Blekinge Institute of Technology
School of Management
P.O. Box 520
SE-372 25 Ronneby

Supplier Relationship Management: Developments in Co-operative Initiatives

Written By:
Lucas M. Rulff

Supervised By:
Gunnar Ågren

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ABSTRACT

Title	Supplier Relationship Management: Developments in Co-operative Initiatives
Author	Lucas M. Rulff
Supervisors	Gunnar Ågren
Department	Blekinge Institute of Technology- School of Management
Course	Master Thesis in Business Administration (FED006), 10 credits
Purpose	The purpose of this thesis is to broaden the understanding of current supplier relationship management and to discover what, if any, are the new initiatives being used by organizations to support their suppliers from a co-operative standpoint. The research is completed from a global perspective and therefore adding further insight into the overall trends of SRM practices.
Method	The research is compiled through an array of theoretical research, case studies, and surveys. As the backbone of the research is the 2005 Accenture Corporation survey which analyzed 229 senior level procurement executives from various countries around the world. This research is then supplemented with various case studies and journal writings to further investigate the findings in the Accenture survey.
Results	Other than a focus on segmenting suppliers based on their integration with the buying organization, few new initiatives have been discovered. However, the people who are executing the initiatives have changed to a more collaborative internal workflow that goes beyond the procurement department. Secondly, the combination of processes, capabilities, and technology has changed, as more people are involved and technology is increasingly integrated.
Keywords	Supplier Relationship Management, Strategic Sourcing, Purchasing

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CHAPTER ONE: BACKGROUND -THE SRM PICTURE

1.1 DEFINITIONS

A lot has happened over the last few decades. We have seen the creation of the internet, the personal computer, and the ensuing globalization of the world. This thesis is proof in case, in that I am completing it outside of my home country and will receive an 'international' master's degree which is highly regarded due to the international aspect. This international experience is crucial in today's business world. As globalization continues to face organizations, one is required to interact with companies all around the world, just to remain competitive.

From a supply chain perspective, the results of this have been twofold. First, organizations are able to have suppliers and workforces in countries where labor and production is cheaper and thus helps to reduce costs. Specifically from a purchasing viewpoint, we have seen organization move towards 'low-cost country' outsourcing, e-procurement and global development initiatives that have tried to capture the benefit of this new globalization (Byrne 2006). Secondly, as the market is widening from a consumer perspective, organizations are also facing greater competition.

As the 'dot.com bubble' settles and organizations sift through the debris, competition has remained strong, and organizations are again trying to remain competitive. With technology increasing efficiency and global resources reducing costs, it is natural that new methods are being established to squeeze added savings from the supply chain. The main example that can be seen from this is the overall focus on purchasing as a strategic initiative for organizations. With this changing view, many terms that are used to describe this trend seem to have different meanings to different people. Therefore as a reference, the next section will explain some of the new terms and how they relate to my research and the industry of purchasing.

1.11 STRATEGIC SOURCING

Purchase, procure, and source can all mean the same thing; to obtain a good. Currently, one of the most common terms being use to describe this new alternative thinking to purchasing is 'strategic sourcing'. The problem with this term is that not everyone has agreed on the same definition for it yet. For example, there is no definition in the Merriam-Webster online dictionary for strategic sourcing. A Google search for the definition finds two main definitions. First, www.icgcommerce.com defines strategic sourcing as "The process of formally selecting a vendor to supply a particular product or service that is routinely purchased by a company. This process includes the definition of product and service requirements, identification of qualified suppliers, negotiation of pricing, service, delivery and payment terms, and supplier selection. The end result of the strategic sourcing process is a negotiated contract with a preferred supplier" (Google definition search).

The second definition is from www.quarterhouse.net and defines strategic sourcing as, "The development and management of supplier relationships to acquire goods and services in a way

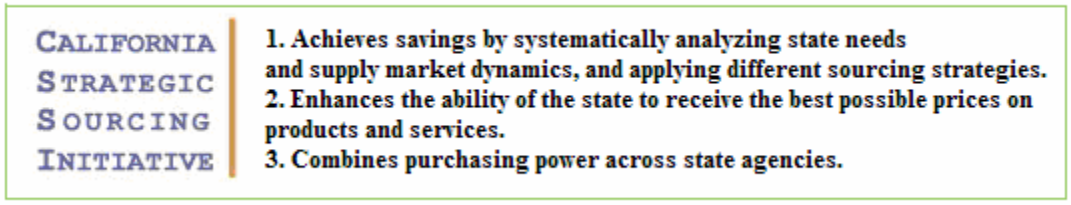
that aids in achieving the immediate needs of a business. It is entirely aligned with the sourcing portion of managing the procurement process" (Google definition search).

The first definition hints at the organizational strategy that is starting to back purchasing, while the second definition surrounds the concept of supplier relationship management. Below are further definitions of strategic sourcing that are from various journal articles written about sourcing.

- *T. Minahan-Supply Chain Management Review (2006)* – "The process of identifying, evaluating, negotiating, and configuring the optimal mix of products, suppliers, and services to support supply chain and other business objectives at the lowest total cost"
- *J. Newhart- Contract Management (2006)* – "A logical and systematic process for managing and prioritizing an organization's spending."
- *S. Talluri & R. Narasimhan – European Journal of Operational Research (2004)* Strategic sourcing…… "specifically deals with managing the supply base in an effective manner by identifying and selecting suppliers for strategic long-term partnerships, involving in supplier development initiatives by effectively allocating resources to enhance supplier performance, providing benchmarks and continuous feedback to suppliers, and in some cases involving in supplier pruning activities."

Private organizations are not the only ones who are using 'strategic sourcing' to help them streamline their supply chain. For example, the State of California is using the term 'strategic sourcing' to describe their initiative to, "purchase the best products and best services for the best value"(www.pd.dgs.ca.gov/StratSourcing). They call their program the, **'**California Strategic Sourcing Initiative (CSSI)**'** and specifically claim to achieve several goals as can be seen in Figure 1.1.

Figure 1.1 -CSSI Goals



Source: http://www.pd.dgs.ca.gov/StratSourcing/default.htm

From these definitions you can see that there is some discrepancy between how strategic sourcing is seen. Some definitions claim strategic sourcing to be related only to selecting suppliers and managing relationships. Others don't specifically discuss the suppliers, but rather the larger process that surrounds purchasing. Non the less, there are also some similarities to the definitions. For example, most consider strategic sourcing to be a systematic process that deals with the strategy and management behind the value of purchasing.

Sometime it seems that the question of how to achieve success in strategic sourcing is answered when trying to define what strategic sourcing is. This is seen in the Talluri & Narasimhan definition in which they discuss the need for long term relationships and collaboration with

suppliers. This is a poor definition because obviously, not everyone that puts strategy behind their purchasing (strategic sourcing) wants a long term relationship with their suppliers. For example, buying organizations that purchase a commodity that can be supplied by numerous vendors may not require a long term relationship. In fact, they may actually suffer from one because of the unnecessary investment that in depth relationships require and the lack of competition to drive costs lower. In this case, one may use strategic sourcing initiatives in the form of technology that allows auctions for suppliers to bid for their account.

After a considerable literature review for this thesis, I believe the definition given by T. Minahan best describes the strategic sourcing process. While it is ok, it could have better explained the internal requirements to that are needed to go about this process. Currently, as discussed above, technology is increasing our knowledge and therefore efficiency from this new knowledge is also increasing. As a result, businesses that were never able to compete with larger organizations due to a lack of resources and knowledge, are now able to have a chance. This flattening process is also seen though the horizontal collaboration (rather than the traditional vertical hierarchy) that organization are now using to pool their resources. For example, the third result of strategic sourcing initiative that the state of California achieves is greater purchasing power because the various California state agencies come together. This would be similar to the various departments of a private organization coming together. This means that the proper definition also must include discussion around a holistic (internal collaboration) approach that looks at purchasing from an organization wide perspective and not just the procurement department. That being said, the definition by T. Minahan best incorporates this thought process.

The topic becomes even more complicated when you introduce the term global. When this is done, terms such as ‘global sourcing’ and ‘global strategic sourcing’ also become alternatives to explain the purchasing strategy of an organization. Since the word ‘global’, hints at the way in which the sourcing function is achieved, some authors use the term to imply a worldly perspective and therefore, a greater strategy and need for internal plans too. Furthermore, global and international are sometimes used in different contexts. Most of the time, and for this thesis, global refers to a broader area and a more intense process than the word international. The same can be said for sourcing and purchasing. Since purchasing is a very straightforward word, when sourcing is used, it generally implies a higher level strategy than simply purchasing. For example, if I told you I was going to source a house tomorrow, versus, purchase a house tomorrow, source seems imply a greater level strategy.

I have now described the overall trend that currently surrounds the procurement function. Strategic sourcing is a very broad topic and therefore its definitions can vary to some degree too. Because some definitions try to take a stance on a method for achieving strategic sourcing, many people currently have different definitions for the topic.

1.12 SUPPLIER RELATIONSHIP MANAGEMENT (SRM)

Supplier relationship management is one of the most popular areas in which organizations are beginning to see the advantage of placing strategy behind their purchasing function. The definition of SRM though, can be just as confusing, and sometimes confused with strategic sourcing. For example, the Talluri & Narasimhan definition of strategic sourcing, better describes SRM, although it doesn't do an effective job for that definition either.

Supplier relationship management is a straightforward term that concerns how the buyer-supplier relationship is managed. It should not suggest any ways in which the relationship should or shouldn't be handled (e.g. co-operative). However, many definitions are now starting to suggest the relationship style too (specifically, co-operative ones). The reason for this may be because over the last years as technology and globalization has made it an even more competitive market, it has also helped suppliers and buyers collaborate with greater ease. Organizations are starting to realize this, and are beginning to see the benefit in co-operative relationships with their suppliers (Langfield-Smith and Greenwood). Furthermore, since market competitiveness has grown and technology has begun to level the playing field, organizations are being forced into to new approaches to differentiate and advance. Co-operative relationships are one way in which this can be achieved.

A good definition of SRM is provided by the Kraft Food Company. Their description incorporates the need for a long term vision, but does not classify the program as specifically/only related to co-operative relationships. They believe that, "supplier relationship management is the practice of *determining, developing, and maintaining* the optimal business relationship with each supplier to achieve maximum long-term value from doing business with each supplier, and from the supply base as a whole."(Nagle alt. pp. 5). This definition also considers the holistic process as was discussed before concerning the definition of strategic sourcing.

As supplier relationship management becomes seen as needing co-operative and global aspects to be successful, strategy and internal collaboration are necessary processes that must be addressed to achieve success. Therefore, ones strategic sourcing plan may/can sometimes be solely based on the SRM initiatives that an organization develops. In this case, strategic sourcing and supplier relationship management may have nearly the same definition.

From this you can see the complication that various terms can create for a topic. To conclude we can say that strategic sourcing is the act of putting strategy behind ones supply chain in a holistic manner than includes employees from outside the procurement function. SRM describes one way in which this can be accomplished in which buyers manage their relationship with their supplier. Currently the trend of co-operative supplier relationships in SRM is a main focus, and happens to be the topic of this thesis. By adding the word global, we introduce the world to the process and thus create the need for greater strategy to handle the situation. In the same way global is considered a more strategic term than international, sourcing is considered more strategic than purchasing. Now, having a better understanding of what strategic sourcing and SRM are and how they are connected, we can move on to another challenging topic within the SRM definition.

1.13 COLLABORATION TERMS

It has been mentioned that the growing trend is to better incorporate suppliers into the buying organizations business. Since this is not a new trend, over time, many terms have been used to describe this co-operative relationship. Partnership, strategic alliance, supplier network, supplier integration, and joint venture are all ways in which a buyer can describe their 'close' relationship with their supplier. Currently, scholars and organizations are still using the various terms to describe relationships with suppliers. For all intensive purposes, and for the use in this paper, all of these definitions can mean the exact same thing, in that there is cooperation among the buying and selling organization that goes above and beyond the transactional relationship that is required to do business. Whenever possible, I use the term 'co-operative relationship' as it does not specifically infer *how* co-operative the relationship is. For example, some people may believe that strategic alliances are more co-operative than a partnership or joint venture based on their past experiences. By using 'cooperation' or 'co-operative', I can alleviate accidental inferences by the reader.

1.2 BRIEF HISTORY OF SRM

Now that some general definitions have been given and we can see how the SRM piece fits into the whole strategic sourcing process, we can now begin to understand the history of SRM. As it has already been mentioned many times, the recent trend of collaboration has been in part due to the need for greater differentiation in response to greater competition, and second from the new ease of communication that globalization and technology has created. However, the history of organizations collaborating and creating alliances is far from a new topic. One of the more influential writings on the development of buyer-supplier relationship was written by Robert Dwyer et. alt. in 1987 and titled, *Developing Buyer-Seller Relationships*. In this research he looks at the how buyer-seller relationships grow from a marketing perspective. The development of a buyer-seller relationship can sometimes be called 'relationship marketing' because of its purpose to build relationships with customers (in a B2B market) and therefore retain customers. In any event, Dwyer found there to be 5 phases in an evolving relationship including, awareness, exploration, expansion, commitment and dissolution. For this thesis we could say that the fourth step of commitment is being investigated, in the sense that this thesis is interested in the post-contract management of the relationship.

A traditional method of purchasing allows for opportunistic behavior by the supplier because they only have the goal of self improvement (usually concerning revenue). Since the buying organization has no control over the supplier, they cannot change this goal. To compensate for this, organizations over time have built up larger supplier bases which allowed them to choose from various suppliers. In fact, sometimes they would/will split projects among many suppliers on short term contracts in order to keep the suppliers on their toes. Through this process economies of scale are not possible though, and therefore the need for beginning levels of co-operation have had to be developed (Cousins 2002).

While the concept of co-operative relationships have been around for quite some time in the west (and catching on greatly now), the eastern portion of the world has been involved with close

relationships for an even greater time. From the early days (1940's), the Japanese viewed suppliers as stakeholders in the procurement process. In return, cost and quality can be far better that of their western counterparts (Cousins 2002). A good example that shows these differences in cultures can be seen in the automotive industry. Ford and GM from the U.S. have traditionally followed an 'arms length' supplier relationship in which they stay a good distance from their supplier. On the other hand, Toyota and Nissan of Japan have developed long term supplier relationships with contracts for future business (Kim and Michell 1999).

1.21 GLOBAL EXPANSION

While global sourcing (use of global suppliers) has been in existence for quite some time now on a high level, many firms have yet to realize the strategic importance that should be placed with global sourcing. Instead, many have used outsourcing techniques to receive short term cost advantages (Murray, 2001). While starting out as simple outsourcing, now many organizations have actually moved locations abroad as well. This complexity of growing global networks is forcing many to pay attention to the strategy behind global expansion more than they would like. Others are acknowledging this opportunity as a possible area to differentiate and create a strategy to leverage their global suppliers.

1.22 CONCLUSION

The result of these trends is a current focus on supplier relationship management that is built on co-operation. While the definition of SRM may still be confusing to some readers, this thesis will continue to develop concepts which will help the reader understand the current meaning of SRM. As it will be soon discussed, one of the purposes of this thesis is to help bring clarity of to this developing area. In the next chapter the research problem will be developed, and limitations and methodology will be discussed.

CHAPTER TWO: PROBLEM ANALYSIS

2.1 RESEARCH PROBLEM

As more and more organizations are reaching out to the global world to do business, they are looking for ways in which to differentiate themselves. Currently research is suggesting that co-operative relationships with suppliers can be one way to achieve success. However, due to the complexity of global supply chains, a changing market, and technological advancements, it is hard to understand just what an organization must do in the relationship to remain competitive. With such a large new topic and many similar terms being used to describe different things, it is also difficult see shape that SRM is taking. With that in mind, this thesis will address the question of:

What are the characteristics of recent developments in co-operative supplier relationship management initiatives concerning global suppliers from a purchasing organizations perspective?

2.2 PURPOSE

As the trend of co-operative relationships has grown in popularity over the last decade we have started to see more and more research on topics surrounding the issue. However, most of the theoretical research that has been done surrounds very specific topics. As an example, research studies have considered specific product development initiatives in a specific industry, or particular levels of buyer-supplier relationships as it relates to certain aspects like ‘quality’ or ‘cost’.

Another common form of research is anecdotal studies concerning specific ways to solve and approach problems in the buyer-supplier relationship. This research, while helpful by providing examples, does not explore the general shape that SRM is heading. Furthermore, surveying is starting to take place to investigate what organizations are doing in regards to global relationships.

