to bridge the gap between theory and practice, contributing to the effective implementation of SRM as a strategic tool.

1.5. Research questions

This study investigates the strategic role of Supplier Relationship Management through the following key questions:

1. How can SRM be established as a macro-level, cross-functional process within supply chain management to ensure seamless integration across business functions?
2. What are the critical components and strategies required to develop long-term, value-driven partnerships with suppliers, and how can these relationships contribute to mutual profitability and innovation?
3. What framework can be proposed to integrate SRM practices into organizational strategies, ensuring scalability across industries and alignment with global challenges such as technological advancements, globalization, and risk management?

CHAPTER 2: METHODOLOGY

2.1. Research design

The research primarily used a qualitative approach to gain a deep understanding of Customer Relationship Management (CRM). By conducting focus group discussions with industry experts, the researchers were able to explore the intricacies of CRM practices and identify key steps and activities. This approach allowed for a comprehensive understanding of how CRM is implemented in real-world settings, including the challenges and opportunities involved.

2.2. Research subject

Industry experts from a wide range of sectors, including agriculture, consumer packaged goods, energy, fashion, food, technology, manufacturing, paper products, and sports, participated in the research. These experts held various positions, from managers to chief operations officers, representing multiple functions within their respective organizations.

2.3. Process

The research included multiple focus group sessions conducted over a period of time. These sessions facilitated open discussions, encouraging participants to share ideas and insights. After each session, the findings were presented to participants, who provided feedback to refine the CRM framework. This process included seven meetings to ensure that the framework was continually improved and aligned with industry practices.

The main output of the first three meetings was to identify core sub-processes within eight macro-business processes, including CRM. This laid the foundation for subsequent focus group sessions, which delved deeper into specific activities and CRM implementation details. The last four meetings were the development of a detailed CRM framework, including the identification of specific activities and implementation issues related to the strategic and operational sub-processes of CRM. This framework was refined through multiple iterations, incorporating feedback from industry experts and lessons learned from company visits.

CHAPTER 3: FINDINGS

3.1. The Strategic Supplier Relationship Management Process

3.1.1. Review corporate, marketing, manufacturing and sourcing strategies

At the strategic level, Supplier Relationship Management (SRM) aligns organizational objectives with supplier engagement to optimize value creation and competitiveness. The initial step in the SRM process involves a comprehensive review of corporate strategies, as well as marketing, manufacturing, and sourcing plans, to define critical supplier segments and determine their role in achieving organizational goals.

The integration of these strategies ensures that supplier relationships contribute to key performance areas, such as product quality, innovation, and supply chain resilience.

Strategic supplier mapping further supports this process by identifying opportunities for the co-creation of value and addressing potential risks, including supply chain disruptions and sustainability challenges (Jurevicius, 2023).

Core Activities:

- **Integration with Corporate Goals:** Reviewing corporate and functional strategies ensures alignment with supplier capabilities to meet market demands. For instance, Colgate-Palmolive developed partnership-based supplier relationships to drive product innovation and meet financial objectives.
- **Identification of Strategic Suppliers:** Suppliers critical to achieving long-term success are identified based on their potential to impact product availability, innovation, and resilience.
- **Sustainability and Risk Assessment:** Mapping supply chains highlights environmental concerns, operational risks, and areas requiring collaborative solutions with suppliers.
- **Framework Development:** The insights gained through strategy review help in forming customized SRM practices, including segment-specific supplier engagement strategies and performance metrics (Agarwal, 2023).

3.1.2. Identify criteria for segmenting suppliers

Segmenting suppliers is a critical step in supply chain management that helps organizations optimize supplier relationships and tailor procurement strategies (Taulia, n.d.). The segmentation process involves assessing suppliers against key criteria to determine their importance and role within the supply chain. Below are the primary criteria commonly used for supplier segmentation:

- ***Profitability:*** Assessing the financial contribution of the supplier to the firm's value chain.
- ***Growth and Stability:*** Evaluating the supplier's market growth and financial stability to ensure a consistent supply.
- ***Criticality:*** Determining the supplier's impact on production and product quality.
- ***Service Level***: Examining the level of service required and whether the supplier meets or exceeds those needs.
- ***Technological Capability:*** Evaluating the supplier's innovation and compatibility with the company's technology.
- ***Volume and Capacity:*** Analyzing the purchasing volume and the supplier's available capacity to meet demands.

- ***Cultural and Process Compatibility:*** Ensuring the supplier aligns with the company's operational processes and values.
- ***Sustainability:*** Assessing the supplier's environmental, social, and economic practices.
- ***Potential for Co-Creation:*** Identifying suppliers that can collaborate on innovations to add value.

The application of such frameworks enables firms to prioritize resources, mitigate risks, and enhance long-term collaboration. For a deeper understanding, you can explore the Council of Supply Chain Management Professionals' glossary and additional frameworks provided by Lambert and Knemeyer's research on supplier relationship management (Lambert, 2012).

