

The value of listening to your suppliers: Maximising supply chain resilience and managing risk





Executive Summary

Supplier Relationship Management (SRM) plays a crucial role in managing and mitigating supply chain risks for organisations.

Effective SRM can enhance supply chain resilience and improve an organisation's ability to respond to unexpected events.

Conducting a "Voice of the Supplier" (VoS) online survey is a key step to set up or improve on an organisation's SRM programme.

“ A successful supplier management programme can reduce and contain costs, improve communications and create a trusting partnership between a buyer and a supplier. ”

- WinMan



Introduction

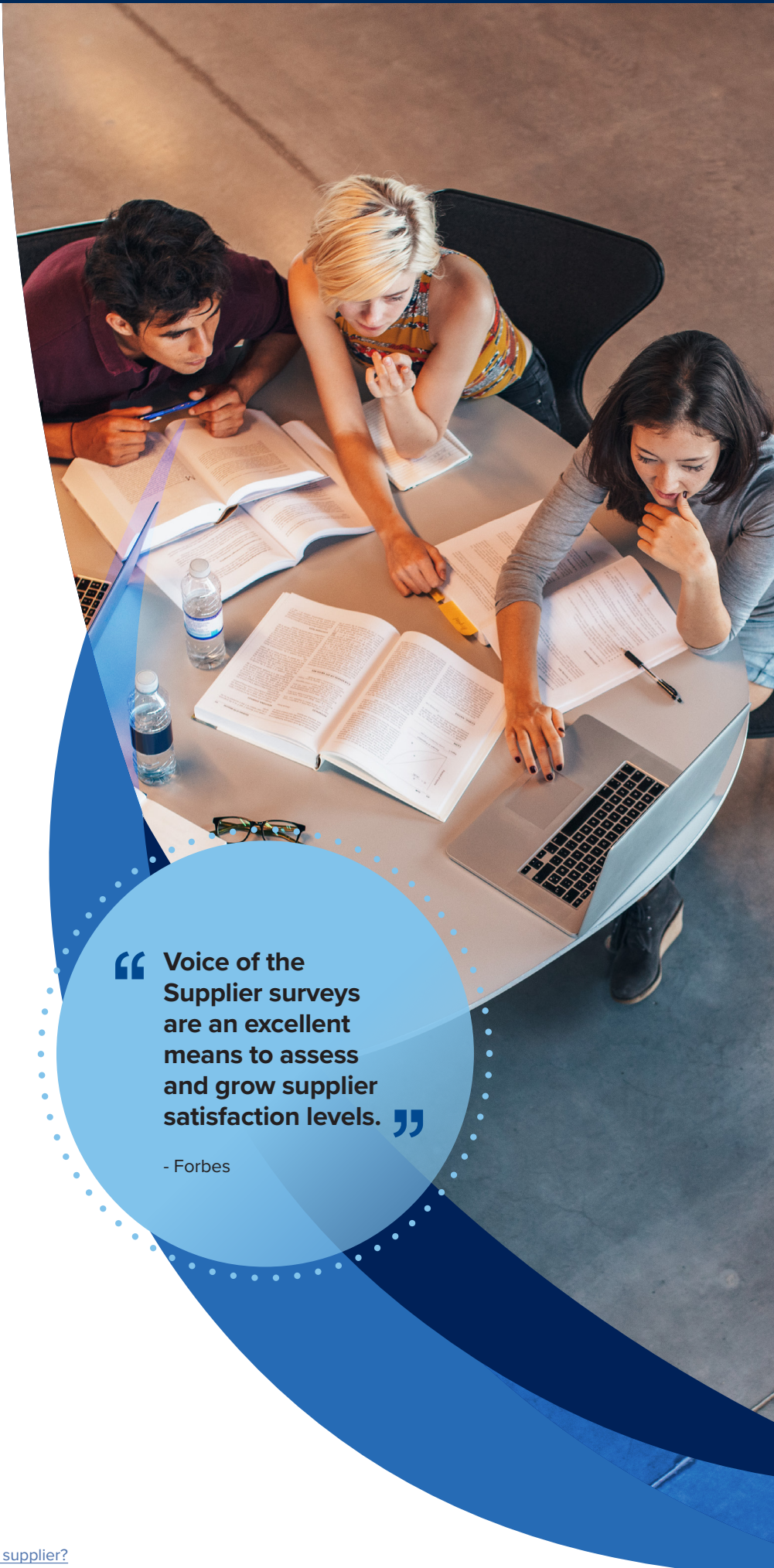
In today's interconnected global marketplace, an organisation's supply chain is often one of its most critical assets, with numerous internal and external factors that can impact its smooth operation.

As a result, organisations must proactively manage and mitigate the risks associated with their supply chains to ensure continuity and minimise disruptions. Supplier Relationship Management (SRM) emerges as a critical tool for effectively navigating these challenges.

By establishing strong and collaborative relationships with suppliers, organisations can enhance their supply chain resilience and improve their ability to respond to unexpected events.

However, many organisations overlook the importance of knowing their suppliers' opinion of their operations.

This is where a “Voice of the Supplier” online survey can prove invaluable.



“ **Voice of the Supplier surveys are an excellent means to assess and grow supplier satisfaction levels.** ”

- Forbes



Part 1: Understanding Supply Chain Risk

Supply chain risk refers to the potential disruptions, delays or losses that can impact the flow of goods, services and information across the supply chain network.

These risks can arise from a variety of sources, including natural disasters, geopolitical events, economic fluctuations, supplier bankruptcies, quality issues or regulatory changes.

The consequences of supply chain disruptions can be significant, leading to increased costs, revenue loss, damaged reputation and decreased customer satisfaction.