By bringing this research together, it is my hope to provide a general understanding of SRM and the current initiatives that are involved. As the research front on this topic is currently only looking at single issues, I will bring a macro level perspective while simultaneously considering micro trends within an initiative or topic as well. This will give the reader a better understanding of what is currently happening with buyer-supplier relationships as well as showing specific examples of how it is being accomplished. I hope to discover any new development concerning SRM and therefore better understand the direction SRM is headed. New initiatives in the field also can help indicate specific areas where success is being had and what is considered most important in SRM. Furthermore, irregardless of the findings, this research will help one

understand some of the specific initiatives that organizations are now undertaking when creating their buyer-supplier relationship.

By addressing this topic through a global perspective, I will also touch on a subject that is only beginning to be researched. Also, technological advances have created a research front that is based on supply chain advancements and communication through software and hardware (i.e. current use of RFID technology). However, when dealing with cross-culture relationships, there are important humanistic consequences that cannot be disregarded. My work will help fill the gap, by looking into both areas, and included the global perspective that is often time not considered.

2.3 LIMITATIONS

Due to my desire to provide a macro level understanding of current SRM initiatives, some areas have been left out or had limited discussion. It is therefore important to point out some of the limitations that must be considered from this research. Note that many of the limiting areas are also opportunities for further research. Additional examples of further research are presented in Chapter 8.

First, one topic that was not discussed in this paper concerns trust and commitment. Trust, while playing a crucial role in the buyer-supplier relationship did not fit into this research because of the scope of the topic. This thesis was designed around the search for new initiatives and therefore trust and commitment did not come into play. However, the topics discussed in this research are affected to some degree by trust, and therefore creates a limitation to this research.

A second major topic that is not address in this thesis is that of the initial contract and finding of supplier that the buying organization faces. This paper generally looks at the post-contacting activities, and therefore it was not within the scope to discuss this topic. In the Further Research chapter, it is mentioned that the amount of suppliers that buyers should employ is currently under debate. This, combined with how to find suppliers and the proper location for them (worldwide vs. regional vs. local) could be a thesis in of itself. Therefore, because my research only looks at the latter part of the relationship, these topics were left out.

By only addressing this topic from a buying organizations perspective, considerable information is not included. As relationships are growing closer and the adversarial relationship diminishes, it is important to discuss the repercussions a buyer's decisions may have on its supplier. Therefore it is important to understand how the supplier sees the situation as well.

2.4 METHODOLOGY

In order to successful answer the research question I have presented, one must have considerable access to senior executives. As most of the organizations that currently have formal SRM initiatives are larger organizations, access to senior procurement executives from international corporations is limited. Therefore, I was unable to create and deliver a survey of my own.

Universities, while having great amount of resources, also generally do not have the connections with sufficient organizations to help answer my proposed question.

Therefore, I looked towards one of the largest consulting organizations in the world, Accenture. They have both the resources and the connections to make a global survey of top executives that no other organization can usually produce. Their survey, used as the foundation of this research, was completed in the year of 2005 and is the most up-to-date survey of its kind in the world.

Due to the nature of this source, it does have its negative aspects as well. Since the survey is provided by a consulting organization, they may have partisanship towards the results in order to help them create and sustain business. Since Accenture is a consulting organizations and not a producer of scholarly material, the results were not compiled in the same manner as a university typically does. The consequence is that some of the data, such as the information on the 'leaders', is not soundly rationalized and up to a university level standard. This means that some information such as this must be taken with a critical eye and to some degree, with personal judgment. Secondly, the international perspective of the survey is limited to the western world of the United States and Europe.

The sources that are used to supplement the Accenture data are a combination of theoretical findings, research studies and case studies. While all of this information is secondary data, because of the resources needed to produce the desired information, this is the only way possible to complete this research. However, the combination of case examples, research and surveys provide a thorough perspective that is conducive to helping the research take many perspectives.

Most of the data comes from journal articles, as it was necessary to have the most up-to-date information as possible. With the time that is required to publish books, it was most commonly found that scholarly journal articles have the most current information. Furthermore, books surrounding this topic, including one of the books I used by T. Friedman, are generally anecdotal and written from a storytelling, 'book-selling', point of view rather than a theoretical viewpoint.

The web pages of specific organizations such as Kraft and Intel were used for the case study information. This was beneficial as the information was coming directly from the organization rather than through various sources.

CHAPTER THREE: ACCENTURE SURVEY

In order to gain a better understanding of the recent developments of co-operative buyer and seller relationships and how organizations are managing their relationships, one should look to the current senior procurement executives. However, the scope needed to produce a well developed survey of international senior procurement executives is far beyond my realm. In fact, because these top executives are so hard to track down, it is hard for even the largest university or organization as well.

Luckily, The Accenture Corporation, the worlds leading IT consulting-outsourcing firm, in 2005 compiled data to discover what the current initiatives are for senior procurement executives, and what their successes were. With over 110 offices in 48 different locations, and the help of organizations around the world, this study is the most developed and up-to-date research on current supply relationship management practices. Therefore, this study is to act as a backbone to my thesis in not only producing solid data to be analyzed, but helping determine the relevant topics surrounding the post contract SRM initiatives needed for success. Through this data I am able to discover the main topics of interest to the top procurement executives of the western world. From this, I can then take the topics that are pointed out and further research the specifics of each. With that in mind, the following sections provide an overview of what was found through the Accenture research.

3.1 DEMOGRAPHICS

3.11 INTERNATIONAL PERSPECTIVE

The respondents to the survey were 229 senior procurement executives (all from different organizations) from a vast international community. The sample drew upon 12 countries in Europe, and the United States. This array of westernized cultures allows the survey to take an international perspective, although not directly applying international concepts to the study.

3.12 INDUSTRY BREADTH

The organizations that make up the sample are mostly large organizations with 73 percent having sales revenue in excess of US$600 million. Furthermore, 23 percent came from organizations with revenue that exceeds US$11.8 billion dollars. The organizations come from a wide variety of industries and are a mixture of both public and private companies. No single industry dominates the sample, as no one industry has more than 14 percent share in the survey. Furthermore, as all industries have not had the same success in the past with supplier relations, this mixture proves to help discover trends that are successful in most industries.

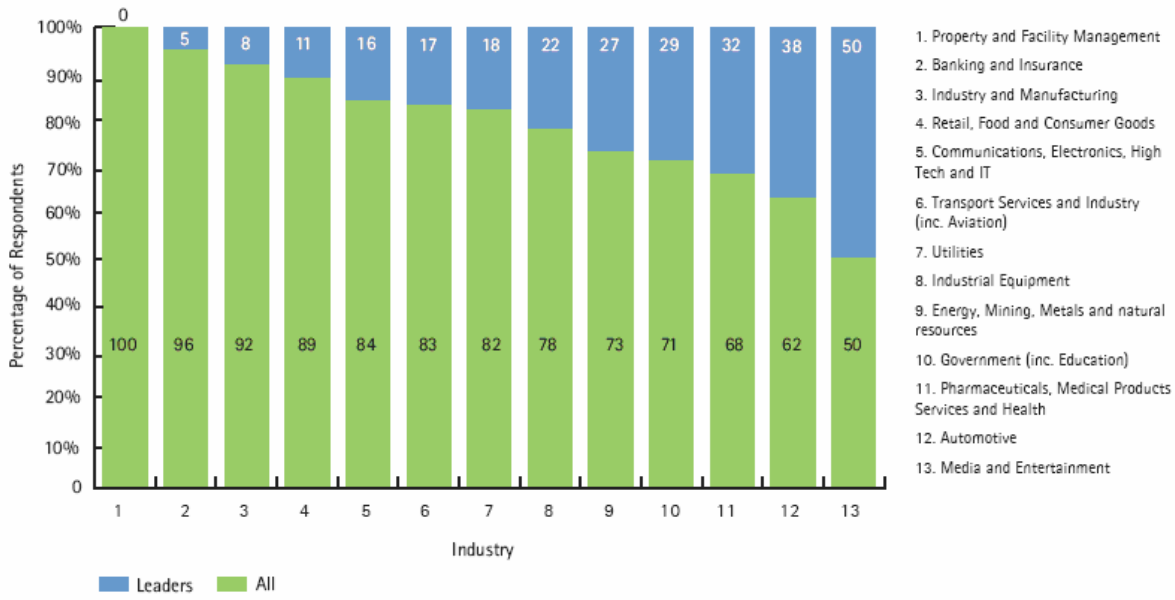
3.2 FINDINGS

3.21 LEADERS

The survey's goal was to discover how procurement leaders are leveraging their supply base through their current post-contract activities. While all of the 229 companies involved in the survey are considered successful, the top 18 percent, or 41 companies, are to be considered the 'leaders'. Therefore, in order to gain the greatest insight from the survey, their answers are sometimes singled out to find relevant patterns.

From an international point of view, these leaders are located in all but two of the countries involved in the study. Also, while many of the leaders tended to come from larger companies, the survey has found that leaders are not determined by the size of the company, industry involved, or location of company[1]. This finding allows for the notion that achieving great success in SRM is based on the approach and leadership that is demonstrated by the company, as there are opportunities for everyone (Figure 3.1).

FIGURE 3.1- INDUSTRIES INVOLVED IN ACCENTURE SURVEY



SOURCE: ACCENTURE, 2006

3.22 SAVINGS

The savings involved with supplier relation activities averaged 3 percent of the total procurement costs for the leaders and 1 percent for all respondents. This equates to between US$22 million to US$79 million in annual procurement saving depending on the spend of the organization.

[1] Note that the survey is limited to Western Europé and the United States

Typically, business programs such as SRM are measured through cost savings. However, it has been found that ultimately, greater performance through quality and innovation are also indicators of successful SRM campaigns and can be also considered the added value from such a program.

3.23 DIFFERENTIATION

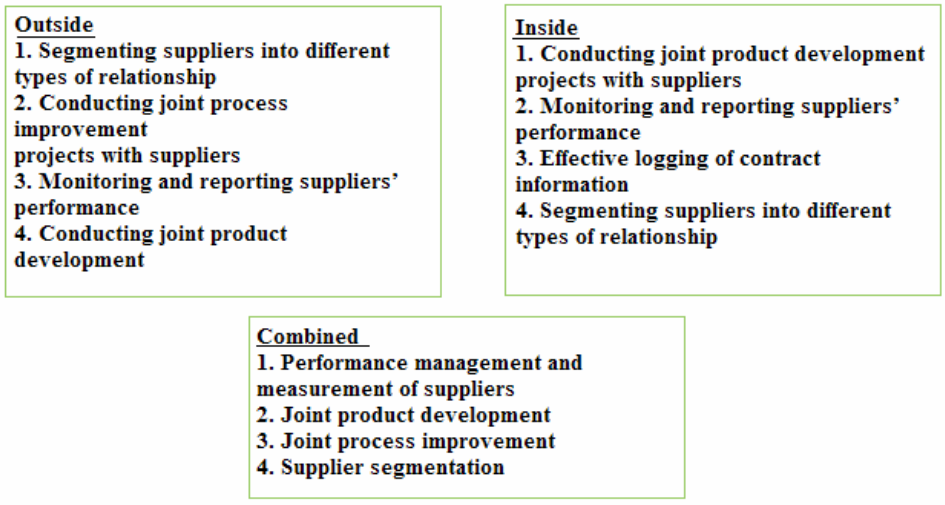
The survey found there to be three main areas that procurement executives can focus on to achieve great savings through supplier management activities. These areas are through *capabilities, processes* and *technology*.

There is an emphasis placed on the requirement of a holistic approach that requires consideration around strategy, organization, skills, process and technology on an ongoing basis. Since SRM is an evolving process that takes time rather than a revolutionary concept, many organizations fail to allot proper time for this process to take place. It is to the advantage of companies willing to transform themselves to help create differentiation through SRM.

3.24 ORGANIZATIONS CAPABILITIES

As mentioned above, SRM actives are done through a holistic approach. This means that the procurement function is far from the only people involved in this process. Therefore, in order to understand the organizational capabilities needed to be successful, we must break up the organisation in half. On one side are the procurement (aka. inside) departments and on the other are the 'outside' procurement departments such as design and production departments. With this in mind, we can better see how the organizations are working with SRM. While having nearly same priorities, they appear in a different order.

FIGURE 3.2 - NECESSARY CAPABILITIES

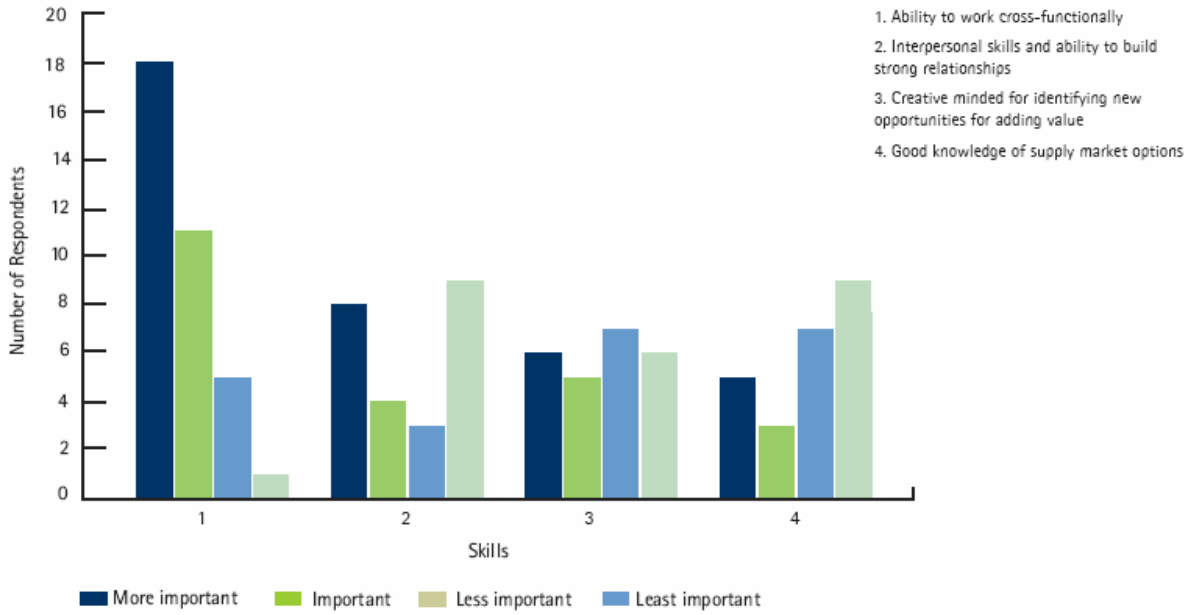


SOURCE: ACCENTURE, 2006

Then, when combined and considered as one organization, the survey results again appear different. The consequence is that the supply relationship management areas where organizations are dedicating the most time (‘man hours’) are; performance management and measurement of suppliers, joint product development, joint process improvement and supplier segmentation. The change in order is likely to be related to the overall goal of the whole organization to manage the relationship over the long term.