3.1.3. Provide guidelines for the degree of differentiation in the product and service agreement

The sub-process of providing guidelines for the degree of customization in the Product/Service Agreement (PSA) is a pivotal element within the broader framework of strategic supplier relationship management (SRM). This aspect of SRM focuses on tailoring agreements to align with the specific needs of both the organization and its suppliers, thereby facilitating effective collaboration and mutual benefit. Customization in PSAs can vary widely, ranging from standardized agreements that apply across multiple suppliers to highly specialized contracts designed for key partners.

The process of determining the appropriate level of customization involves assessing various factors such as the complexity of the product or service being provided, the strategic importance of the supplier, and the potential for co-creation of value. This level of integration requires tailored PSAs that reflect the unique dynamics of the partnership while also aligning with broader organizational goals.

Ultimately, providing guidelines for customization in PSAs is not merely about creating flexible agreements; it is about building strategic partnerships that enhance competitive advantage and drive sustainable growth. By doing so, they position themselves to navigate complex supply chain dynamics effectively while fostering innovation and co-creating value with their suppliers (Das et al., 2005; Ramirez, 1999).

3.1.4. Develop framework of metrics

Developing a framework of metrics within the strategic supplier relationship management (SRM) process is a crucial sub-process that enables organizations to effectively evaluate and enhance their supplier relationships. By establishing clear metrics, organizations can assess not only the efficiency and effectiveness of their suppliers but also the overall impact of these relationships on their business performance (Lambert & Schwieterman, 2012).

One significant advantage of having a well-defined metrics framework is its role in fostering transparency and accountability in supplier relationships. When both parties understand the criteria by which they will be evaluated, it encourages open communication and collaboration. This transparency can lead to more productive discussions about performance issues and opportunities for joint improvement initiatives (Enz & Lambert, 2012).

Furthermore, the metrics framework can help identify suppliers that contribute disproportionately to a firm's success. Not all suppliers have the same impact on profitability; therefore, organizations must focus their efforts on nurturing relationships with those suppliers that offer the greatest potential for value co-creation (Ramirez, 1999). By quantifying the financial impact of supplier performance through these metrics, firms can prioritize their investments in supplier development and collaboration.

3.1.5. Develop guidelines for sharing process improvement benefits

Based on the sources of supply, sharing the benefits of process improvement with suppliers is an important part of guidelines for sharing process improvement benefits with suppliers' business relationships. This process plays a key role in enhancing operational efficiency, promoting innovation, and building trust between both parties.

Principles of benefit sharing:

Transparency: In line with existing research, we identify two key mechanisms essential for achieving knowledge integration within business supply relationships (BSRs): joint sense-making and joint decision-making (Revilla and Villena, 2012).

Benefit balance: Trust can positively influence knowledge integration (Heide and John, 1990; Zaheer et al., 1998). However, the information, expertise, and resources shared can become valuable assets that may be used unevenly, potentially giving some team members an advantage (Eisenhardt, 1989). This implies that parties are more willing to share information only when they believe their vulnerabilities won't be exploited by the other party (Morgan and Hunt, 1994; Jap, 1999), thereby fostering knowledge exchange and creation (Lee and Choi, 2003).

Regular updates: Their motivations are not solely related to financial factors; there may be other professional reasons, such as a desire to work with new technologies or to gain experience in specific regions. Short employment durations also reflect the rapidly evolving social and economic landscape, which promotes greater mobility and flexibility for skilled professionals (Demirbag et al., 2012; Kumar, 2012).

3.2. The Operational Supplier Relationship Management Process

3.2.1. Segment suppliers

Supplier segmentation should align with the criteria used for selecting suppliers, which will identify those with the potential for selection. We refer to these as supplier potential criteria. Generally, there are three categories of supplier selection criteria: criteria related to the 'element of exchange,' supplier-related criteria, and relationship-related criteria (other classifications exist, as noted by Sen et al., 2008, 2009).

'Element of exchange' criteria pertain to the qualities of the goods or services offered by a supplier, while supplier-related criteria focus on the attributes of the supplier themselves. Relationship-related criteria involve the characteristics of the buyer-supplier relationship.

3.2.2. Prepare the supplier/segment management teams

The sub-process of preparing the supplier/segment management team is a vital element within the operational Supplier Relationship Management (SRM) framework. This preparation involves forming a dedicated team responsible for managing relationships with suppliers and segments effectively, which is crucial for enhancing collaboration and achieving strategic objectives. As outlined by Park et al. (2010), the effectiveness of this team hinges on its composition, which should include members from various functions such as procurement, quality assurance, logistics, and finance.

Training and development play a significant role in this sub-process. Team members must be equipped with skills in negotiation, conflict resolution, and performance evaluation to manage supplier relationships proactively. Research indicates that well-prepared teams are more capable of identifying potential issues early and formulating strategies to mitigate risks associated with supplier performance (Wagner & Krause, 2009).

Strategic alignment is another critical aspect of preparing the management team. The team must understand how supplier relationships impact overall business performance, including cost efficiency and product quality. By aligning their objectives with those of the organization, the team can prioritize engagement with suppliers based on their strategic importance (Ghodsypour & O'Brien, 1998). For instance, suppliers that contribute significantly to innovation or critical components may require more intensive relationship management than others.