To effectively mitigate these risks, organisations need proactive strategies, and SRM plays a crucial role in this endeavour.

The value of SRM can be appreciated in several areas of business, all eventually leading to the minimisation of risk:

Enhanced Visibility and Transparency

Effective SRM promotes transparency within the supply chain network, enabling deeper insights into suppliers' operations. By fostering open communication channels and sharing relevant data, organisations can proactively identify potential risks, vulnerabilities and areas for improvement. This enhanced visibility allows for better risk assessment in order to develop targeted risk mitigation strategies.

Proactive Risk Identification and Mitigation

Through close collaboration and regular engagement with suppliers, organisations can identify potential risks at an early stage.

Suppliers often possess valuable market intelligence and insights, which, when shared, can help organisations proactively anticipate and mitigate potential disruptions. By jointly assessing risks, developing contingency plans and implementing proactive measures, organisations can minimise the impact of supply chain disruptions and ensure continuity of operations.

In the 2022 Global EY CPO Survey

47% 

of Chief Procurement Officers reported that supplier risk is a top focus area for procurement organisations.¹

Diversification and Redundancy

A robust SRM strategy encourages strong relationships with multiple suppliers, fostering a diversified supply base. This diversification reduces the dependency on a single supplier, mitigating the risk of disruptions caused by supplier failures or external shocks. Additionally, by fostering redundancy, organisations can establish alternative sources of supply, enabling them to quickly adapt and recover from disruptions.

Collaboration and Continuous Improvement

SRM promotes collaborative partnerships between organisations and suppliers, fostering a sense of shared goals and objectives. Through collaborative initiatives, such as joint problem-solving, capacity planning, and continuous improvement programmes, organisations and suppliers can work together to identify and address vulnerabilities in the supply chain.

This collaborative approach not only mitigates risk but also drives innovation and efficiency throughout the supply chain network.

According to the CPO Compass 2022 from Procurement Leaders,

57% 

of Chief Procurement Officers said they planned to invest in supplier performance management solutions during 2022.²

Flexibility and Responsiveness

Maintaining strong relationships with suppliers enhances the ability to respond quickly and effectively to unexpected events. When disruptions occur, organisations with established SRM frameworks can leverage their relationships and communication channels to collaborate on alternative solutions, expedite deliveries or adjust production plans.

These agility and responsiveness are crucial in minimising the impact of disruptions and maintaining customer satisfaction.

Source:

- 1 EY - 2022 Global CPO Survey
- 2 Procurement Leaders - 2022 CPO Compass





Part 2: Setting the basis of SRM by listening to the “Voice of the Supplier” (VoS)

By conducting a VoS online survey, companies can gain valuable insights into how their suppliers view their organisation.

When this feedback is translated into an executable action plan, it can help a company to identify areas where it needs to improve and make changes to ensure that it maintains a competitive edge.

One of the main benefits of a VoS survey is that it provides an objective view of operations. Suppliers are not employees, and they don't have the same vested interest in the organisation's success. As such, they can offer an honest assessment of strengths and weaknesses. This feedback can help to identify blind spots and improve operations to better meet their suppliers' needs.

Another advantage of conducting a VoS survey is that it can help to build stronger relationships with the right suppliers. By actively seeking feedback from them, organisations demonstrate a willingness to listen and adapt to their needs. This can help to foster a sense of trust and respect between the two parties, leading to stronger partnerships over time. In addition, a VoS survey can help to identify potential risks in the supply chain.

At ArcBlue, we have developed an online tool that is consistent, repeatable, customisable and scalable, built around our established supplier framework.

Our questionnaire covers six key areas to probe the status of the customer-supplier relationship:

 <p>Strategy, Policy & Process Are we aligned? 1</p>	 <p>Technology Are we using the right tools? 2</p>	 <p>Innovation Are we driving innovation? 3</p>
 <p>Communications Are we communicating effectively? 4</p>	 <p>Commercial Value Are we creating value for the suppliers? 5</p>	 <p>Relationship Are we a difficult customer? 6</p>



“ The Voice of the Supplier (VoS) survey, repeated on an annual basis, provides an excellent basis to measure the progress of SRM from the perspective of the supply base. ”

- Deloitte

However, relying solely on launching an online survey will not suffice. We understand the challenge of obtaining a high response rate from suppliers when conducting the VoS exercise. To address this, we have implemented a proactive and engaging approach to encourage participation, emphasising the importance of suppliers' feedback and how it contributes to improving the overall relationship and collaboration.

We also ensure that the survey is user-friendly, time-efficient and tailored to capture valuable insights. By fostering open lines of communication and demonstrating our commitment to listening to their perspectives, we aim to overcome the challenge and achieve a comprehensive and representative supplier response.



Part 3: Linking the VoS survey to an SRM programme

This is a crucial step in ensuring that the insights gained from the survey are effectively utilised to improve supplier relationships and optimise supply chain operations.

Our survey is designed to target an organisation's SRM investment by establishing the baseline of supplier satisfaction about its procurement department and measuring the results against our extensive benchmark indicators or target scores.

We use ArcBlue Dashboards to present the results and to track changes, providing online access, filterable data and visual representation at any point in time by business unit, geography, category, spend or strategic tiering, to name a few.

Our solution offers a quick and consistent way of measuring an organisation's score as a customer, is repeatable to track improvements over time, is fully customisable to include or exclude areas or questions and is scalable to expand the surveyed supplier base or extend to other business units or geographies.


As a final step, we will combine the results with our global indicators of best practice and the insights of our industry experts to develop an executable action plan and recommend a course of action to enhance the organisation's SRM.



Reach out to our Senior Consultant, **Andrea Carnino**, at andrea.carnino@arcblue.com.sg for a quote and if you are interested to know more about our solution.

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