The fact that SRM leaders are indicating that they are bringing people together from both inside and out of the procurement function makes it no surprise that the number one skill that is required to deliver superior SRM is the ability to work cross functionally. The other skills that are important to have are:

FIGURE 3.3 - SUPPLIER RELATIONSHIP MANAGMENT IMPORTANT SKILLS

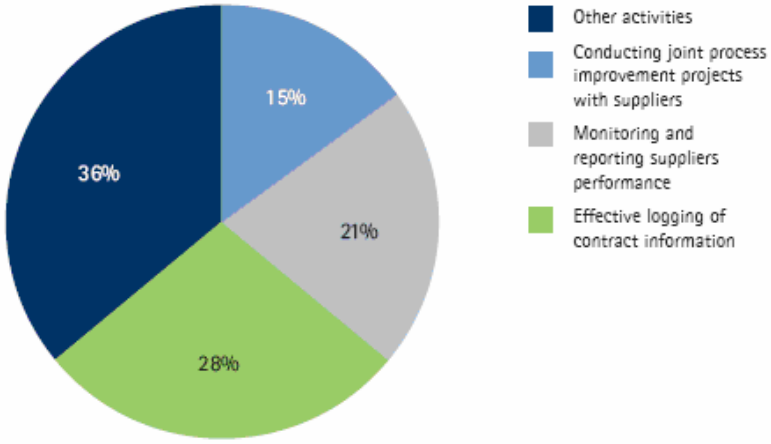


SOURCE: ACCENTURE, 2006

3.25 PROCESSES

While everyone in the survey agreed on the three most important processes in SRM, the leaders had a different opinion on the order. The order in which the three main processes that the supplier relationship management leaders choose were:

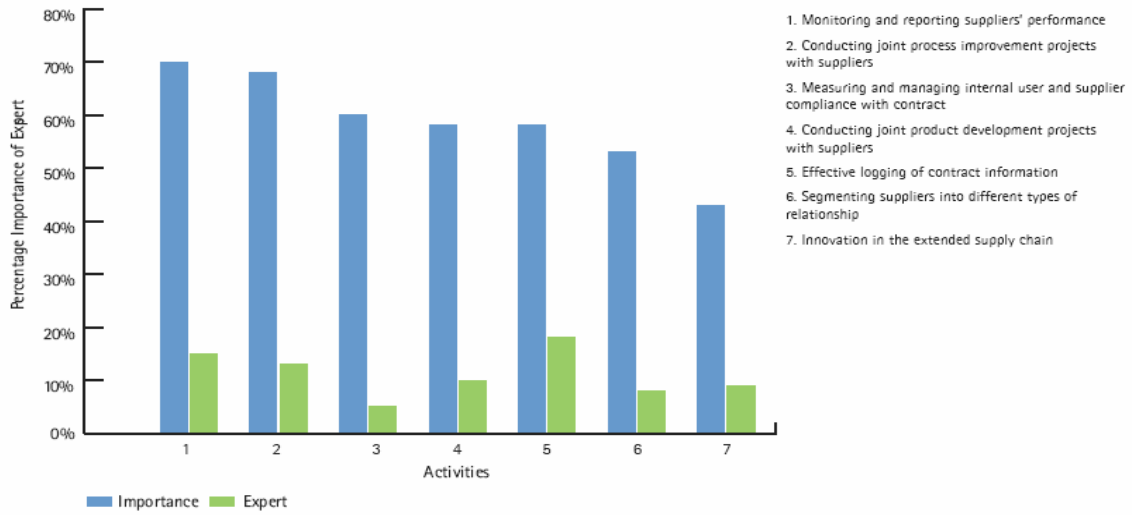
FIGURE 3.4 - LEADERS IMPORTANCE ON PROCESSES



SOURCE: ACCENTURE, 2006

Note the data in the capabilities section that fails to classify the 'logging of contact information' as an important capability for the organization as a whole. This is not an error, rather procurement leaders believe that it is an important process, but place little man power behind it. This could be for the reason that it is seen as fundamental, and already mastered. These three processes also are the top three (in order) that the executives felt they were experts in (Figure 3.5). Therefore, leaders instead choose to have a greater focus on strategic capabilities such as segmenting suppliers and innovation through the supply chain. Through this 'mastery' of the fundamental processes such as contract logging and supplier monitoring, it is likely that they are able to allot time to the 'nice to have' areas of sourcing management.

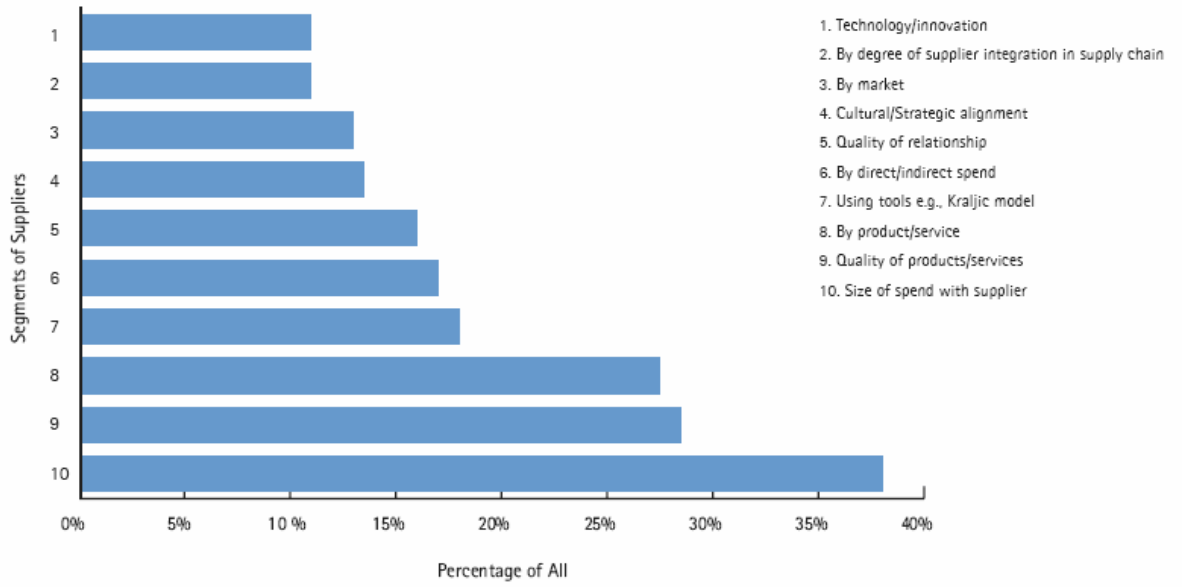
FIGURE 3.5 - AVERAGE IMPORTANCE OF PROCESSES AND LEVEL OF EXPERTISE



SOURCE: ACCENTURE, 2006

As mentioned earlier, an important capability for the organization is the segmenting of suppliers. The data from both the leaders and that of the entire sample agree that process of classification based on the size of spend with the supplier is most commonly used. However from there, leaders choose a slightly different method. Leaders choose to segment their suppliers based on the type of product or service and then by degree of supplier integration within the supply chain. The entire sample choose to segment according to size of spend and then by quality of the product (Figure 3.6).

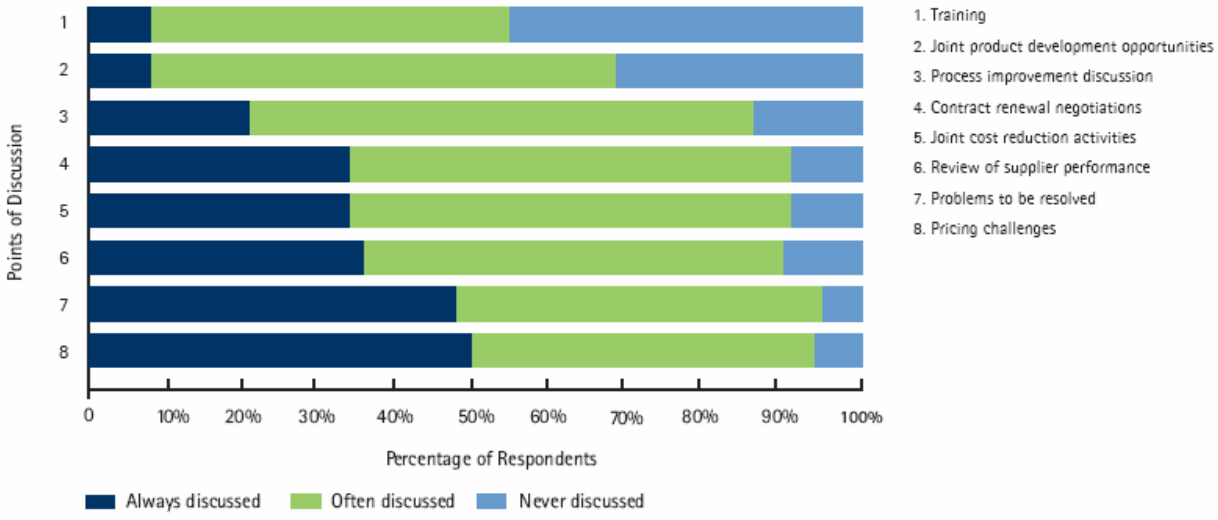
FIGURE 3.6 - HOW COMPANIES ARE SEGMENTING THEIR SUPPLIERS



SOURCE: ACCENTURE, 2006

Another very important process is supplier meetings. The interesting part of this process is what is discussed at the meetings (Figure 3.7). Both leaders and all respondents highlight the need to discuss pricings concerns and resolving problems. Again, it is interesting to note that contract information although seen as the most important process, is not a main discussion point during meetings. Instead joint cost reduction activities take a close fourth place as often discussed in meetings.

FIGURE 3.7 - DISCUSSION AREAS FOR SRM LEADERS



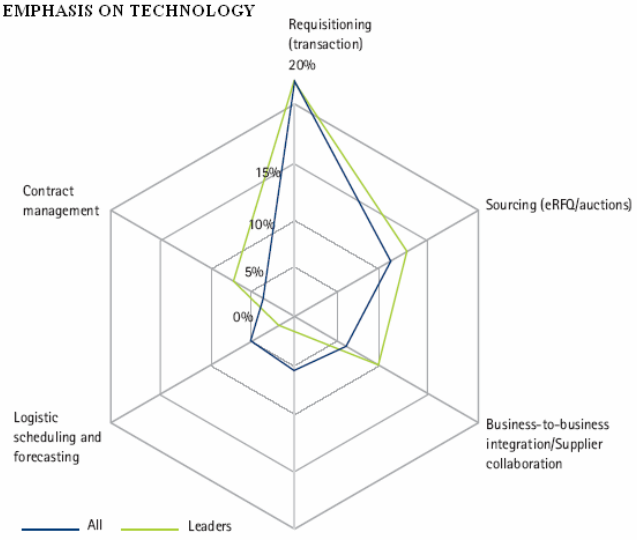
SOURCE: ACCENTURE, 2006

While training took last place in supplier discussions, the survey concluded that over 60 percent of the companies interviewed had CEO or director level sponsorship for their SRM initiatives they were taking. This shows the willingness to invest strongly in the leadership necessities to take the relationship to the next level.

3.26 TECHNOLOGY

While SRM is more than just technology advancement, technology does play a role in successful SRM. The survey asked the respondents what procurement technologies they used. The result was that all respondents indicated the need for transaction and sourcing software such as eQRF and auctions (Figure 3.8).

FIGURE 3.8 - EMPHASIS ON TECHNOLOGY

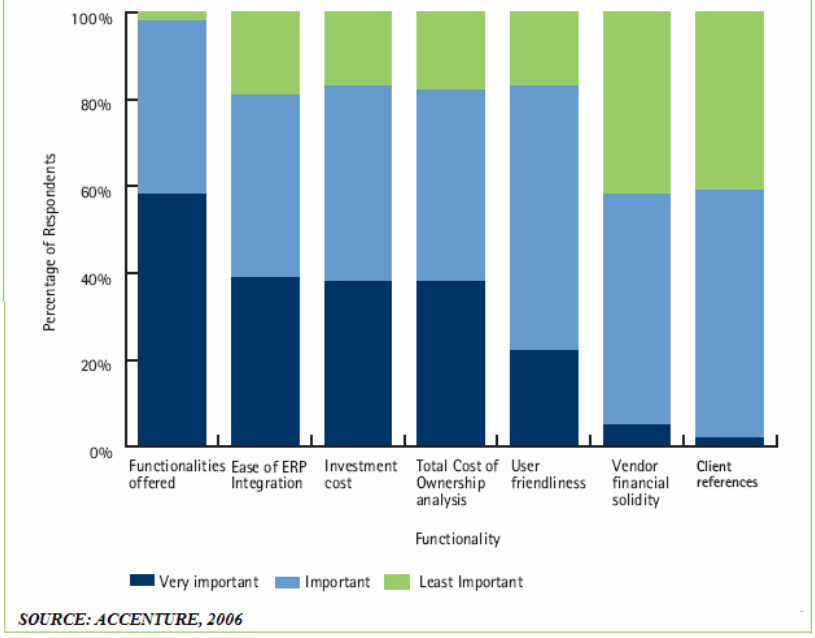


SOURCE: ACCENTURE, 2006

SRM leaders were somewhat more advanced in their technology enablement concerning contract management and supplier collaboration. However, the implementation of these new technologies is not always done alone (supplier involvement). This investment to reduces efforts and automate processes may be helping the leaders allow time for the greater focus in the so called 'nice to have areas' as described above.

A second question was asked to the 229 companies involved to discover what criteria are used when choosing the technology solutions. The result is that all respondents agreed that the functionalities offered, ease of ERP integration, and investment costs were the three most important features to their new technology (Figure 3.9).

FIGURE 3.9 - CRITERIA IN SELECTING TECHNOLOGY



SOURCE: ACCENTURE, 2006

3.27 CONCLUSION

To conclude on some of the main points made from the study, it is important to remember the holistic approach required to achieve SRM success. Organization must work collaboratively with those inside and out of the procurement function.

In order lead in SRM one must first master the basic principals such as contact logging and management, then move on to shaping the framework of integration and collaboration for the supplier relation. This involves:

- Segmenting the supply base and developing specific strategies for each segment.
- Creating plans and processes to monitor, drive and track the performance of each segment as related to their goals
- Developing the organization to include SRM personal that has professional training
- Using appropriate technology to enable processes and performance management easier
- Constant monitoring assessing and priority setting

Unfortunately, this survey does not go to a great enough depth to gain an understanding of what is currently being done regarding SRM initiatives. On the other hand, this data provides us with a starting point, and a general topic list to work from in which one can research specific areas that the senior procurement executives feel to be important based on this survey. Therefore, in the next three chapters we will look into the main points of each of the three sections from the Accenture results; capabilities, processes and technology.

CHAPTER FOUR: CAPABILITIES

4.1 HOLISTIC APPROACH

The ideas of cross functionality and 'inside' and 'outside' procurement departments that the Accenture survey pointed to all relate to a holistic approach that surrounds current global sourcing ideology. In order to gain better insight to the concept of a holistic approach to SRM we can look to the research done by Robert Trent and Robert Monczka published in the Journal of Supply Chain Management in 2003. This study was done though a research consortium of over 150 companies with over 1,800 surveys taken worldwide.

While trying to move away from simple 'international purchasing', organizations are positioning themselves towards 'global sourcing' initiatives that requires a holistic approach to all activities in the supply chain. This overall trend of greater integration is not left to only the supplier relationship, but the whole organizational processes. In the figure below you can see that Trent and Monczka have developed a five level system in which each organizations procurement structure can fit in (Figure 4.1). Level two is usually a reactive level because of the requirement to move abroad for various reasons, including no available domestic suppliers. The purchasing done on this level is superficial and ad hoc.

At the dawn of level three there is the creation of an actual worldwide sourcing strategy. While much improved from the prior two levels, worldwide coordination among work groups, buying locations, etc. are not well intact. It is not until level four that we find the beginning of integration and coordination. This strategy is sophisticated yet, the integration is through cross locational relations rather than the desired cross-functional. Level five is the only level in which "participants integrate and coordinate common items, processes designs, technologies, and suppliers across worldwide purchasing centers and with other functional groups, particularly engineers" (Trent pp.29).

One can note that the above quote sounds very similar to what the Accenture survey revealed with the basic SRM qualities that leading procurement organizations currently possess. The research completed by Trent and Monczka, also offers a well detailed study on the differences that global sourcing firms have compared to basic sourcing (international purchasing) firms. This information can help further understand what a 'holistic' approach means to SRM initiatives.

Difference one is that global sourcing firms are usually larger than purchasing organizations and are therefore likely to have competitors of a large size as well. A second difference is that managers have direct executive commitment for their initiatives though funding and participation. This aspect was found to be crucial to the global sourcing organization whereas, unnecessary for purchasing organizations.