3.2.3. Internally review the supplier/supplier segment

An essential part of the operational Supplier Relationship Management (SRM) process is the sub-process of internally assessing the supplier or supplier segment, which allows businesses to evaluate and improve their supplier relationships in a methodical manner. During this assessment, suppliers are assessed according to a number of factors, including as performance indicators, adherence to quality standards, and alignment with the strategic goals of the business. Effective supplier evaluation, according to Park et al. (2010), not only helps find high-performing suppliers but also identifies those who could need more assistance or development.

Internally reviewing suppliers typically encompasses several key activities. First, organizations must establish clear performance metrics that are relevant to their specific needs. These metrics may include delivery reliability, quality of products or services, responsiveness to requests, and cost-effectiveness (Wagner & Krause, 2009).

Furthermore, this review process should involve a comprehensive analysis of the supplier's capabilities and potential risks associated with their operations. For instance, understanding a supplier's financial stability, production capacity, and technological capabilities can provide valuable information when determining whether to continue or adjust the relationship (Ghodsypour & O'Brien, 1998).

Another critical aspect of this sub-process is the feedback mechanism. Providing constructive feedback to suppliers based on evaluation results is essential for fostering continuous improvement. This feedback loop not only helps suppliers understand areas for enhancement but also strengthens the partnership by demonstrating a commitment to mutual growth (Amid et al., 2009). Moreover, engaging suppliers in discussions about performance outcomes can lead to collaborative problem-solving and innovation.

3.2.4. Identify opportunities with the supplier/supplier segment

To identify improvement opportunities with suppliers, teams analyze supplier contributions across the supply chain. This process involves collaboration with suppliers to align on mutual goals and identify areas for co-creation of value. Tools like supplier segmentation models can help categorize suppliers by their value contribution over time, enabling focused partnerships. Strategies include joint value creation, risk-sharing agreements, and leveraging the supplier's expertise in innovation and cost management.

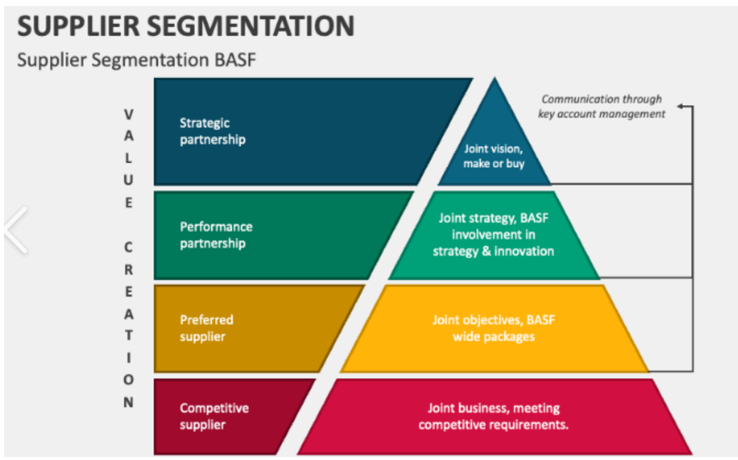

Figure 3.1: Supplier segmentation BASF

Here are some key approaches:

Supplier Segmentation: Group suppliers based on their importance, risk, and cost. This helps in managing each group effectively and focusing resources where they matter most. For example, strategic suppliers are vital and hard to replace, while leverage suppliers are easier to replace and can be negotiated with for better terms (Gartner, 2024).

Market Intelligence: Use market intelligence to identify potential suppliers and evaluate them against specific criteria like cost, quality, and consistency. This process helps in compiling a list of potential suppliers and evaluating them for suitability (Teuchler, 2024).

Strategic Procurement: Shift procurement into the strategic space by aligning procurement strategies with organizational goals. This involves taking a long-term approach to sourcing goods and services, developing supplier relationships, and optimizing procurement processes (Jenkins, 2022).

Supplier Evaluation: Regularly evaluate suppliers based on performance metrics such as delivery times, quality of goods, and cost-effectiveness. This helps in identifying areas for improvement and opportunities for better collaboration (admin, 2023).

