

Week 3

Explain the importance of supplier relationships to the performance of an organisation

A good relationship with your suppliers is just as important. In fact, it is so crucial not having one can make running your business similar to driving off road in a family car. Supplier relationship management (SRM) is one area all businesses need to become good at because it can have significant effects. In fact, adopting a more strategic approach with key suppliers can have immense long-term benefits for companies. They play a major role in your business, it's crucial that you do everything you can to keep them on board and happy

What are the criteria used in evaluating a supplier

Could use performance metrics

A supplier evaluation and certification process must be in place so that organisations can identify their best and most reliable suppliers. In addition, sourcing decisions are made based on facts and not perception of a suppliers capabilities. Providing frequent feedback on supplier performance can help organisations avoid major surprises and maintain good relationships.

Discuss how an organisation develops a supplier evaluation and certification program

One of the goals of evaluating suppliers is to determine if the supplier is performing according to the buyer's requirements. An extension of supplier evaluation is supplier certification, defined by the Institute of Supply Management as "an organisation's process for evaluating the quality systems of key suppliers in an effort to eliminate incoming inspection." The certification process implies a willingness on the part of customers and suppliers to share goals, commitments, and risk to improve their relationships. This would involve making visits to observe the operations at the supplier organisation. For example, dirty shop floors could indicate a lack of quality on the production floor.

Describe the steps needed to develop a successful supplier development program

1. **Identify critical goods and services** – Assess the relative importance of the goods and services from a strategic perspective. Goods and services that are purchased in high volume, do not have good substitutes, or have limited sources of supply are considered strategic supplies.
2. **Identify critical suppliers not meeting performance requirements.** Suppliers of strategic supplies not currently meeting minimum performance in quality, on-time delivery, cost, technology, or cycle time are targets for supplier development initiatives.
3. **Form a cross functional supplier-development team.** Next, the buyer must develop an internal cross-functional team and arrive at a clear agreement for the supplier development initiatives.

4. **Meet with the top management of suppliers.** The buyers cross-functional team meets with the suppliers to management to discuss details of strategic alignment, supplier performance expectations and measurement, a time frame for improvement, and ongoing professionalism.
5. **Rank supplier development projects.** After the suppliers development opportunities have been identified, they are evaluated in terms of feasibility, resource and time requirements, supply base alternatives, and expected return on investment. The most promising development projects are selected.
6. **Define the details of the buyer-supplier agreement.** After consensus has been reached on the development project rankings, the buyer and supplier representatives jointly decide on the performance metrics to be monitored such as percent improvement in quality, delivery and cycle time.
7. **Monitor project status and modify strategies** – To ensure continued success, management must actively monitor progress, promote exchange of information, and revise the development strategies and conditions warrant.

What are the benefits of ISO 9000 certification

International organisation for standardisation - ISO 9000, a series of management and quality assurance standards in design, development, production, installation and service. ISO certification will lead organisation's to consistently deliver products that meet customer and applicable statutory and regulatory requirements.

Do sustainability issues influence purchasing decisions? What are the benefits of ISO 4000 certification?

The benefits of investing in an Environmental Management System (EMS) based on ISO 14000 standards include the following.

- Demonstrate compliance with current and future statutory and regulatory requirements
- Increase leadership improvement and engagement of employees
- Improve company reputation and the confidence of stakeholders through strategic communication.
- Achieve strategic business aims by incorporating environmental issues into business management
- Provide a competitive and financial advantage through improved efficiencies and reduced costs.
- Encourage better environmental performance of suppliers by integrating them into the organisation's business systems.

Step-by-step solutions to each of these numerical problems will be posted on CloudDeakin at the end of Week 3 but please try solving them on your own first before seeing the posted solutions!

Chapter 4 reading instructions:

What is strategic sourcing?

Strategic sourcing is an approach to supply chain management that formalizes the way information is gathered and used so that an organization can leverage its consolidated purchasing power to find the best possible values in the marketplace.