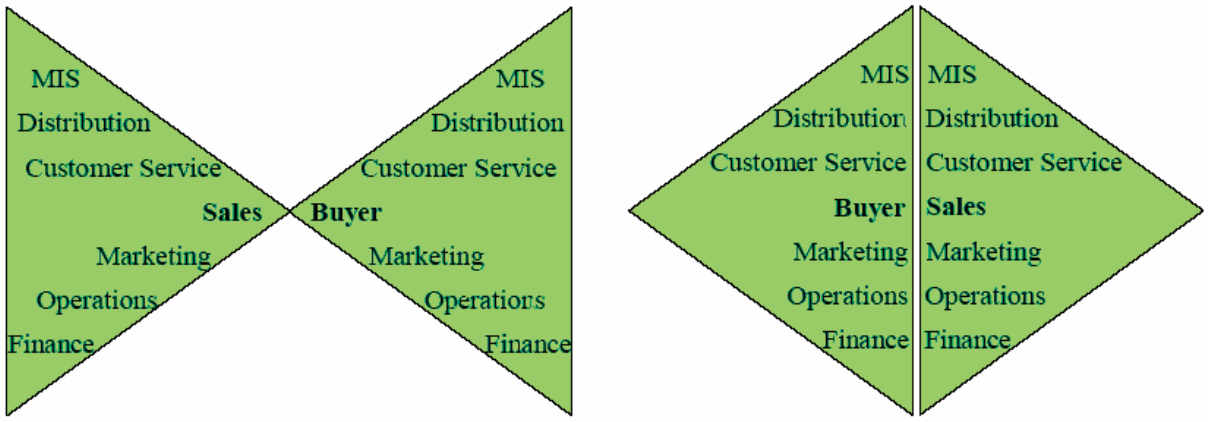
Another important difference from this research is that global sourcing firms have greater organizational features in place to support their efforts. Some of these 'features' include the development of global suppliers, pre-selective site visits to suppliers and coordination strategies across regions. Secondly, specific features are rated more important than others. Executive commitment, central coordination, cross functional teams, and plant-level participation are all considered crucial to the level five organization.

Having a better idea on the concept of a holistic SRM process, we can now look to research that further details the involvement of functions other than procurement in the organization and the role they play to contribute to SRM initiatives.

As the Acecnture survey noted, functions outside of the procurement department are also being involved in the supplier relation. From engineering and marketing to inventory and quality management, SRM initiatives are currently being undergone organization wide. Pyke and Johnson have found that, depending on the organization's goals, different departments are involved. For example, if there is a focus on cost reduction, organizations communicate through inventory managers, production planners, and procurement personnel. On the other hand, if the focus is new product development, engineers on both sides may have lengthy communication. Depending on the industry and company, these relations can vary. However, communication is always done through more than the procurement department. To illustrate this, take for example the story of a global paint manufacturer from the Accenture survey. They had felt they were receiving the best prices and tightest management thanks to their procurement operations, until they found out how a competitor was handling the exact same supplier. The competitor was allowing the supplier to help bring ideas to their product. The result was a new type of packaging with a premium price that led them to great success. Ironically, by having too 'close' of a relationship with the supplier, the paint manufacture squeezed out the potential for innovation in the relationship. This topic will be discussed in further detail concerning joint involvement.

Pyke and Johnson offer the classic butterfly diagram for a supermarket chain in New York (Figure 4.2). From this one can see the traditional butterfly shape, in which there is only one point of interaction. The other version, diamond shape, offers multiple contacts for the buyer and supplier organization to interact. As the above story notes, supplier are now becoming more than just organizations who supply the goods.

FIGURE 4.2 - BUTTERFLY DIAGRAM



SOURCE: Pyke and Johnson, 2003

4.2 JOINT INVOLVEMENT

While the section on holistic approach was a broad look in into the capabilities needed from the whole organization to adapt SRM initiatives, this section only concerns the closeness involved in the relationship. The Accenture survey notes that joint process improvement and product development are important to everyone that is working with the supplier relationship. Therefore we will look more in-depth to this topic to try and further discover what organizations are considering 'joint' improvement, and how they are achieving it.

First, it is important to note again, that all relationships are not equal. Many organizations based on their size and industry have different ways to achieve their goals to different levels. However, all organizations have the ability to improve and grow in their SRM initiatives. It is not the goal of this research to show a one best way, but rather point out what scholars and executives believe to be key factors in achieving success with their close supplier relationship. As it has already been mentioned a few times, the development of new technology over the last decade has allowed for buyers and supplies to communicate with each other much easier with fewer costs.

A good place to start is to define the different types of collaboration that are available to the modern organization. Pyke and Johnson define five current types of supplier relationships (Figure 4.3). The first type is 'buy the market' in which there is no commitment for a further relationship in the future. The second type is one in which firms begin to develop an 'ongoing relationship' or 'partnership'. While there is commitment, suppliers are generally not involved in product innovation and therefore contracts are usually of medium length. 'Strategic alliances' are a step further in that they involve extensive sharing and trust. These relationships can sometimes involve co-location of personal and facilities. Pyke and Johnson suggest that firms will have relationships with suppliers that are at all of these levels, and will determine the correct level based on performance. This topic of supplier segmentation is discussed in the processes section of research.

FIGURE 4.3 - TYPES OF SUPPLIER RELATIONSHIPS

Buy the market	Ongoing Relationship	Partnership	Strategic Alliance	Backward Integration
Arm's length Clear parts specifications Computerized interaction Significant business with competitors	Medium-term contracts Some sharing of information Some business with competitors Good management relationship	Longer-term contracts Extensive sharing of information Increased trust Limited business with competitors	Long-term relationship Full sharing of information and plans Limited or no business with competitors Extensive trust and merging of cultures	Ownership of the supplier Full sharing of information and plans One culture

SOURCE: Pyke and Johnson, 2003

So, what then drives the relationship to the next level (joint involvement)? Pyke and Johnson suggest there to be four fundamental factors that must be considered by organizations. The factors should be considered based on the organizations objectives which are usually surrounding cost, quality, delivery and flexibility.

Factor 1: *Strategic importance* of the sourced product. With products critical to differentiation for the organization, close alliances should be developed (e.g. Boeing and their engines)

Factor 2: *Number of suppliers* to provide sourced product. If there are few suppliers, joint involvement may be crucial to success. (e.g. Ford and the Lear Corporation in seat development.)

Factor 3: *Complexity* of both the entire supply chain and individual product. With complexity comes the obvious need to collaborate to get it right. (e.g. Boeing has strategic alliances with all of the suppliers involved with the engine production so they all remain on the right track.)

Factor 4: *Uncertainty*. If a relationship is creating uncertainty due to any of the objectives (cost quality delivery and flexibility) one should move closer to avoid unexpected problems. (e.g. Because of oil supply uncertainty, Dupont created a strong joint relationship with Conoco and eventually bought the company.)

Often times these four factors can lead organization in different paths. In this case, managers must look at the options very critically. A good example of this is given by Pike and Johnson whom describe the situation for the truck manufacture VW. While having a plant in Brazil they created a system in which seven local suppliers produced parts with their own equipment and installed them on the trucks with their own workers. The result for VW was lower capital investment and reduced union pressure, but they also faced many risks concerning quality and even delivery, in which inbound logistics was complex and not understood by suppliers. In this case it is very important to pay attention to the objectives of the organization to make the right decision. Further examples are given in Figure 4.4 in which examples of failure and successes are given.

FIGURE 4. 4 - RELATIONSHIP STYLES BASED ON OBJECTIVES

Operations Objective	Buy the market	Ongoing Relationship	Partnership	Strategic Alliance	Backward Integration
Flexibility	Ford/Lear during the Taurus redesign: failed because focus on cost and delivery alone		Ford/Lear **proposed**: due to *few suppliers* and *complex interactions* among components with a new product	Boeing and major suppliers: succeeded because extremely *complex interactions* among components	
Quality	MRO supplies: succeeded because little *uncertainty* about final quality, and not *strategically important* GE TPN: succeeded because little *uncertainty* about quality Outdoor apparel firm: failed because focus on cost alone	Outdoor apparel firm **proposed**: due to *uncertainty* about quality		Boeing and engine manufacturers: succeeded because *strategically important* part with *few suppliers* HP – Canon: succeeded because *few suppliers*	
Delivery			Boeing: succeeded because *complex inbound logistics*		DuPont / Conoco: succeeded because high *uncertainty* about oil availability
Cost					DuPont/Conoco: succeeded because high *uncertainty* about oil prices

SOURCE: Pyke and Johnson, 2003

Thus far we can see that join involvement means something different to everyone based on their objectives and critical factors affecting their relationship. Non the less is has been found that organization are seeing strong competitive advantage when they are able to develop cooperative partnerships with suppliers.

4.21 PRODUCT DEVELOPMENT

One of the types of joint collaboration that the Accenture survey singled out was that of product development. Customer involvement in the product development stage has been seen as important for many years. However, it is not until recently that research is beginning to show the advantages of supplier involvement (Handfield, Petersen, Ragatz; 2005). As supply chain design initiates upon the product development stage, it can be seen as relevant for suppliers to be involved. After all, it is during this stage that product processes and information system decisions are made (Handfield, Petersen, Ragatz; 2005). One executive that was interviewed for Handfield, Petersen, Ragatz's research was quoted saying, "for unless you can impact the sourcing early in product development, you have almost no impact on the resulting design of the supply chain" (Handfield et. alt., 2005 pp.372).

4.211 Tetra Pak Case

Research on this topic varies considerably, with many researchers showing a 'one best method' for supplier involvement. However, as we have discussed thus far, all relationships are different based on a variety of factors pertaining to the specific organization. Therefore, the research that I have chosen to explain this topic, also take this stance.

Berggren, Lakemond, and Weele; 2006, published their findings based on the case study of Tetra Brik (Tetra Pak), a Swedish paper based packaging company for the food industry. After reviewing six various product development relationships, there was found to be 3 significant differences in their relationship with the suppliers. The projects varied in technological advancement and complexity.

Tetra Brik, since 1963, has been supplying large dairy and juice produces the equipment and supplies to make the small rectangular boxes they have become known for. Therefore, the six projects all relate to the development of these machines. Currently Tetra only focuses on design, assembly and testing of the machines while suppliers manufacture the components and sub systems. The locations for the six projects are Lund, Sweden and Bologna, Italy. As these projects began, suppliers were fairly unfamiliar with joint development and Tetra Brik had just initiated a supplier development program to address supplier performance issues. The six projects will now be described briefly below.

1. **Sterilization** - A new packaging machine was developed that included the technology to sterilize the cartons. The supplier Sterili was involved because of their strong knowledge of the sterilization technology. Since this form of technology had never been applied to this type of a machine, this supplier was integrated and involved at a high level. Another supplier, Aquacool, took part in designing and manufacturing the cooling machine. This supplier on the other hand, had strong autonomy and had little communication with Tetra beyond beginning and termination of the contract.
2. **High Speed** - In this project new modules were created that nearly doubled the filling and operation efficiency. While Tetra's engineers were involved with the design of this, the suppliers of the parts were also consulted. However, the interaction was based on ad hoc communication until the test phase. During the test phase, the supplier's engineers were on site to address any problems. Furthermore, the engineers from Tetra, when with the suppliers, hoped to provide them with training so one day, they can compete the work themselves.
3. **Cost Reduction** - An existing machine was evaluated to try and reduce costs for the machine. Eventually, layout changes were suggested, and suppliers were asked to comment based on a sketch provided by Tetra Pac. The communication here was therefore mainly ad hoc.
4. **Pull Tab Splice** - This project concerned the integration of a new way to open the boxes based on a suppliers, Kostwein, development. Therefore, a large portion of the work was actually carried out at the suppliers premise with a supervisor from Tetra there.
5. **Paper Splice** - The project was created to improve how the paper roll changes when the machine needs more packaging material. The suppliers of this unit were owned by Tetra Pak (Tetra Pak Stålvall), and therefore the project was completely handed over to them.

6. **Non-Aseptic** - A completely new packaging platform was developed for the pasteurized milk industry. While this project was much more technologically involved, similar supplier involvement was used to that of the High Speed project. Again, suppliers eventually worked with Tetra engineers to make them familiar with ways of working and to help facilitate future involvement.

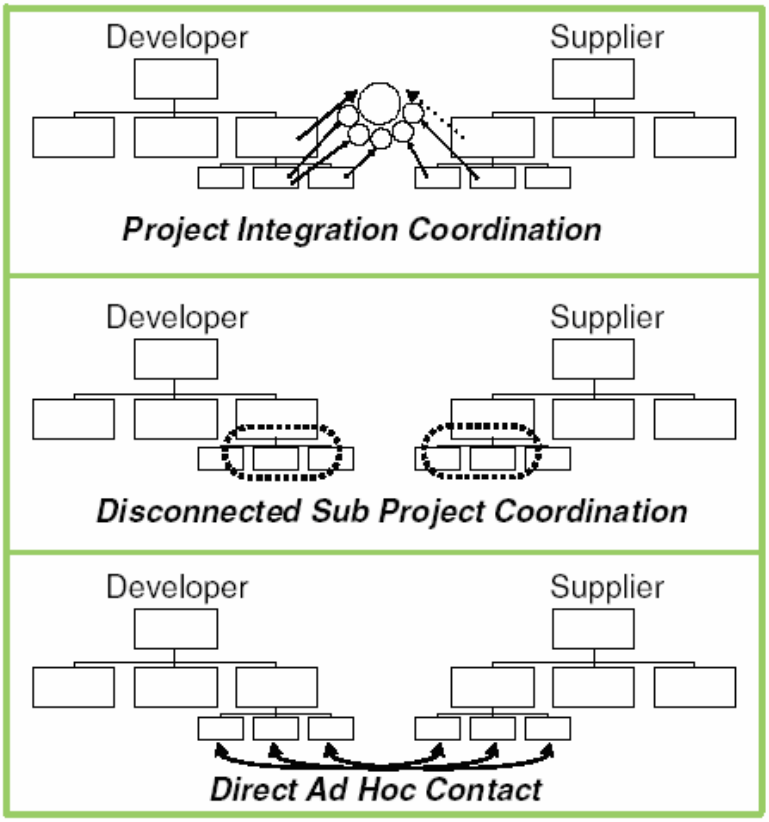
Having now described the different projects we can understand how Berggren, Lakemond, and Weele discovered three main types of coordination in these product devolvement cases. This first type, *project integration coordination,* involves direct involvement by the supplier to help carry out the objectives. This is done through close cooperation in which, in some instances, is done though co-location of engineers (e.g. in the Pull Tab Splice, High–Speed, and Non-Aseptic project). While this co-location is helpful in interpersonal relations, trust, and communication, it is not the only means to achieve the desired outcome. In the case of global relations, in which co-location is not possible, Berggren, Lakemond, and Weele offer the possibility (through their further research) of technology as a method to bridge the gap. In any event, this form of coordination requires a strong congruence of expectations to achieve success. Furthermore, there must also be a long term orientation, as common understanding etc. take time to develop. Tetra agreed that this was the underlying motive in the high coordination in the cases noted above.

The second development relationship that was found is called, *direct ad hoc coordination*. In this form there is informal contact compared to the continuous contact described in the first form. Communication is had only when someone is directly contacted, for example, due to a design concern. The cost reduction project is an example of this, in where engineers contacted suppliers during non specific points of the work. While the suppliers in this example have long existing relations with Tetra, they have little experience in cooperative product development. Therefore, supplier relations that are not well developed may not have great success when purchasing organization wish to work together in this way.

The third relationship style, *disconnected sub-project coordination,* is when the supplier is relatively independent from the buying company. The obvious example of this is the paper splice project, however, the sterilization project also involved this method. Their supplier, Auqacool, was given a sub-project that was had limited connection to the main project, and therefore this form of involvement worked best. Communication in this style is generally held to the beginning and end of a project, with some concerns being address throughout.

Figure 4.5 below provides a visual representation of the styles described above. No one style is to be considered better than the other. Instead, they are applicable during different situation. The combination of two styles can also be used, as was seen in the sterilization project. Also, the relationship may change throughout the project, as was seen in the high speed project in which movement from an ad hoc to an integrated style was used. It is therefore very important to consider the characteristics of the task to make a decision on the relationship that is chosen.

FIGURE 4.5 - THREE SUPPLIER COLLABORATION STYLES FOR TETRA PROJECTS



SOURCE: Berggren, Lakemond, and Weele, 2006

4.22 PROCESS IMPROVEMENT

In the Accenture survey, outside procurement departments said they strongly focus on 'joint process development'. Similarly related to product development, this concept relates to the overall coordination of communication in the buyer-seller relationship. As more organizations reduce the amount of suppliers and become closer, organizations must become more aware of, and work to reduce any friction related to, the important buyer-seller co-operative relationship. Take for example the relationship you have with your best friend. Just as your relationship with that person is more complex to that of an acquaintance, purchasing organizations have greater relationship complexities when they become more involved with their suppliers. It makes sense then, that many organizations are focusing on making the processes involved in the relationship work as smooth as they can.

Later sections will address the different processes that are internal to the buying organization and that help the supplier. For example, from an internal process standpoint supplier segmentation is important, and from an external viewpoint, performance management and continuous

improvement are important processes that will help both the relationship and the buying organization itself.

Technology has also continually been an enabler for organization to increase their efficiency and improve in processes. While a whole topic in itself, specific application will be discussed in Chapter six.