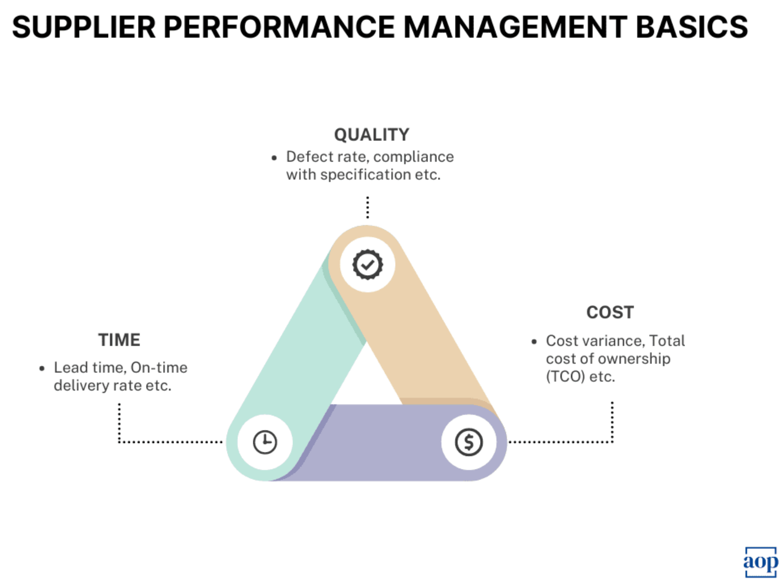

Figure 3.2: Supplier performance management basics

3.2.5. Develop the product and service agreement and communication plan

The development of PSAs in the fifth sub-process of the operational Supplier Relationship Management (SRM) process involves negotiation between firms and suppliers to establish mutually beneficial agreements. For non-key suppliers, standardized PSAs can address essential requirements. Companies like Masterfoods and Wendy's demonstrate that including transparency, diversity goals, and contingency measures strengthens supplier relationships (Law Insider, 2024).

1. Outline and Draft the PSA: The initial step involves outlining and drafting the PSA. This document should clearly define the terms and conditions, including the scope of work, pricing, delivery schedules, and performance metrics. The PSA should be comprehensive and tailored to the specific needs of the supplier segment.

2. Gain Commitment of the Company's Functions: Once the PSA is drafted, it is essential to gain commitment from the company's internal functions. This includes ensuring that all relevant departments, such as procurement, legal, and finance, are aligned with the terms of the PSA and are committed to supporting its implementation.

3. Gain Supplier Acceptance of the PSA: The next step is to present the PSA to the supplier and negotiate any necessary adjustments. The goal is to reach a mutually beneficial agreement that both parties are committed to. This may involve several rounds of discussions and revisions to ensure that the PSA meets the needs of both the company and the supplier.

4. Agree on a Communications and Continuous Improvement Plan: Finally, it is important to agree on a communication and continuous improvement plan. This plan should outline the methods and frequency of communication between the company and the supplier, as well as the metrics and processes for ongoing evaluation and enhancement of the supplier relationship. Regular reviews and updates to the PSA should be included to ensure continuous improvement and adaptation to changing business needs.

3.2.6. Implement the product and service agreement

The sixth phase focuses on implementing special agreements with large customers, which require close coordination between departments and may require additional investment. The ultimate goal is to ensure customer satisfaction and project success. These functions focus on developing and following implementation plans. Moreover, this phase is to meet regularly with key customers.

Developing comprehensive implementation plans creates detailed project plans outlining the specific steps, timelines, and resource allocation required to fulfill the terms of the special agreements. These plans also identify potential risks and challenges, and outline strategies to mitigate them. Additionally, clear communication channels and roles are established within the project team (Sokolova, 2021).

To ensure project success, the team closely monitors progress against the established plan, making adjustments as needed. Timely delivery of project milestones and deliverables is prioritized, and key performance indicators are tracked to measure overall project performance (Six, 2024).

3.2.7. Measure performance and generate supplier cost/ profitability report

The final step in the operational process involves collecting and analyzing performance data. This includes information from all previous stages to create detailed reports on supplier costs and profitability. These reports are essential for evaluating the value of supplier partnerships, both within the company and externally.

In terms of measuring performance, there are two-pronged approaches. Firstly, individual suppliers are evaluated based on various metrics such as costs, revenue generated, profitability, service quality, and other relevant factors. Secondly, the overall performance of the supplier relationship is assessed, taking into account the supplier's contribution to the company's revenue, cost savings achieved, and strategic value.

In terms of generating supplier cost or profitability reports, their main performance is creating detailed reports that analyze the financial implications of each supplier relationship. The valuable insights shall be considered area the costs associated with working with each supplier, the revenue generated from these partnerships, and the overall profitability of these relationships.

3.3. Supplier & Buyer View

3.3.1. Company's view (Kraljic's Matrix)

The Kraljic matrix categorizes purchases into four unique quadrants based on two dimensions, each with specific traits and strategic considerations:

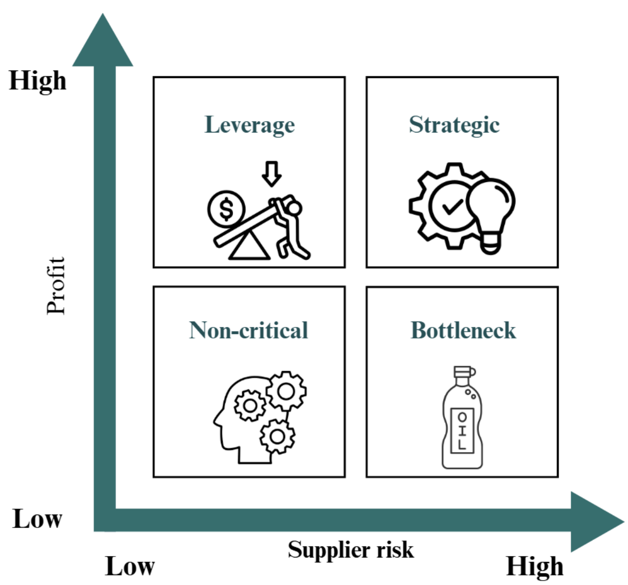

Figure 3.3: The Kraljic's Matrix (Source: Peter Kraljic, HBR)

1. Leverage Products - High-profit impact and low supply risk.	***2. Strategic Products*** - High-profit impact and high supply risk.