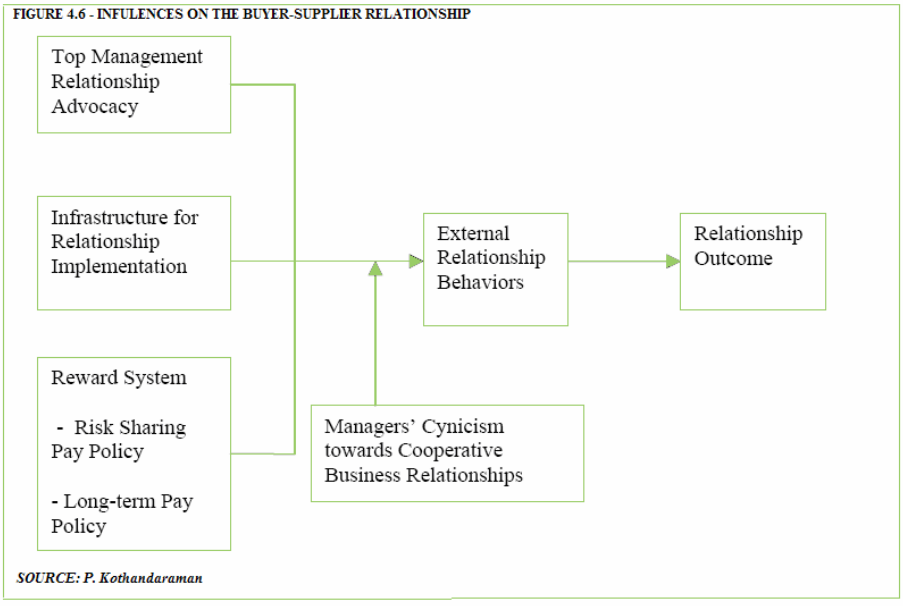
4.3 INTERPERSONAL SKILLS

The holistic view continues, as the Accenture survey showed us the need for creative minds and interpersonal skills as two of the best skills organizational members can have. These so called 'soft' management skills not only have an effect on specific relationships, but the organizational environment as a whole.

4.31 PERSONAL COMMITMENT

Dr. Prabakar Kothandaraman, through field interviews proposes that there are three organizational support factors that influence the success of a buyer-suppler relationship (Figure 4.6). These three factors are top management advocacy, an infrastructure for the relationship implementation, and a reward system are the dimensions that are key to having success. The factor of top management advocacy has shown presence in nearly all of the researched literature on SRM initiatives. Therefore we can begin to see just how important this concept is.

FIGURE 4.6 - INFULENCES ON THE BUYER-SUPPLIER RELATIONSHIP



SOURCE: P. Kothandaraman

The second notion that is presented is the use of an 'infrastructure'. This is usually created through a software program that allows everyone to stay on the right track. This is also similar to what the Accenture survey found in which fundamental capabilities and processes are

internalized and can be left to technology. Finally, the third factor is a reward system. It was found that there is often little motivation to support sophisticated supplier relations if there is no reward or it does not fit with their self-interest. Therefore they found that by having risk sharing and long term pay programs an organization can positively affect the buyer supplier relationship.

A key note from this research is the detrimental effect cynicism can have on the success of a supplier relationship. Without getting into psychology, it has been found that the relationship that procurement managers have with their suppliers are likely to be influenced by the internal relationships that those managers have with the other departments in their organization (Campbell 1998). This sort of open system can be harmful to the relationship if cynicism invades too heavily. As it was discussed above, Trent and Monczka showed that plant level participation is of critical importance for level five organizations. This notion goes parallel with cynicism and required pay, because without commitment from all personnel, organization can face large obstacles for their SRM initiatives.

4.32 INTERPERSONAL TRAINING

Interpersonal skills can be considered a variety of skills and competencies, some of which may be unaffected by training programs and other that can improve greatly. I will use the research by Baruch and Hunt, 2003 to help explain the different types of interpersonal skills, the international aspects, and methods to improve interpersonal skills in employees.

A research study was undergone by Baruch and Hunt to investigate the success of initiative programs to increase interpersonal skills in leaders. The research was done by providing 14 training workshop over a four year period to 252 managers from a wide variety of countries and industries. Both pre-training research and the results of the research offer good data for this thesis.

First, based on extensive research, Baruch and Hunt developed grouping of interpersonal skills that have been found to be predictive of successful executives. These skills are as follows:

- **Structuring**: envisioning, target setting, prioritizing
- **Motivating**: enthusing individuals, team building, innovating
- **Assessing**/**Rewarding**: giving positive and negative feedback, coaching, encouraging development
- **Leading**: giving direction, sensitizing, focusing, information searching, scanning, differentiating

From this list you can see that when the Accenture survey noted (Figure 3.3) that interpersonal skills were of importance, they really meant a whole lot more than is perceived by the simple word of ‘interpersonal’. The results of the ‘sample’ training programs, were that managers improved their interpersonal skills, but only modestly, with some skills being more affected than others. For example, decision making and giving one-to-one feedback skills were the least responsive to the training.

The overall results of the research show that there is no accepted model of interpersonal relationship training, and trainers therefore adapt their own anecdotal theories. Non the less, with definable/identifiable skills and goals, training can act as a stimulus to increase skill growth with some success. While it is beyond the scope of this paper to go into specific training methods, there are currently many books out that have exercises to help build your interpersonal skills and communication. One may also look to leadership literature as interpersonal skills are a very important skills to master to become an effective leader.

4.33 NATIONAL CULTURE

With the world becoming closer and closer together, we are beginning to have business dealing with cultures that we have never dealt with before. A concern some people have from this, is the miscommunication due to an executives interpersonal skills that are different and confusing to another executive because of the national culture that they come from.

Pressey and Selassie have investigated this precise topic and its affect on the buyer-seller relationship. Scholars of the past, notably Hofstede, have completed lengthy reports on the importance that national culture has on business dealings. However, recently, many are starting to believe these findings are overrated and other common sense factors such as language barriers, geographic distance are more of a concern.

The defining characteristics of ones national culture, as found by Hofstede over a six year period (1973-1978) and analysis from 40 countries are: Power distance, uncertainty avoidance, individualism/collectivism and masculinity/femininity (Hofstede, 1980). Refer to Appendix 1 for further detail of the characteristics. In later years, and further analysis of Asian countries, he developed one additional dimension called confucius dynamics. This relates to the long term/short term orientation of life and work (Pressey and Selassie, 2002).

With Hofstede's research as a base, Pressey and Selassie distributed 3,000 questionnaires in 11 countries to senior buyers to see what they currently perceive as complication to their global buyer-seller relationships. The results were that most respondents say they have little problems due to national culture issues (as described by Hodstede), but rather language and communication barriers were of considerable concern. Furthermore, geographic distance, time differences and technological barriers were among the highest concerns. These results show, while interpersonal communication is still very relative, national culture does not seem to be affecting today's buyer-seller relationships as one may imagine.

4.34 SUMMARY

Peter Smith, in a 2005 Supply Management Journal wrote about the concerns with having too much emphasis placed on the 'relationship' in supplier relationship management. This is an important topic to clarify, as I pointed out earlier the importance of the supplier initiatives to be strategic, and holistic, far from only playing golf or eating expensive dinners with suppliers. As he points out, SRM initiatives may be the most underutilized functions of the modern

organization because of its characterization of initiatives as being “all about personal relationships”.

While the executives in the Accenture survey rated interpersonal skills as very important to have, the research I have provided here interprets things a bit different. With training of interpersonal skills having varying affects, and national culture barriers providing less resistance than predicted, as Mr. Smith notes, it is obviously not all about the ‘soft’ characteristics of a relationship that makes it work. This is not to discredit the importance of interpersonal skills, rather show that it is only one part of the picture in this new form of global strategic sourcing and SRM initiatives that follow.

CHAPTER FIVE: PROCESSES

Paying close attention to suppliers is of crucial importance, as reported in the Accenture study. In this section I will discuss the different processes and considerations that organizations are currently using for monitoring their supplier base and their performance. As you will learn, meetings play a large role in communication with suppliers, and segmenting the supplier into different groups helps keep track of how each supplier is involved in the supply chain.

5.1 PREFORMANCE MANAGEMENT AND MEASUREMENT

A supplier with a record poor performance is not likely to be used by other buying organizations, right? According to Bauld and McGuinness suppliers actually do have a chance because of the inability of buying organization to properly measure in a uniform (global) way, the standard of assessments that need to be in place for supplier performance. Furthermore, the processes that should take place to carry the assessment out, and the consequences thereafter are also poorly designed by current organizations.

Bauld and McGuinness's research discusses that since buying organizations usually have many suppliers, it is very important that there is a systematic and fair measurement based on criteria that the supplier is aware of. For many organization the main difficulty here is that such a system is very labor intensive require great man hours. Remember, this is exactly what the Accenture respondents said they put most of their human resources towards. Sometimes, proper resources are allocated to this concern, but since many employees are working on daily problems (ironically, the ones they are trying to prevent from such a system), they do not have the adequate time to address the performance evaluation system properly.

Often times, due to the lack of resources, organizations have measurements such as 'poor, good, and excellent', instead of using specific identifiable examples of the situation. Furthermore, they only look into superficial evaluations such as 'general responsiveness' and 'quality of goods supplied'. Instead, Bauld and McGuinness offer a comprehensive set of considerations in the table below.

FIGURE 5.1 - PREFORMANCE MEASURMENT AREAS

Area	Example
Reliability of delivery	Advance notice given of likelihood of backorder; willingness to cancel order where goods backordered; portion of supply on back order; time required to complete back order.
Quality of delivery	Percentage of non-conforming goods (whether within agreed tolerance levels); apparent attention to quality control; and use of an appropriate screening methodology to prevent shipment of substandard goods.
Logistics	Efficiency in the processing of orders, including turn-around time to first shipment and demonstrated ability to expedite orders on request; meeting time commitments for delivery; advising in advance of any anticipated delay; and where price includes time charges for installation or similar work, time required to get workers to the site and to carry out the work in question (note that low hourly rates can be misleading, where the time required to carry out the work is in excess of what would normally be expected).
Warranty and related considerations	Scope of coverage offered; frequency of dispute as to whether deficient performance is covered by warranty; and frequency of "blame shifting" (e.g., a hardware supplier stating "the problem is with your software").
After sales support	Occurrence of any unexpected problems in getting the goods to work as required; demonstrated ability to deal effectively with goods damaged during shipment; reliability of installation and repair work; demonstrated commitment to getting the product up and running on a timely basis; and availability of after-hours staff to carry out such work.
Benchmarking	Comparative performance in the above areas in comparison to other suppliers delivering broadly comparable goods or services.
Research and development	Are the goods supplied at the cutting edge of emerging technology or are they near obsolescence; to what extent is the general finish of products evident (e.g., do they work "out of the box" or is a substantial break-in required)?
Quality and the environment	Environmental awareness and commitment to sustainable development; incorporation of green technology and green sources of supply; willingness to provide environmental impact information; participation in environmental audit of operations; and the process for dealing with defective parts and rejects in an environmentally effective manner.
Social conscience considerations	Adherence to fair wage and fair terms of trade.

SOURCE: Bauld and McGuinness, 2005

Bauld and McGuinness suggest that performance measurements using this criteria coupled with supplier rewards for achievement, are what organizations are implementing and having success with. Note the latter two measurements in the figure are separated from the rest. The reason for this is because Bauld and McGuinness believe these to be mostly concerns of public sector buyers. Section 5.12 will discuss these, in terms of ethics, and the growing importance they are playing for all organizations, public or private.

5.12 CONTINUOUS IMPROVEMENT

Two of the final comments from the Accenture survey were that SRM leaders need to create plans and monitor drive and track performance, and the second was simply constant monitoring and assessing. This comes as no surprise as there is considerable research on total quality management (TQM) and other continuous improvement processes from the past (Harvey & Brown, 2001).

In general, one can even say that co-operative SRM initiatives are a form of continuous improvement, in that they constantly streamline the supply chain to reduce costs across every aspect of a products life cycle (Trecha, 2002). The Accenture survey also showed this through the costs savings of 1-3% in procurement expenses.

With that in mind, it is valuable to look into how organizations handle continuous improvement with their suppliers. As we will see in following sections, some organizations use meetings and site visits as forms of check up and monitoring. On the other hand, many have formal programs in place to address the issue of continuous development. The following information regards the Intel Corporation.

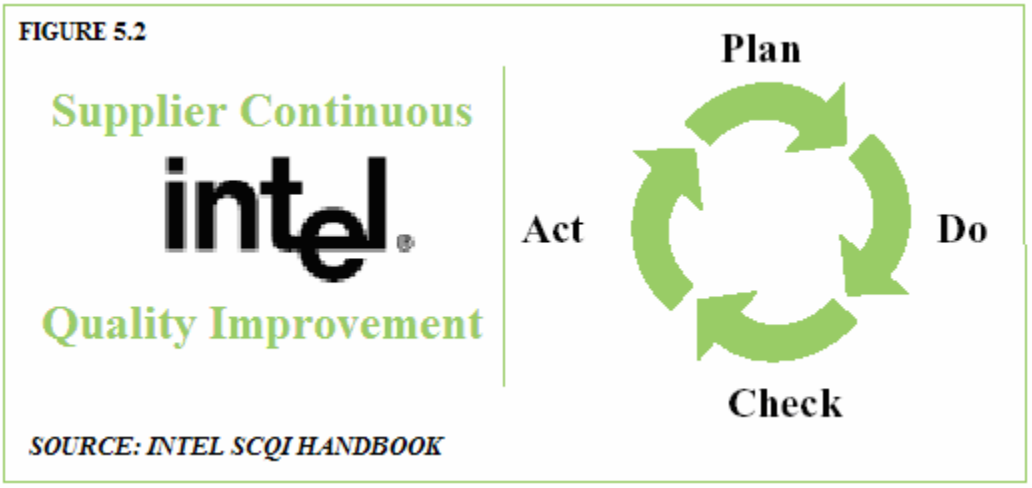
5.121 Intel

Intel, the founder of the first 'microprocessor', is an international provider of chips, boards, systems, and software responsible for the architect of the personal computer. Currently located in 21 nations, they work with equipment manufactures and pc users in the development and sales of said products.

With a wide supplier base that comes from across the world, Intel has developed a way to keep suppers continuously evolving for even greater product and service quality. Critical supplier can become involved in the, Supplier Continuous Quality Improvement (SCQI) program, at Intel. Upon inception, a handbook is given to potential suppliers to discuss the SCQI program. It is this handbook in which I have obtained, that I will use as the basis for this section.

As great resources are needed for this program, only suppliers critical to Intel's needs are chosen for this program. However, all suppliers are encouraged and helped to constantly improve quality. The SCQI is a 4 step, continuous processes, that involves planning, doing, checking and acting (Figure 5.2).

FIGURE 5.2



SOURCE: INTEL SCQI HANDBOOK

Step one, which happens to be the most important step, involves setting *requirements* and *expectations.* In this phase, qualifications are checked (e.g. Inte's spend is great enough on the supplier, and supplier has similar processes capable of handling the SCQI program). Upon admittance to the program, a SCQI team is created, who is made up of everyone from design and engineering to internal customers. At this point the team decides on a complete written list of expectations and requirement for the program. Note, this plan is not specific to Intel's objectives,

but rather a strategy for the suppliers overall quality, which will result in benefit for all of the supplier's stakeholders.

In the second step, *alignment,* is developed on both an internal and external level. As the SCQI is a company wide program, Intel needs to make sure that expectations are aligned for all employees involved. This step also requires face to face meetings with the suppliers to ensure every requirement and expectation is aligned. This is important, as it allows the supplier to address concerns and remove any requirements that are not feasible.

In the check phase, supplier performance in the program is *assessed*. This is achieved through a SCQI roadmap that is reviewed quarterly and involves general progress, a supplier scorecard which addresses Quality, Technology, Cost, Availability and Total Customer Satisfaction, and a SSQA-Lite Assessment which is similar to an audit but without, 'pass or fail'.

The final and most difficult step involves *improving* the supplier's performance. The plan that started in the first stage, is developed base on the assessment from the last phase. As this plan is for the suppliers overall improvement, and not just how Intel works with the supplier, Intel is only contacted with problems on an ad hoc basis. Once the plan is created, it then becomes a continuous process, being updated annually, and reviewed regularly.