- Many suppliers are available, making it easy to switch. - Competitive market conditions. - Significant potential for cost savings through negotiation.	- Few suppliers available, making it difficult to switch. - Critical to the company's operations and competitive advantage. - High dependency on supplier relationships.
3. Non-Critical (Routine) Products - Low-profit impact and low supply risk. - Many suppliers are available, making it easy to switch. - Standardized products with minimal differentiation. - Low value and low complexity.	***4. Bottleneck Products Characteristics:*** - Low-profit impact and high supply risk. - Few suppliers available, making it difficult to switch. - Potential for supply disruptions. - Critical for maintaining production or service levels.

3.3.2. Supplier's view towards the Kraljic's matrix

However, the supplier's view may be different from what a company perceives. This includes 2 main factors: Attractiveness of the market and Incomcome

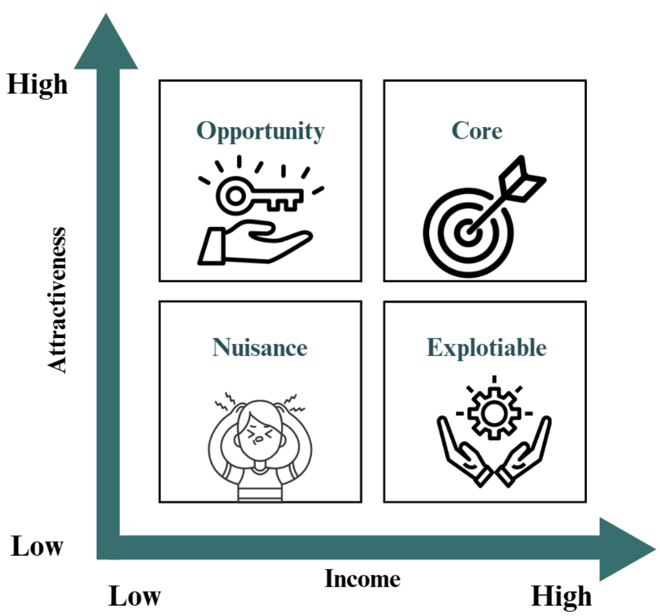

Figure 3.4: The Supplier's view

Nuisance

A nuisance customer is typically characterized by low income potential and a reluctance to invest in the business unless a clear opportunity arises. This relationship can present several challenges for suppliers. One key indicator of a nuisance customer is the delegation of account management to junior staff, which often results in a lack of expertise and slow response times to inquiries. Additionally, when issues arise, these customers may frequently refer back to the contract terms, exhibiting a defensive stance instead of working collaboratively to address concerns.

Exploitable

In the realm of supply chain management, identifying "exploitable" customers is essential for maximizing profitability, especially when these customers generate high income but show little inclination to invest further in the business. Exploitable customers can be recognized by several key behaviors. One common trait is their tendency to refer strictly to contract terms when challenges arise regarding the scope of services. Additionally, these customers may charge suppliers for activities that fall outside the contract, even when such actions are aimed at mutual benefit. Moreover, exploitable customers often exhibit a perception of arrogance, which can hinder constructive dialogue.Ultimately, while exploitable customers can provide substantial income, their characteristics necessitate careful management.

Opportunity

These customers may currently generate low income, yet they possess the potential to evolve into core relationships that significantly enhance margins over time. One of the most telling signs is proactive communication. Suppliers that maintain dedicated management contacts demonstrate an investment in the relationship, ensuring that customer needs are met consistently and effectively. Moreover, these customers are typically responsive to their suppliers, actively engaging in discussions about their needs and expectations. Additionally, opportunity customers exhibit a strong eagerness for new business, often seeking to exclude competitors by deepening their ties with reliable suppliers. Another hallmark of opportunity customers is their proactive approach to service improvement.

Core

Core customers are characterized by their high income generation and their status as key accounts—both now and in the future. These customers are not only valuable assets but are also committed to investing in and developing the business relationship. Core customers can be recognized through several distinct behaviors. One of the most prominent indicators is their commitment to maintaining the account, often going to great lengths to foster a strong partnership. This dedication is reflected in proactive communication, facilitated by dedicated management contacts who ensure that all interactions are meaningful and targeted.

3.3.3. Supplier & Company View Matrix and Action Plan

The supplier-company matrix visually represents the relationship between dependence on the supplier and dependence on the customer. Each quadrant highlights distinct dynamics between suppliers and buyers.

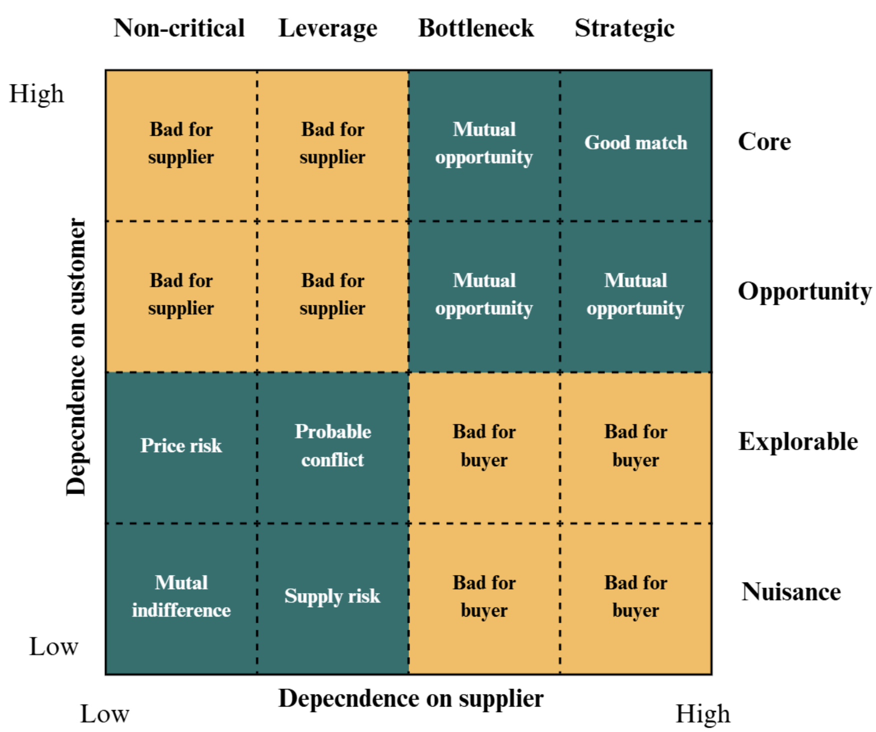

Figure 3.5: The matrix of supplier’s and company's view

This action plan aims to provide a structured approach to implementing the Kraljic Model within an organization. It will outline the necessary steps to assess the current supply chain landscape, categorize items into the four quadrants of the Kraljic Matrix—strategic, leverage, bottleneck, and non-critical—and develop specific strategies for each category.

CHAPTER 4: CASE STUDY

Here is a brief supplier relationship management case study of Procter & Gamble (P&G). The case will be broken down into four parts based on the SCQA framework to be more constructive. Additionally, the key learning points will be provided (Wagner, 2013) (Empowering CPO Insights Team, 2023).

4.1. Situation

Brief overview of Procter & Gamble (P&G)

Procter & Gamble, commonly known as P&G, is a multinational consumer goods corporation founded in 1837. The market capitalization achieves 423 billion US dollars (Trading Economics, 2024). The revenue of P&G has increased from 69.59 billion US dollars in 2019 to 83.91 US Dollars in 2024. With its headquarters in Cincinnati, Ohio, P&G has grown to become one of the world's leading companies in the fast-moving consumer goods sector. The company's diverse portfolio includes well-known brands in categories such as personal care, home care, health care, and baby care. With a strong commitment to innovation and sustainability, P&G continues to make a significant impact on consumers' lives worldwide.

Overview of P&G's supplier relationship management program

Recognizing the immense potential of SRM, Procter & Gamble implemented a comprehensive program to strengthen its relationships with suppliers. This program focuses on identifying and nurturing strategic partnerships, streamlining the supplier base, and promoting collaboration and innovation. As a result, P&G has been able to improve efficiency, reduce costs, and bring more innovative products to market faster. The success of P&G's supplier relationship management program serves as an inspiring example for other companies looking to optimize their supply chains and foster a collaborative environment with their suppliers.

4.2. Complications

As P&G expanded its business globally, operating in new markets and industries with new products and services, its SRM approach needed to evolve to keep pace with these changes. Challenges arose in managing complex supplier relationships across the vast scope of P&G's operations. These included maintaining strong communication and linkages, adapting to personnel changes and shifts in business direction, and navigating potential miscommunication

4.3. Questions

How could P&G adjust its SRM program to effectively manage increasingly complex supplier relationships and leverage these relationships for innovation and competitive advantage while mitigating potential risks?

4.4. Strategies

Procter & Gamble (P&G) employs a comprehensive strategy to manage its supplier relationship management system, focusing on optimizing its supply chain, fostering innovation, and ensuring alignment with its strategic goals. This approach involves identifying strategic partners, reducing the number of suppliers, fostering collaboration and innovation, and enhancing product offerings while reducing time to market.