Intel then has SCQI awards that recognize superior improvement. There are three types of awards based on quantitative results that the SCQI roadmap provides. The three awards are called; Certified Supplier Award, Preferred Quality Supplier (PQS) Award, and Supplier Continuous Quality Improvement (SCQI) Award. For specific examples of the events that take place in each stage refer to the Appendix.

5.12 ETHICS

A modern paper about organizational management would not be complete without the consideration of ethics. While the Accenture survey did not explicitly describe ethics (as it was not within the breadth of the survey), this category fits nicely into the performance management considerations.

Ethical behavior can have a dramatic impact on the perception of a company. Take for example, Ben and Jerry's ice cream, who gives a portion of each sale to charity. Well known for this fact, their growth has continuously risen since inception and is continuing to have great success (www.benjerry.com).

On the other hand, the bad publicity and fines from unethical behavior can be detrimental to the modern organization. The numerous child labor exploitations among manufacturing firms can prove that sufficiently.

A recent book, written by D. Neef, entitled 'Supply Chain Imperative: How to Ensure Ethical Behaviour in Your Global Suppliers', discusses this topic in great depth. He notes that we are seeing a convergence of two issues that are making buying organizations perk their ears to

supplier ethics. First, as buyers look to global supplier they come in contact with differing laws and standards from that of their home company. This, coupled with the growing 'closeness' of the supplier relationship, has also created the need for a closer eye on their suppliers due to the public perception of a single company (rather than the buyer and the supplier). Furthermore, this close relationship comes with a high financial investment. Therefore, termination of a contract as the result of unethical behavior is not a tempting option for buyers who have invested great time and money into their supplier.

Neef calls for varying levels of joint improvement programs with suppliers (e.g. suppliers in developing countries may require more assistance), sometimes to as great of an extent as one would improve their own organization though: education, training, and coaching in management technique, labor relations, process efficiencies, health and safety, and environmental quality. For this Neef suggests a similar notion to that of Bauld and McGuinness. Suppliers, Neef claims, are overburden with surveys and questionnaires about practices and need less administrative bureaucracy. Just as Bauld and McGuinness said concerning the inadequate method of 'poor, good and excellent' evaluations, Neef suggests the use specific examples and incentives to help suppliers monitor and change themselves. Secondly, all of the authors suggest that when measurements are created, universal standards should be used if/when they are available. Neef then suggest that suppliers are segmented based on certain criteria, which happens to be the topic of the next section.

5.2 SUPPLIER SEGMENTATION

In the section discussing joint involvement, it was discovered that suppliers do not always have the same amount of involvement with their buyer. Pike and Johnson discussed different factors that influence the level of involvement organizations have with their suppliers. When it comes to ethics, the importance of dividing the suppliers into groupings based on their needs was also discussed.

Traditional methods of segmentation that organizations use are usually based on purchasing categories (size of spend) and the leverage the buyer has (Hughes, 2005). As the relationships begin to become closer though, segmentation is being done at a growing rate based on the intensity of the interaction that the buyer-seller has, and how to manage those interactions (Hughes, 2005). Note, 'degree of supplier integration' was the third most used segmenting method used by the 'leaders' in the Accenture survey.

As SRM becomes a holistic process, and as organizations move towards the level five organization Trent and Monczka defined, supplier segmentation is yet another part of SRM that must be a holistic process (Hughes 2005). Although, as we have discussed not all relationships are the same, most companies do segment (group) their suppliers to some degree. The formula for doing so, can usually be seen through a two by two matrix or pyramid structure that breaks up into four categories (e.g. switching costs and strategic importance). As with the supplier measurement criteria, segmentation is now being done by asking specific questions to the implications of segmentation (Hughes 2005). In the next section, I will provide the case example

of the Kraft Foods Company, and their method for strategically, and holistically segmenting their supplier base.

5.21 KRAFT FOODS CASE

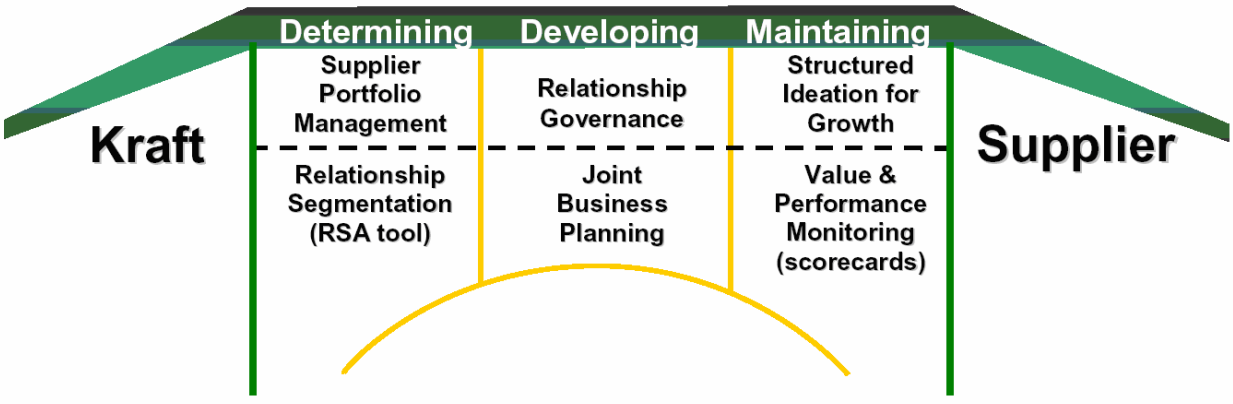
Kraft Foods is the world's second largest food and beverage company. With their brands in more than 150 counties Kraft is truly a global organization. In 2004, the Kraft Food Company launched the type of holistic, organization level five, SRM program discussed throughout this paper. Their goal is to 'elevate supplier value' through enterprise wide initiatives that will result in benefits not only for Kraft, but for their suppliers customers, Kraft's consumers, and shareholders alike (Nagle et. alt.). While Kraft had been collaborating with suppliers for quite a long time, in 2003 a need was discovered to elevate the supplier's value beyond simple price/cost.

Kraft describes SRM as not a single activity or component, but a bridge to connect the whole Kraft organizations and their suppliers. Specifically Kraft defines SRM as:

- "Supplier Relationship Management is the practice of *determining, developing, and maintaining* the optimal business relationship with each supplier to achieve maximum long-term value from doing business with each supplier, and from the supply base as a whole."(Nagle alt. pp. 5)

From below (Figure 5.3), you can see how the definition is outlined as a plan of action. The point of interest for us, is the relationship segmentation tool, or RSA tool. For Kraft, the segmentation of suppliers not only helps determine the correct level of involvement and allocation of resources, but internally, it helps supply managers align their priorities and activities, and externally, reaffirms what the suppliers are to expect (Nagle et alt.).

FIGURE 5.3 - KRAFT SRM PROGRAM



SOURCE: KRAFT FOODS GLOBAL INC. and VANTAGE PARTNERS, LLC

This process is done though a cross functional group of employees who are considered to be stakeholders/customers of the supplier. Suppliers are then evaluated based on two broad categories of economic value drivers (the potential financial value), and compatibilities to Kraft

(the degree of fit as it relates to strategy, geography, culture etc.) (Nagle et alt.). Overall, there are 10 categories that are specifically evaluated from these two factors, and a recommended relationship is determined.

Bear in mind, this RSA tool is far from a plug and play model. Instead its structure facilitates analysis and dialogue that allows for different perspectives to be noticed. For example, when engineers and salesmen are both involved in this process, since both have different objectives, Kraft can learn of all of all of the potential sides of a supplier relationship. Below (Figure 5.4) you can see a few of the features of the RSA tool and the benefits involved.

FIGURE 5. 4 - EXAMPLE FEATURES AND BENIFITS OF RSA TOOL

Distinguishing Features	Benefits Derived
Partnering criteria include an emphasis on and critical evaluation of suppliers' abilities to support Kraft's long-term growth.	Suppliers are not just evaluated on their past performance, volume of business, or how cost competitive they are in the marketplace. The design of the RSA tool forces critical cross functional discussion and analysis of how well positioned a supplier is to support Kraft's strategic growth plan (e.g. available technologies and R&D resources, innovativeness).
The RSA tool is accompanied by management guidelines and further tools to apply depending on results.	After a specific relationship type has been determined to be appropriate for a particular supplier, business does not continue as usual. Relationships are restructured and involved individuals in new relationship management roles are provided a set of processes/tools, differing for each relationship type, to support their new approach.

SOURCE: KRAFT FOODS GLOBAL INC. and VANTAGE PARTNERS, LLC

From this, one can see that the main objective of supplier segmentation at Kraft is to determine the type of relationship that should be had. However, many other advantages such as internal and external alignment and relationship structure can be gained in this process as well.

5.22 SEGMENTING ETHICS

With ethical concerns in the modern organization having growing impact over the past years, it is important to further address this issue. As we discussed before, Neef, described the need to segment suppliers based on ethical concerns, at the same time as general business segmenting is conducted. Since it is not efficient to create ethical initiatives with all suppliers, certain criteria can be used to discover whom should be targeted (Neef, 2004). Obviously, the buyer needs influence over the supplier to have their input considered, but furthermore, the suppliers country, compliance of laws in the said country, corruption, local ownership, foreign investment, and facility age are just some of the suggestions that Neef offers in his book. Examples of specific criteria that can be used for segmentation and ranking Neef presents are (Neef, 2004 pp. 182):

- Could the supplier directly influence final product quality because of their failure to adhere to environmental standards (by, for instance, using banned components or ingredients)?
- Is the supplier located in a country or an industry known to be guilty of violating environmental or employment standards that may bring either legal penalties or reputation damage to the company?
- Are they acknowledged or obvious tier-one suppliers, that is, are they providing materials or services that make up a good portion of the value of your product?
- Does the public ultimately (for whatever reason) expect your company to have influence over these suppliers because of their dependence on your company?

A similar system to this is used by Gap, Inc. a clothing retailer in the United States. They have a 'variable' program in which suppliers are chosen to be monitored based on three factors. The first is the vendor and factory past record, second is how easily accurate data and communication is had with the factory and vendor. Finally, Gap's ability to rely on and support the factory based on market reports, governmental reviews etc. is the third factor (Neef 2004).

Once a list of suppliers to monitor has been created, Neef suggest the need to categorize these suppliers in regards to the level of importance (or risk). A general four level guide of 'unimportant-critical' classification will help the buying organization reduce their supplier list even more to find the most important suppliers to watch and help.

5.23 CONCLUSION

Supplier segmentation is a concept that is becoming much more than simply dividing suppliers into two categories. As we saw with Kraft, organizations are now using segmentation tools to better understand the relationship they have with their supplier. Furthermore, segmentation can be done in when there are supplier concerns such as ethics or in the case of Intel, continuous improvement.

In the next section, we will look at how interaction with the supplier develops and the methods in which they do it. Meetings, in the form of plant visits will be discussed as a way to help ones SRM program achieve its maximum potential.

5.3 MEETINGS

The Accenture survey discussed what happened during an organization's meeting with suppliers. Meetings serve a variety of purposes in the buyer-supplier relationship. First, meeting are an opportunity for persons involved to have their actions and perceptions affirmed by the others in the meeting (Leek et. al). Second, meetings act as learning experiences, as the members involved can share their past experiences with each other. Furthermore, one is able to voice their concerns,

and make sure they are on the same track as the other members in the relationship (Leek et. al). Remember, in the Accenture survey it was noted that the most common items discussed at meetings were resolving problems and concerns, discussing challenges, and evaluating performance (Figure 3.7).

Meetings, however, are not the only way in which relationships are managed. As we have seen, interpersonal skills are important to the relationship because of the personal judgment that plays a role in the relationship. P. Smith even pointed to caution, making sure that the modern organization does not focus too much on the 'relationship' in SRM. The meaning is that too many executives are considering SRM initiatives to be golfing and dining suppliers as the only initiatives that will grow the relationship. While there is a time and place for this, it is not enough by itself to grow the relationship. Secondly, as we will learn in the technology section, technological applications are commonly used as regular management and communication tools.

5.31 PLANT VISITS

While meetings can be had in many locations (e.g. golf course), each place serves its own purpose. Commonly meetings take place at the buyer's or supplier's location. However, most commonly, the suppliers come to the buyers as they are their clients (Matthews, 2003). In his article, Matthews points to the fact that visiting ones supplier at their location can be very beneficial for numerous reasons. Furthermore, the study preformed by Trent and Monczka revealed that direct plant visits are one of the critical success factors for organizations pursuing strategic sourcing.

We can describe the reasons for plant visits as either practical or symbolic. For example, symbolic meetings are ones in which senior management and key users are there to help the state of the relationship. Whether it is for achievements or problems, the behaviors involved in these meetings are very formalized. For example, sometimes a meeting on the suppliers site will apply pressure to correct mistakes that were made. Matthews has found that, usually, these symbolic meetings only take place if the relationship is co-operative and for the long term. Practical visits on the other hand concern issues surrounding data collection or performance assessment. These visits are more fundamental no matter what the relationship characteristics are. On the other hand, practical visits are generally less formal, in that the agenda is not defined greatly. This is because sometimes the buyer will be interested in various factors (of which some can be informally observed by simply being there), and they prefer the supplier not to know. Practical visits concerning performance management should be less ad hoc and include the necessary people. Depending on the difficulty to reach the suppliers site and the reason for the meeting (multi- purpose visits that include a few of the examples above), the buying organization must allot a great deal of human resources to organize tasks and roles for the visit.

CHAPTER SIX: TECHNOLOGY

Thomas Friedman, Pulitzer Prize winner and acclaimed New York Times foreign affairs columnist wrote a best selling book in 2005 entitled “The World is Flat”. In it, his main discussion surrounds how globalization is advancing though technology developments and the effect it will have (and has) on the ‘new’ world. He states that although the new technology has already started to transform the world, we have yet to see the full capabilities that a convergence of this new software can produce. As more and more organizations gain access to this technology, and systems are able to be integrated together, we will see a change that is far larger than anything that has happened thus far. Factors that I have discussed in this thesis such as national culture, supplier segmentation, and meetings, Friedman suggests will all become transformed because of this developing technology. For example, Friedman claims that the barriers of ones culture will be further challenged, as the barriers and frictions of working and communicating with people from around the world diminish. The same can be said for specific laws concerning copyright’s and trade.

As technology allows for services to be completed in another country from where the customer is, barriers become less defined. For example, it wasn’t until 10 years ago that an Indian technician, thanks to fiber optic cable under the ocean, could diagnose a computer problem on an American computer. Furthermore, the vertical hierarchy that has dominated business for quite some time, is being completely decentralize and technology is creating a new horizontal approach that allows many more people and regions to compete with current businesses. The obvious result of this for SRM is more suppliers across greater regions.

While Mr. Friedman is obviously strongly opinionated to one side of this topic, he brings up the point of how much technology is changing our working patterns, and how much things can still change. I have made countless references to this (technology) chapter throughout the paper because of its impact on all the facets of business and therefore all aspects of supplier relations as well. Everything from who is a viable supplier (based on location, ease of communication), to day to day transactions, technology is having an impact.

Therefore it is important in this section to not only provide a holistic perspective, but also look into specifically how technology is impacting some of the SRM initiatives that have been discussed in this thesis thus far.

We can first describe that IT in the buyer-supplier relationship can be defined as everything including but not limited to, automated purchasing systems and supplier links though electronic data interchange (EDI), information systems, and computer to computer links with suppliers (Carr & Smeltzer). As it was noted in the Accenture survey, the main procurement technology that is used in the buyer-supplier relationship is used for requisitioning (Figure 3.8). Carr and Smeltzer confirm this as the most common and vital IT for purchasing executives (Carr & Smeltzer pp. 293). Furthermore, EDI systems are even allowing for relationships to strongly take the form of a fully EDI enabled relationship based mostly on the communication though their EDI system. This allows day to day communication and transactions to go fast and flow efficiently.

While it is most common for the supplier relationship to be involved with technology through requisitioning, it is far from the only use for information technology. Carr and Smeltzer define four main categories of purpose for IT. First is *transactional management* systems (requisitioning), used for information exchanges about specific acquisitions. The second category of *electronic commerce*, primarily concerns the financial transactions. The third category is *purchasing information management*, and deals with the gathering of information through activities such as data warehousing. Lastly is the category of *decision support tools*, which includes negotiation systems and applications and software for predicting (game theory applications etc.).