Streamlining the Supplier Base

P&G recognizes the importance of carefully selecting strategic partners to optimize its supply chain by creating a list of **criteria for selection**. The key criteria for selecting suppliers include their ability to deliver high-quality products, cost competitiveness, industry expertise, commitment to sustainability, and capacity for innovation.

Additionally, P&G **values suppliers that demonstrate a strong cultural fit**, aligning with the company's values and vision for the future. These strategic partnerships enable P&G to leverage the expertise, resources, and innovation capabilities of its suppliers to drive growth and create value. By working closely with strategic partners, P&G can improve its responsiveness to market changes, reduce lead times, and capitalize on opportunities more effectively. Additionally, strategic partnerships foster a collaborative environment that can lead to joint problem-solving, shared risk management, and continuous improvement.

P&G's decision to consolidate its supplier base stems from the understanding that managing a large number of suppliers can be complex and resource-intensive. This consolidation also simplifies the supply chain, making it easier to monitor supplier performance and ensure consistent quality across all product categories. The reduction of P&G's supplier base has had a significant impact on efficiency and cost savings. Ultimately, this approach to supplier management has led to lower costs, enhanced operational efficiency, and a more agile supply chain that supports P&G's growth and innovation objectives.

Fostering Collaboration and Innovation

P&G places great importance on developing shared goals with its strategic suppliers. This process begins with understanding each other's objectives, priorities, and capabilities. P&G and its suppliers then collaborate to create a **joint business plan** that outlines mutual goals, identifies opportunities for growth and innovation, and establishes performance metrics. This collaborative approach ensures that both parties are working towards common objectives and helps to build a strong foundation for a long-term partnership.

Enhancing Product Offerings and Reducing Time to Market
Leveraging suppliers' expertise in the development process, P&G can tap into their specialized skills, industry insights, and innovative ideas. This collaboration allows P&G to create products that are better tailored to consumer needs, while also incorporating the latest advancements in materials and technology. A key benefit of P&G's strong supplier relationships is the ability to streamline supply chain processes. By working closely with suppliers, P&G can identify and eliminate inefficiencies, optimize inventory levels, and reduce lead times.

4.5. Lesson learnt

Procter & Gamble (P&G) has provided several valuable lessons from its supplier relationship management (SRM) strategies, which can serve as best practices for other companies. They include trust and transparency in supplier relationships, SRM customization for different industries, and continuous improvement culture.

The importance of trust and transparency in supplier relationships
A key takeaway from P&G's supplier relationship management program is the importance of trust and transparency in fostering robust supplier partnerships. Through open communication, information sharing, and collaborative problem-solving, P&G and its suppliers establish a trust-based foundation that enhances their ability to work efficiently and achieve shared goals. Also, encouraging suppliers to share insights and feedback fosters a sense of partnership and commitment, which ultimately leads to better collaboration and improved results.

Adapting supplier relationship management strategies for different industries
P&G's success highlights the need for supplier relationship management strategies to be customized to the distinct features of each industry. Companies can create a more effective approach by recognizing their industry's unique needs, challenges, and opportunities. This involves carefully identifying the most relevant criteria for evaluating

and selecting suppliers, such as their capabilities, reliability, innovation potential, and alignment with the company's goals.

Fostering a culture of continuous improvement
This involves encouraging suppliers to propose innovative ideas, share best practices, and collaborate on identifying opportunities for optimization. By creating an environment where both the company and its suppliers are committed to learning and growth, businesses can drive innovation, enhance operational efficiency, and maintain a strong competitive edge.

4.6. Future trends of SRM application in the business world

In today's rapidly evolving landscape and the immediate future, businesses are working in one of the most remarkable digital transformations and a more interconnected business world. The landscape of supplier relationship management is experiencing a fundamental transformation. According to McKinsey's Procurement 2024 report, procurement leaders continue to face significant challenges, including supply chain disruptions, economic volatility, and geopolitical issues, requiring them to reassess their risk and resilience practices. Research indicates that organizations prioritizing robust supplier partnerships experience up to 30% greater stability during market turbulence..

The future of supplier relationship management is about adapting to change and maximizing strategic alliances to ensure sustainable growth. Here are some crucial insights organizations should consider to maintain leadership in the new era of SRM.

- Shift the mindset of business from transactional relationships to strategic partnerships that create shared value.
- Harness the power of advanced technologies, such as AI and data analytics, to gain real-time insights and make data-driven decisions.
- Streamline the processes and optimize communication through electronic procurement systems, supplier portals, and integrated CRM and SCM software.
- Foster a culture of trust, transparency, and collaboration that encourages supplier innovation and mitigates risks.
- Align the business's SRM strategy with its overall business objectives to ensure maximum value creation and long-term success.

CHAPTER 5: CONCLUSION

5.1. Summaries of key findings

The research promotes another framework for the relationship between supplier's view and the company's view. The Kraljic Matrix is a strategic tool that helps organizations optimize their procurement processes by classifying suppliers and materials based on their importance and supply risk. It divides purchases into four quadrants: Leverage Items (high profit impact, low supply risk), Strategic Items (high profit impact, high supply risk), Non-critical Items (low profit impact, low supply risk), and Bottleneck Items (low profit impact, high supply risk). Additionally, it considers suppliers' perspectives, categorizing them as Nuisance, Exploitable, Opportunity, or Core based on income potential and willingness to invest. This framework aids in identifying risks and opportunities, facilitating the development of tailored strategies for effective supplier management and procurement optimization. Based on that information, the research aims to develop a combination of both supplier's and company's view into a matrix and create an action plan to promote the appropriate strategies.

Besides, this research also involves a case study in order to give practical implications on the SRMs of a P&G. As P&G expanded globally, its SRM approach needed to evolve to manage complex supplier relationships effectively. The company implemented a comprehensive strategy that includes selecting strategic partners based on criteria like product quality, cost competitiveness, industry expertise, sustainability, and cultural alignment. P&G promotes collaboration through open communication and regular meetings, encouraging suppliers to innovate. Key lessons learned include the importance of trust and transparency, the need to tailor SRM strategies to specific industries, and fostering a culture of continuous improvement through collaborative innovation.

5.2. Limitations of the research

The research, while insightful, is limited by its qualitative nature and geographical scope. It relied on focus groups with executives from primarily US-based companies, potentially limiting the generalizability of findings to global contexts and smaller organizations. Additionally, the absence of quantitative data restricts the ability to draw definitive conclusions and measure the impact of supplier relationship management practices.

5.3. Future research opportunities

Future research on Supplier Relationship Management (SRM) as a macro-level business process presents numerous opportunities to address existing gaps and expand its practical applications. While the current framework offers valuable insights, its validation is primarily based on U.S.-centric organizations, leaving a need for broader studies across diverse global industries and cultural contexts. Additionally, the role of cross-functional collaboration requires deeper investigation to understand how organizations can overcome silos and align functions like procurement, marketing, and R&D effectively. The integration of advanced technologies, such as AI, blockchain, and IoT, into SRM processes offers a promising area for enhancing supplier segmentation, performance tracking, and relationship-building. There is also a pressing need to develop comprehensive metrics to quantify the co-created value in supplier partnerships, assessing its financial and operational impacts. Another research gap lies in multi-tier supplier management, particularly in complex supply chains where lower-tier suppliers significantly influence overall performance. Furthermore, addressing contemporary challenges such as supply chain disruptions, sustainability, and ethical sourcing could help organizations balance cost efficiency with resilience and environmental responsibility. The dynamics of SRM team leadership and structure, including the balance between functional and process roles, remain underexplored, particularly regarding their impact on implementation success. Finally, most existing research focuses on large corporations, highlighting a need to study how small and medium-sized enterprises (SMEs) can adapt SRM frameworks to drive innovation, value creation, and competitive advantage.

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APPENDIX

Procurement focus	*Aims*	*Main tasks*	*Required information*
Leverage aims (high profit impact, low supply risk)	■ Obtain best short-term deal ■ Maximise cost savings	■ Ensure suppliers are aware that they are in a competitive situation ■ Group similar items together to increase value and quality for quantity discounts ■ Utilise blanket orders but keep contract terms relatively short (1–2 years) ■ Search for alternative products/suppliers ■ Negotiate value-added arrangements – VMI, JIT, storage ■ Consider moving into strategic quadrant	■ Good market data ■ Short-term to medium-term demand planning ■ Accurate vendor data ■ Price/transport rate forecasts
Strategic items (high profit impact, high supply risk)	■ Maximise cost reductions ■ Minimise risk ■ Create competitive advantage ■ Create mutual commitment to long-term relationships	■ Prepare accurate forecasts of future requirements ■ Carefully analyse supply risk ■ Seek long-term supplier/partnering agreements (3–5 years) with built-in arrangements for continuous improvement and performance measurement ■ Consider joint ventures with selected suppliers and customers to gain competitive advantage ■ Take prompt action to rectify slipping performance ■ Possibly move purchasing back into leverage quadrant until confidence restored	■ Highly detailed market data ■ Long-term supply and demand trend information ■ Good competitive intelligence ■ Industry cost curves
Non-critical (routine) items (low profit impact, low supply risk)	■ Reduce administrative procedures and costs ■ Eliminate complexity ■ Improve operational efficiency	■ Simplify requisitioning, buying and payment ■ Standardise where possible ■ Consolidate and buy from consortia ■ Encourage direct ordering by users/internal customers against call-off contracts ■ Use e-procurement ■ Consider clustering into leverage quadrant	■ Good market overview ■ Short-term demand forecast ■ Economic order quantity ■ Inventory levels
Bottleneck items (low-profit items, high supply risk)	■ Reduce costs ■ Secure short-term and long-term supply	■ Forecast future requirements as accurately as possible ■ Consolidate purchases to secure leverage ■ Determine importance attached to purchases by supplier ■ See if specification measures – buffer stocks, consigned stocks, transportation ■ Search for alternative products/supplies ■ Contract to reduce risk	■ Medium-term demand/supply forecasts ■ Very good market data ■ Inventory costs ■ Maintenance plans