You can see these categories are a bit of an expansion from the ones provided in the Accenture survey. As it has been noted various times throughout this thesis, information exchange and organization wide collaboration is considered to be crucial to making co-operative buyer-supplier relationships work. Both the third and fourth category described above are therefore crucial collaboration points for the buyer to achieve maximum results from the relationship. On the other hand, in the case of a 'buy the market' relationship as described by Pyke and Johnson, the first two categories will be the main consideration. From this we can see that no matter how the relationship is structured, information technology is equally important, but with a different emphasis placed on the specific technology.

6.1 EVERYDAY PROCESSES-LOGGING CONTRACTS

The Accenture survey noted in the process section that one of the most important processes is the logging of contract information. However, also remember that when it came to where executives dedicated their man hours, logging of contract information was not on the list, nor was it a critical capability. Now, as we have found requisition to be the most used technology, we can see why executives don't need to spend time logging contracts. Technology has allowed for the human errors to be reduces and greater efficiency to be achieved through technological automation. While it is not within the scope of the paper to go into detail on specific products that achieve this, Accenture specifically notes eRFQ (request for quote) and auctions as methods for sourcing. Therefore we will take some time to further explain how this technology can help SRM.

6.11 E-AUCTIONS AND eRFQ

Various technology such as e-auctions and eRFQ, are helpful to the purchasing organization in that they allow for negotiation, smooth/faster transactions, and the most obvious of low prices. However, sometimes these results seemingly come at the cost of collaboration, and the relationship diminishes into fiber optic cables and message boards. On the other hand, many large organizations have much technological involvement while also using high degrees of supplier collaboration. Therefore one may look to proper supplier segmentation to begin to see how this is can be possible.

Hartley et alt. 2004, researched this topic to discover who is using auctions and what their motivations are. For example, they hypothesized that adaptors of e-auctions were more likely to be concerned with cost savings then supplier co-operation. However, the results of their research could not prove this (statistically significant), and further research supports their findings. Some U.S. automotive industry buyers have been found to use auctions in an adversarial way, even when they have co-operative relationships with their suppliers (Hartley et alt.).

First, we must remember that, as the Accenture survey proposes, with the correct co-operative SRM initiatives, cost savings can be very strong (and I can imagine, as strong as e-auctions could provide). Also, in the case of the U.S. Automotive industry, it may be that e-auctions are more wildly used during the beginning stages of a co-operative relationship to confirm that the suppliers can be a strong partner in the future.

The competitiveness and openness of e-auctions (and reverse auctions) can sometime make suppliers feel vulnerable and cheated (Grey et. alt). With that in mind, buyers should not involve all suppliers (whether having a co-operative relationship or not). As we mentioned before supplier segmentation becomes epically important, as industries or products that require great specialization with few suppliers should be less involved with this technology (Grey et. alt).

6.2 EVERYDAY PROCESSES-KNOWLEDGE OF COST DRIVERS

In the capabilities section of the Accenture survey it was found that one of the necessary skills for executives involved in co-operative buyer supplier relationships, was to have sound knowledge of cost drivers. As information is one of the most important aspects of supply chain performance, and cost is one of the main concerns, this capability comes as no surprise. Therefore IT systems that can gather accurate, timely, and relative information are very important. Currently, many technological trends such as data warehouses, intranets and extranet are helping facilitate information gathering. While it is beyond the scope of this research to investigate all of the methods of information gathering through technology, one current trend must be noted with this research.

6.21 RFID

RFID stands for Radio Frequency Identification, and is taking the bar code by storm. Some go as far as claiming that it can put an end to the information gaps that currently exist in the modern supply chain. Simply put, an RFID tag is a technology that used radio waves to identify objects. They are made up of a small microchip and antenna allowing for data to be transmitted to a reader. Currently there are two main types of RFID tags classified as either active or passive based on how they are powered. Active tags are battery powered, while passive tags are powered by the electromagnetic waves sent to it by the reader (Angeles, 2005). This means that active tags are always giving out a signal, while passive tags only give out information when they are ‘illuminated’ by the reader (Borriello, 2005). Currently there are many systems that provide information on products (e.g. barcodes, magnetic strips), but only the RFID tag can be read wirelessly without human interaction and can hold great amounts of information.

Of course, with a technology of this sort, the main concern is the cost of the tag. Currently when bought in very large quantities, the cost can be as low as 50 cents USD each (Angeles, 2005).

While there are many problems with the technology still (surrounding frequency that the tags are read, collision of many chips being read in one area, and the radio wave usage spectrum availability), retail giants such as Wall Mart and Target, and even the Department of Defense for the U.S. are requiring that all suppliers they work with put these identification tags on their crates of products. Actions like this are forcing many suppliers to adapt despite potential ROI problems. To better understand the use of such a technology we can look into the way two organizations with different products are utilizing RFID tags.

Example 1: *Chevrolet Creative Services*. CCS has nearly 3500 crates going in and out of their warehouse to various trade shows around the United States. With RFID tags imbedded in the crates, and readers on the warehouse doors, when the crate leaves the storage unit, information is transferred to their main database. The information is then compared to the stored info on the database and if everything matched up, the crate is allowed to leave. If there are discrepancies, the crate is stopped. This system also helps process the documents needed for transport. RFID tags therefore allow the human error of data entry to be avoided, and 'man hours' to be saved (Angeles, 2005).

Example 2: *United Biscuits*. In this case, RFID tags are mounted on bins of raw material in the production of biscuits and cakes. The movement can now be monitored though mixing, weighing and baking by the plan employees. Overhead screens in the factory then display the process and personal can monitor when there is a backup or raw material is placed somewhere it does not belong. This example is especially interesting because of the environment of moisture, metal, and various temperatures that the tags and readers are placed in (Angeles, 2005).

The future of RFID tags are unknown, but many believe passive RFID tags will be in all manufactured products in the future as more and more organizations install readers throughout the world (Borriello, 2005). Some people believe this technology can also eventually be applied to non-manufactured items such as people, animals and natural resources in the future as well (Borriello, 2005). Obviously many obstacles as described above, including data privacy, will have to be overcome before this is possible. One thing is for sure though, the supply chain is becoming more and more visible thanks to this new technology.

6.3 TECHNOLOGICAL LIMITIATIONS

It is important to point out, as the Accenture survey does, that technology is only 'one initiative' within SRM. This means that when coupled with other programs and plans, technology can provide great efficiencies and benefits. However, ERP programs such as the ones being created by SAP(e.g. mySAP™-SRM for the oil and gas companies) that claim to be able to handle the whole SRM relationships is far from reality. Instead a combination of this technology with other SRM initiatives, will produce the greatest success.

As it was discussed in the ethics section, with purchasing organization having greater global supply chains that consist of partners from around the world (including developing countries), one must consider the ability of the supplier to conform to the requirements by the buyer. Suppliers must have same level of understanding and commitment to technology. Sometimes this can be difficult as costs of IT can be great, and resources must given to adapt existing processes with the new systems.

As Friedman discusses in his book, it was only recently that the personal computer was integrated and developed to be used in everyday business even though the computing capabilities we use today were developed a long time ago. It is these new ways of integrating software and hardware to work with each other that is allowing for easy adaptation with fewer costs. While there are many limitations with state of the art technology like RFID tags, as they become more widely used, integration (via initial costs, understanding and fit) will become easier and easier.

CHAPTER SEVEN: DISCUSSION

In this chapter conclusions of the findings from the Accenture research will be analyzed. Broad conclusions are made and limitations to the research are analyzed. Then, the further research regarding capabilities processes and technology will be addressed.

7.1 ACCENTURE RESULTS

7.11 LEADERS

The Accenture survey is interesting because, while it provides valuable insight that many organizations are unable to get their hands on, they did not do a considerable job in explaining their results. While 'leaders' were considered the top profiting companies involved in the survey, they did not interview the company, instead, they interviewed one senior procurement executive. As he/she is not the sole responsible for profitability for the whole organization, the 'leaders' category is not as concrete as the survey makes it out to be. On the other hand, the leaders are a part of an elite group of the most profitable companies in the world, and they do deserve some respect. In some instances, the difference in results that the leaders revealed may have been due to the size of the organization. For example, SRM 'leaders' were shown to be more advanced in their technology enablement. While this could be, it may also be due to the ability to purchase this technology and smaller organization with less spending capabilities are not able to. In this example though, this discrepancy is fairly irrelevant, as all executives put an emphasis on technology enablement.

Nowhere in the survey do the leaders change their strategy drastically from the overall respondents. Instead, the same factors are rated in a different order than what the overall respondents revealed. Since my research was only interested in what they said, and not the specific ranking of importance (other than the top 3), discrepancies are minimizes as best as they can be.

7.12 ACCENTURE'S CAPABILITIES, PROCESSES, AND TECHNOLOGY

The information that was gathered from the survey is nothing that is a new initiative to supplier relationship management. In the capabilities section a great emphasis was placed on joint product development and process improvement. While involvement has always been around, the western world is only now starting to realize the benefit of overall involvement, specifically in product development. More will be discussed in the specific discussion regarding capabilities. Concerning specific skills, again, interpersonal skills and knowledge of cost drivers is by no means anything that is new.

Concerning processes, it was interesting to discover discrepancies between what was important and what the most time was spent on. As it was discovered, thanks to the new involvement of technology, little time has to now be spent on theses basic capabilities. This is very important as

we have learned that successful SRM requires a great amount of resources to be successful. Therefore, if resources can be placed on other initiatives, organisations can benefit greatly from this.

Meetings and supplier segmentation are again processes that have been very common and come as no surprise to be important. The sponsorship on the director/executive level proved to be very important to the respondents of the survey. Again, this may be partially due to the vast array of resources necessary to be successful, and the directors are able to allot this money to the right areas. However, as we saw with criticism, having employees/managers/executives behind the initiatives is also important to have just to keep moral high.

Technology was interesting in that software that seemingly pushes supplier and buyers apart such as auctions and eQRF were valuable to the relationship. This will be talked about later, but it has been seen that a combination of initiatives, with no heavy domination of one, that makes SRM programs successful.

An interesting finding in the Accenture survey is that one of the concluding principals was to better include trained SRM professionals in ones organization to achieve greater success. This may be partially due to the fact that in Figure 3.5 it is pointed out that many executives are not experts to the level they wish based on the importance they place on the various processes. This topic came up in my further research many times as well, in that there are not specific positions to help SRM initiatives. This seems fairly natural as we discussed the costs associated with the resources to back an initiative. Furthermore, the lack of a worldwide definition and strategy for supplier management (due to the various industries, worldly locations and products), and the newness of this topic, has hampered the development. However, as it was suggested in some of the literature that was reviewed for this thesis, as the trend of co-operative relationships grow, so will the position that specifically deal with SRM. For example, a search on careerbuilder.com for U.S. jobs comes up with a few actual Supplier Relationship Manager titled jobs, with various others that concern relationship management.

A final comment on the Accenture findings is concerning topics that were very low on the lists chosen by the executives. While this is not a paper on what SRM initiatives are not, this information can help us discover what the environment around SRM looks like. For example, training was a topic that was very low on the discussion list and the importance list for executives. From my research I can propose a few reasons for this. First, it seems strange that organizations are not using training as a joint improvement process to help the relationship better fit. However, it may be that there are formal programs set up for improvement (otherwise considered training), as we saw in the case of Intel. Furthermore, as we saw in the Tetra Brik ‘high speed’ case, informal training in which suppliers are working with the buyers in a way that will help them, is a discrete way of improving supplier performance without specific programs. In these cases, executive meetings would not be responsible for addressing these issues. Also, as terms are changing the use of the term training could simply be transforming into improvement and collaboration. A second possibility is that due to the extreme resources (costs) that are needed to have formal training programs with suppliers. If this is the case, it shows that the way in which organizations informally train their suppliers by collaboration, may be a more efficient way to achieve results anyway.

7.2 CAPABILITIES

This section started out with the research done by Trent and Monczka. While the definitions of 'global' and 'international' can be quite difficult to understand, the research provides us with an understanding of what the holistic process of SRM and strategic sourcing is, and how it differs from other positions. One interesting trend that transcended thought the entire paper is that most of the organizations using SRM initiatives are large organizations that usually have yearly revenue of $600 million and up. Again, this goes back to the necessity of SRM to have resources to back the initiatives if they wish to succeed. The research by Trent and Monczka also touched on the topics of executive commitment and cross functional teams that the Accenture survey and others also noted as important. While this is not a new trend, it is important to recognise. Plant level participation was also noted which came under discussion in the personal commitment section as well, in which the detrimental effect that cynicisms can have on an initiative was shown. The butterfly diagram that Pyke and Johnson present is a good example of how the various business functions are now also being involved with the supplier. Again this also goes back to the holistic concept that the Accenture survey and many other research data that was come across in the research of this thesis.

In the joint involvement section there is a good example of how terms can be confusing. As was mentioned in the background section, some people see partnerships as less of a connection that strategic alliances. Since this these terms are not used in this manner in all literature, rather than looking at the types of relationships as words, one should just look at their attributes and stages. Since this thesis does don't look into pre-contract initiatives such as supplier selection, or type of relationship chosen, it is important to understand the different levels that are possible. Again, nothing that was found is of considerable difference compared to what has happened over the last few decades. The data does show that with the growing complexity of networks and competition, and the fact that every situation is different, it is very hard to select the correct relationships style.

The product development stage offers insight into the fairly new concept of supplier integration through product development. As we saw from the Tetra case, many times suppliers do not have experience with collaboration and therefore during the beginning there may be confusion and help needed to understand the process. While three main relationship styles were discovered, Tetra was not specifically targeting suppliers based on the relationship needs. Instead, these three relationship coordination styles were developed by the researchers. As it was mentioned in the Accenture discussion, informal training was being used to help suppliers learn processes so that one day they can complete parts of projects without the help of Tetra. This is not a new initiative per say, however the engineering department's collaboration with the suppliers is a fairly new trend that should be recognised.

Interpersonal skills and 'soft' management styles are starting to become popular ways to help supplier management. As it was found though, interpersonal training is fairly hard with debatable results. Furthermore, golfing with a supplier is far from the necessary SRM initiatives required to have better SRM that affects the bottom line. The Accenture executives noted these characteristics are important, but as they noted with technology, I will note that interpersonal skills are just one of the skills necessary to succeeded with ones SRM initiatives.

The debate surrounding national culture was interesting because of natural contradiction that national culture has limited effect on the relationship. This problem again, may be based on the terms. When the word culture is introduced, it naturally implies language, customs and things of this nature. However, as Hofstede defines it, it concerns more of the management/decision making style characteristics. In this case, it is possible to understand how some believe (and have found) that it has little impact in the buyer-supplier relationship. As globalization is taking place and organizations are doing business around the world, a variety of things may be happening. First, as you deal with other cultures, one begins to understand their way of doing business. Secondly, by doing business with other cultures, although it is sad to say, it is possible that part of your national culture is lost, as described by T. Friedman in his book.

It is also important to understand that the research found that the majority of problems dealt with 'superficial' aspects such as language and geographical differences as main issues. This doesn't mean that there are no problems with national culture but rather fewer inconsequential ones. On the other hand though, it is possible that the survey respondents were unaware specifically of the definition of national culture. Furthermore, even if they do have an understanding, they may be unaware of how much it is actually affecting them.

7.3 PROCESSES

To advance the Accenture study, the Bauld and McGuinness research showed that there are certain areas of performance management that should be looked at. Furthermore, they suggested the need for specific identifiable examples to explain the ratings for the performance. While specific, identifiable examples are not anything new, they are something that is probably rarely done. They also suggested that rewards be given, as was mentioned by the Intel case and in the discussion of personal commitment. This is another topic that is not a new phenomenon but is probably rarely done (epically on plant level personal).

The Intel case, while helping us understand a current quality improvement program, also showed us that not all buyer-supplier relationships are the same. For example, while the Accenture survey suggests creating targets for specific segments of suppliers, they do not explain that it is very hard to have a segment that is comprised of suppliers that should all be handled the same way. In fact, this research suggests that, while segmenting gives organizations a framework for the supplier relations, no one relationship should be treated as the same. The topic here is that, as we saw in the Intel case, some suppliers should not be allotted the buyers resources as they are not 'critical' to their strategy.

However, as the idea of segmenting is to group like suppliers together, the method by which this is done is very important. Unfortunately though, the segmenting of suppliers data from the Accenture survey proved to have the largest discrepancies. For example, the 'leaders', claimed that degree of supplier integration was their third most used segmenting factor, while it was second to last for all of the respondents. My research shows that the growing segmentation method is as the leaders suggested, based on integration. The Kraft case is a good example because it gives us insight into some interesting details. First, if you look closely you can see that

the Kraft segmenting tool serves two purposes. First, it is a way to determine the type of relationship, and second it segments the suppliers and begins to provide management tools and guidelines that follow to help define the relationship. Since Kraft is discrete about specific characteristics it is hard to gauge the program. However, from my research, it seems as if they are mostly segmenting around areas similar to integration/closeness. This conclusion is made from the various comments they gave about a supplier's long term viability, innovativeness, and strategic growth.

The ethical debate that was presented in this thesis is important to consider in the modern world. As organizations build closer and closer relationships with suppliers, their vulnerability also increases. As the two companies become seen as one in the public eye, the consequences of the supplier now lye on the buyer as well. However, not all suppliers pose the same threat to the buying organization. We can therefore use segmenting as a tool to discover the organizations that pose the most threat. The Kraft segmenting tool, while not explicitly discussing ethics, takes in mind many concerns. While the tool is based on 10 categories, the process is also involves various stakeholders (e.g. engineers, sales, management from both Kraft and the supplying organizations). As it was mentioned, it is not a simple 'plug and play' tool as segmenting based on spend is considered that. Therefore, concerns surrounding ethics etc. are more likely to come up and be addressed.

Since Kraft has been fairly secretive about the exact details to its plans, it shows that they believe that a competitive advantage can be gained from this initiative. The 'leaders' vs. 'all' discrepancies from the Accenture data shows that many organizations are still either sticking with traditional methods (size of spend), or discovering new ways that are further creating benefit to the buyer-supplier relationship.

Meetings are a very old management tool, and it seems as if nothing has changed from this angel either. The Accenture survey mentioned that the main topics discussed were problems, concerns and challenges, all bad things. Further research showed that meetings in the form of plant visits (for good and bad reasons) can go a long way in improving the relationship. First, the suppliers will understand your message of commitment, and second, the buyer can begin to discover what is actually going on.

7.4 TECHNOLOGY

Through the technology section we have learned that technology has enabled us to automate many of the everyday processes that used to take up considerable resources. The categories that technology is being used for are not new, although the technology is. For example, RFID technology provides a solution to old problems such as supply chain visibility.

Topics surrounding use of technology and efficiency were addressed numerous times in the research, but at what cost does it come? First, as we all know, leading edge technology can be very expensive. The Accenture survey pointed that many buyers sometimes collaborate on new technology to reduce cost and difficulty of implementation. Secondly, as relationships become closer, and technology reduced the need for interaction, it seems as if sometimes technology

could hurt the relationship. While this may be the case, the fact that all relationships are not the same and automation of processes can be very efficient, new technology may allow time for resources to be placed on initiatives that need more support. As we learned, auctions and eRFQ have allowed supplier to compete for business and therefore decrease costs for buyers. While this sometimes can create adversarial relationships among the buyer and seller, this is not always the case. One must keep in mind that the goal of buyer supplier initiatives is to reduce costs (and also increase innovation, quality and development), not to gain a friend in the industry.

While new technology is being developed every day, the applications for it are nothing new. Technology seems to be a double edged sword as it is very beneficial when implemented correctly. It allows for easier cross functionality and can increase efficiency. However on the other side it is expensive and difficult to understand.

T. Friedman points out an interesting observation in his book. As more and more organizations are equipped with technology, the full potential will start to be seen. In other words, as the world becomes more familiar with, and has use of modern technology, the potential benefit will be greater than expected. The example of RFID, and the ability for RFID tags to be on all merchandise is an example of this. This will only be possible when organizations all around the world embrace this technology, a very timely process.

CHAPTER EIGHT: CONCLUSION

To conclude the results of this thesis, it can be said that there are surprising few new co-operative SRM initiatives being used by organizations today. Even with all of the new technology and increased global environment, suppliers and buyers are still using traditional techniques such as meetings and continuous improvement programs to guide their supplier relationship.

That being said, there is an obvious new trend to have a co-operative relationship with ones supplier. As markets are increasing in competition, many are realizing the benefit that can be gained from having stronger and closer contact with ones supplier. While there are relatively few new ways in which to do so, the combination of initiatives that organizations are using has changed and is continuing to. Furthermore, the persons involved in managing these relationships have also changed.

First, the Accenture survey pointed out the combination of processes, capabilities and technology that were currently important to senior executives. Further research demonstrated that it is a proper balance of these that make SRM programs work. Specifically, buyers need to be flexible in the way co-operation is achieved. Since suppliers are coming from all around the world, and possibly deal with different industries than the buyer, SRM initiatives should take into account flexibility and not be 'one size fits all' initiatives. For example, some suppliers may be a good match, but might not be as technologically advanced as the buyer. In this case, it is advantageous to have SRM initiatives not completely focused on technology so there is the ability of the buyer to work with the supplier while aligning them with ones organization. One of the main ways in which organization are trying to understand the direct aspects of their relationships with their suppliers is though supplier segmentation. One recent development in this area is the use of supplier segmentation based on supplier integration/involvement. Due to the popularity of suppliers becoming more involved, a useful way to separate the suppliers from one another is therefore based on how much involvement they have with the buyer. Also, segmenting suppliers concerning ethics is growing more important to protect ones image and maintain standards.

A second concept surrounding new process, capability, and technology combinations that was discovered through this thesis is the need for SRM initiatives to have identifiable and specific characteristics. Whether it is in supplier segmentation or continuous improvement programs, specific goals and examples should be created for each supplier, or at a minimum, each supplier segmentation. This will help clarify objectives of the relationship, and therefore help the supplier to better achieve its goals. Furthermore, as language barriers, time differences and other cultural aspects complicate the relationship, it is important to have well understood objectives with examples to help clarify if needed.

The second, and main way in which I have found SRM initiatives have developed, is through the people who are in involved with supplier management. Going back to the introduction of SRM I discussed the concept of strategic sourcing and its similarities to SRM. No matter what term you use, they both describe a trend that is changing the supply chain management function to something that involves more than just the procurement department. Initiatives are now being created by departments and executed in a holistic, organizational wide manner.

Specifically, this research has show this in many different areas. First, both the Accenture survey and various other scholarly works, pointed to the need of the director or senior level management to have commitment to the supplier buyer initiatives. Secondly, engineers and product designers are now working with suppliers to help informally train them (Tetra case) and allow for the suppliers innovation and workmanship to be seen in the final product. Furthermore, we also saw that without commitment on the 'plant level', criticism can develop and impede the progress of an initiative. This show that what is meant by a 'holistic' approach, is truly a holistic process.

8.1 BENEFITS

It may be that the reason why many of the topics discussed in this research are not considered 'new' to most of us is because they have been discussed in theoretical research for quite some time. However, it may be that what has been talked about over the years may only now actually be happening. Supplier relationship manager positions are coming available, and organizations like Intel and Kraft have formal plans to outline their relationships with their suppliers. Undoubtedly it is hard to make a program of this nature a success because of the extreme amount of resources needed. This may be why many have wanted to create initiatives like this, but have never had the capital to follow through. The Accenutre research that shows many senior executives are not at the level of expertise for which they want/need to be, which also supports this concept in that they have not gone through with their ideas.

As the Accenture report concluded, there is concrete evidence that SRM is impacting the bottom line with varying positive percentages. While that survey discussed cost savings, through my further research it was found that benefits other than cost may be achieved along the way as well. A good example of this was given in the holistic part of the capabilities section in which a global paint manufacture was found to have been beaten by the competitor because their supplier was helping the competition with product development. The manufacture thought they were receiving the best price, and probably were, but that is not all that matters. By collaborating with their supplier, innovation flourished and resulted in the development of a new packaging style which put them ahead of the competition. The point here is not only that new products can be the result of supplier co-operation, but increased quality and satisfaction are also benefits that are hard to quantify on paper. Also, as supplier co-operation requires the buying organization to work cross functionally from an internal perspective, growth and development within the buying organization can be achieved as well. An example of this was given in the article by Trent and Monczka with a company, Air Products and Chemicals, who have better aligned internal strategy and philosophies thanks to their strategic sourcing process.

8.2 FUTURE

Technology is reaching a point where integration of various systems is key for successful buyer supplier relationships. While I believe technology will eventually be widespread enough to see its maximum potential, in the near future this is far from the case. Instead, we should now be focused on how to integrate each others technology so that we can still work together although our technology is not the same.

In the supplier performance and ethic topics we found that there are few unified global ways in which ethics and supplier performance can be rated. Again, this shows that it is possible that it is only now that these 'old' initiatives are actually being implemented. However, it also shows the need for the development of systems such as this. As worldwide suppliers become more prevalent, a way in which they can be rated (in the same way students have the ECTS Erasmus programs) should be created to make things easier.

In the next section we will continue this discussion of the future and I will present the topics I feel are necessary for further research. This topic of co-operative SRM initiatives is only starting to be developed and therefore there are many interesting and undeveloped areas that require more research.

8.3 FURTHER RESEARCH

One of the interesting aspects of co-operative SRM is how the overall supply base is effected. While my research dealt with post contract initiatives, I discovered a great deal of research concerning the reduction of the buyers supply base, based on co-operative relationships. Therefore, the questions of how many suppliers are needed to achieve success when having strong co-operative relationships with suppliers is a topic that should be further researched.

The Eastern world has seen great success in co-operative initiatives and therefore in depth case studies on organizations based in the east would provide the filed with a great insight into where the western world is headed. Research that discusses companies in the east part of the world such as Japan would therefore be very helpful to increase understanding about SRM initiatives that are proven to be successful.

As a follow up to this research it would be beneficial to evaluate data produced in a few years time that is similar to the information provided in the Accenture survey. Furthermore, a reevaluation of the definitions of strategic sourcing, and initiatives used by organizations would help to further discover the direction SRM is headed.

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APPENDIX

Hofstede's national culture dimensions- Source: Hofstede 1980

The Masculinity Dimension	
Feminine	**Masculine**
▪ Men need not be assertive, but can also assume nurturing roles ▪ Sex roles in society are more fluid ▪ There should be more equality between the sexes ▪ Quality of life is important ▪ You work in order to live ▪ People and environment are important	▪ Men should be assertive. Women should be nurturing ▪ Sex roles in society are clearly differentiated ▪ Men should dominate in society ▪ Performance is what counts ▪ You live in order to work ▪ Money and things are important

Individualism Dimensions	
Collectivist	**Individualist**
▪ In society, people are born into extended families or clans who protect them in exchange for loyalty ▪ "We" consciousness holds sway ▪ Identity is based on the social system ▪ There is emotionally dependence of individual on organizations and institutions ▪ The involvement with organizations is moral ▪ The emphasis is on belonging to organizations; Membership is the ideal	▪ In society, everybody is supposed to take care of himself/herself and his/her immediate family ▪ "I" consciousness holds sway ▪ Identity is based on the individual ▪ There is emotional independence of individual from organizations and institutions ▪ The involvement with organizations is called cultative ▪ The emphasis is on individual initiative and achievement; leadership is the ideal

Hofstede Continued…

Uncertainty Avoidance Dimension	
Weak Uncertainty Avoidance	**Strong Uncertainty Avoidance**
▪ The uncertainty inherent in life is more easily accepted and each day is taken as it comes. ▪ Ease and lower stress are experienced ▪ Time is free ▪ Hard work, as such, is not a virtue ▪ Aggressive behavior is frowned upon ▪ Less showing of emotion is preferred ▪ Conflict and competition can be contained on the level of fair play and used constructively	▪ The uncertainty inherent in life is felt as a continuous threat that must be fought ▪ Higher anxiety and stress are experienced ▪ Time is money ▪ There is an inner urge to work hard ▪ Aggressive behavior of self and others is accepted ▪ More showing of emotion is preferred ▪ Conflict and competition can unleash aggression and should therefore be avoided

Power Distance Dimension	
Small Power Distance	**Large Power Distance**
▪ Inequality in society should be minimized ▪ All people should be interdependent ▪ Hierarchy means an inequality of roles, established for convenience ▪ Superiors consider subordinates to be “people like me” ▪ Superiors consider subordinates to be “people like me” ▪ Superiors are accessible ▪ All should have equal rights ▪ The system is to blame	▪ There should be an order of inequality in the world, in which everyone has a rightful place; High and low are protected by this order. ▪ A few people should be independent, most should be dependent ▪ Hierarchy means existential inequality ▪ Superiors consider subordinates to be different kind of people ▪ subordinates consider Superiors to be different kind of people ▪ Superiors are inaccessible ▪ Power holders are entitled to privileges ▪ The underdog is to blame

Intel's SCQI stages specific examples- Source: Intel's SCQI Handbook

PREREQUISITE: INTEL PLANNING STAGE	
SCQI Team (Cross functional)	
TASKS	*OWNER*
• Form SCQI team. Team should include Commodity Management, Factory, and quality/engineering (need not be different from the Commodity Team) • Ensure that all members of the SCQI team are formally trained on the SCQI program • Ensure all participants understand how the following processes relate to SCQI and are trained in these processes if necessary: Supplier Report Cards Supplier Business Reviews SSQA-Lite Quality Assessments • Secure an Executive Sponsor	• The Intel Commodity Manager owns all of the tasks in the Intel Planning Stage
PLAN: SET REQUIREMENTS AND EXPECTATIONS	
Intel SCQI Team	**Supplier SCQI Team**
• Brainstorm purchasing, quality and engineering expectations • Define a measurable indicator for each expectation • Group expectations into Supplier Report Card categories (2-4 elements per category) • Ensure supplier has adequate time to review expectations prior to formal alignment meeting/s (1-2 weeks is suggested)	• Designate an SCQI Champion from executive staff • Define any expectations the supplier has of Intel • Define a measurable indicator for each expectation • Ensure proper cross functional representation on Supplier SCQI team • Review Intel's expectations prior to formal alignment meeting/s
DO: ACHIEVE ALIGNMENT	
Intel SCQI Team	**Supplier SCQI Team**
• Understand supplier's inputs on barriers that might keep suppliers from meeting expectations • Facilitate and document the alignment of all expectations • Ensure senior management supports	• Ensure proper cross-functional supplier representation is involved in expectation alignment • Understand Intel's inputs on expectations and supplier barriers • Secure resources to meet/exceed Intel

SCQI Continued….

aligned expectations • Agree and commit • Document final agreements in initial SCQI plan • Add supplier to SCQI roadmap	performance expectations • Understand all indicators • Map indicators to supporting processes and document • Ensure senior supplier management supports aligned expectations • Agree and Commit
CHECK: ASSESS SUPPLIER PERFORMANCE	
Intel SCQI Team	**Supplier SCQI Team**
• Create supplier assessment plan • Form validation team and ensure all team members are trained in performing supplier assessments and the SSQA-Lite checklist • Complete the supplier validation and present findings to the supplier • Compile all supplier data (Supplier Report Card, assessment results, Supplier Business Reviews) in preparation for integration into SCQI Plan.	• Align on Supplier Assessment Plan • Ensure Supplier Self-Assessment team are trained on SSQA-Lite and have the resources to support activity • Complete the SSQA-Lite Self-Assessment and return, along with requested quality documents, to the Intel validation team • Facilitate the Intel validation visit • Compile any additional data required by Intel in preparation for SCQI Plan development
ACT: IMPROVE SUPPLIER PERFORMANCE	
Intel SCQI Team	**Supplier SCQI Team**
• Co-own closure of barriers and projects outlined in SCQI Plan • Monitor Supplier Report Card and facilitate root cause analysis when necessary • Conduct regular SCQI Plan reviews with the Supplier SCQI Team • Amend the SCQI Plan as necessary	• Ensure that everyone involved (Intel and Supplier) know and understand their role in completing the SCQI Plan • Allocate resources and tools necessary to complete SCQI projects • Conduct regular SCQI Plan reviews with the Intel SCQI Team • Align and commit to SCQI Plan amendments
RESULT: RECOGNIZE SUPPLIER EXCELLENCE	
Intel SCQI Team	**Supplier SCQI Team**
• Understand SCQI recognition levels and requirements • Ensure criteria for targeted recognition level are met • Create appropriate applications for recognition • Present PQS/SCQI applications to SCQI MRC	• Ensure criteria for targeted recognition level are met • Ensure that continuous improvement continues beyond recognition • Ensures proper supplier representatives are involved in recognition