

PREPARING FOR SUPPLIER EXPERIENCE MANAGEMENT

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Introduction

This whitepaper forms Part Two in our discussion on Supplier Experience Management. Part One, The Supplier Experience Survey, looks at the findings of an initial survey in which procurement leaders within large enterprises were asked about the types of experiences they were delivering to suppliers, the technologies supporting those experiences and the vision for the future.

The survey found that organizations were in many different stages on their journey towards delivering a truly supplier-centric, end-to-end best-in-class experience – which can be measured against a maturity model, as discussed in the paper. However, most organizations have aspirations to radically improve the current experience for suppliers in order to improve their chances of becoming ‘customer-of-choice’ and enjoying the benefits that come with that, particularly in times of scarcity, as we have seen with the COVID-19 pandemic.

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The return-on-investment and benefits to articulate to the wider business

The whitepaper draws heavily on real world examples and is based upon the first-hand accounts of established practitioners in Procurement and Supply Chain who share their challenges, experiences and advice for others who are on the same journey.

What is SXM and why is it important?

In order to determine the scope of a business project, it is first important to establish common definitions for the terminologies being used to describe the nature of the project, in this case 'Supplier Experience Management,' or SXM for short.



This is especially important in this case as SXM will be a cross-functional endeavor and clear communication among all stakeholders will be one of the most important ingredients for its long-term success.



What is SXM?

As defined in The Supplier Experience Survey, supplier experience refers to all the interactions that take place between an organization and its suppliers, which might be anything from best-in-class to average or poor.

This does not mean the ‘same’ experience for all – but it is the appropriate experience for all. As Kelly Barner of Buyers Meeting Point, explains, “There are multiple different supplier groups that we’re working with. We want to make sure each of them has a good supplier experience, but it may not be exactly the same experience that they are having in working with us. It involves balancing automation with the human side of the relationship. It is a tricky one, especially at scale, for Procurement to manage.”

The other differentiator of Supplier Experience Management is that it is concerned with looking at procurement and supply chain processes from the supplier’s perspective. The ultimate goal of SXM is mutual success, with suppliers recognized as being an extension of the enterprise and part of the ecosystem. That is the foundation of SXM, which best-in-class organizations are starting to realize and adopt.

“I didn’t want just the supplier relationship. I wanted that ‘full on’ partnership and that level of honesty that I get from there, which is brutal but it’s brilliant at the same time,” explains Adam Brown of BT Sourced.

A mindset for establishing long-standing relationships

Organizations also must move away from the idea of viewing their suppliers as KPIs and metrics to be measured on and start viewing them as collaborators and true partners for the mutual benefit of all parties. Instead, as Adam Brown explains, companies should ask themselves ‘How can I measure the quality of the relationship itself?’, and ‘Are we aligned in working towards a common goal?’

This type of mindset will ultimately save time, effort and resources for everyone, which leads to increased profits and a long-standing relationship. The importance of long-standing relationships were brought into sharp focus as the events of 2020 revealed just how dependent on their suppliers organizations really are.

As Costas Xyloyiannis, CEO of HICX, highlights, “COVID really showed the dependency and, I’d say, fragility of large corporations and their supply chains. People saw how something unexpected, somewhere, could just make these massive organizations suddenly come to a standstill. So, it presented really immediate and urgent challenges for them around risks, agility, visibility, resilience and they had to adapt to support rapidly changing priorities. I think the interesting thing is also that it’s challenged the traditional mantra of savings and it’s accelerated the need to be looking at things like real partnership, customer of choice, supplier experience, risk and resilience.”

The supplier’s view at the heart of supplier experience

When scenarios are not considered from the supplier’s perspective, the quality of the experience can suffer. Some examples include, however, are not limited to, suppliers bearing the burden of having to interact with multiple supplier facing systems, not knowing who to contact in times of crises, taking on the responsibility of adhering to, complying and updating documents, policies and procedures.

“If you put it from the supplier’s perspective, I think there’s a lot of burden which is actually put on the supplier, whether they know it, or not. It’s not on purpose. The customer’s view is often: ‘Now we’ve shared all this wonderful information and you can go through and distil it; and you have to make sure that you adhere to it, that you comply to it, that you update it.’ So, it creates this huge burden to assimilate, understand and figure out exactly what you need to do as a supplier. The look of this is quite different, therefore, from the supplier’s point of view, than what would be said internally”, Costas Xyloyiannis, CEO of HICX.

While suppliers are often left to their own devices with little offer of help or assistance in the face of mounting administrative burdens, on the flip-side they are consistently asked for discounts or to lower the price of their products and services. It is true that suppliers do not want to lose any customers, especially if they are a large company, but there is a point at which a relationship is no longer profitable for them, and this can lead to difficult conversations.

“I really think it always does start with cost and how we measure savings and all of that, it’s never going to go away. But I think we’ve been struggling for the last ten years or so almost to move beyond cost and deliver other types of value.

“ Supplier Experience Management (SXM), meanwhile, is the practice of creating the conditions in which a buying organization and all of its suppliers can achieve mutual success together, with an emphasis on ‘all.’

Costas Xyloyiannis, CEO of HICX

What I think is a little challenging about this, besides getting the CFO to change our scorecard, is that what value means is different in different situations,” explains Amy Fong, Vice President of Everest Group.

Additionally, organizations frequently do not realize that a ‘one-size-fits-all’ approach is not compatible with all suppliers. This ‘one-size-fits all’ approach is one of the main areas from which inefficiencies and bad experiences are created. It is not realistic to expect a small local business to be able to adhere to the same requirements as a big multi-million-earning corporation. Expectations must align for both parties.

Supplier Experience Management and customer-of-choice

The best suppliers are in demand, they have a choice; it is essential companies ensure they are the ones being chosen. The resources are far from infinite, suppliers will have to prioritise at times. A supplier will always choose customers which are easy to work with.

“There’s no denying the reality that resources are finite. However you look at it, you are going to have to prioritise. I always say that, the same way as best employees are always in demand, the best suppliers will always have a choice”, Costas concludes.

The benefits, advantages and the ROI, for all parties, of adopting a SXM approach are thoroughly discussed in Chapter 6. From a customers’ perspective, to be a customer-of-choice means to be receiving the best from the suppliers.

However, many organizations do not actually know how to become a customer-of-choice.

This may be due to a combination of various different reasons:

- They are struggling to prioritise this internally within their corporate culture
- They are using the traditional Supplier Relationship Management (SRM) approach which focuses on only the top strategic suppliers
- No-one has ownership of the end-to-end experience

“They struggle with this, especially within the big corporates where they’ve got such a separation between Procurement and the operational side of the business, such as the running of contracts.

SOME WAYS OF ENSURING ALL SUPPLIERS HAVE A GREAT EXPERIENCE MEANS TO:

- **Make the onboarding process frictionless**
- **Make the data management easy**
- **Automate and self-service aspects for which it works**
- **Make it easy to communicate**
- **Do not make the supplier do duplicate work**
- **Make it financially viable for them**
- **Make time to build that partnership (!)**

They are never going to get one person to look at it and be that supplier champion, and to champion that Supplier Experience Management end-to-end,” warns Adam Brown, Head of the Digital Garage at BT Sourced.

Conclusion: Easy to define, hard to execute

Supplier Experience Management is easy to define, but it is far more difficult to put into practice, as the maturity model and matrix in the Supplier Experience Survey reveal, where many organizations have identified the vision but are unable to translate this into practice.

The three final points in the section above all require, as a first step, a change in mindset which needs to take place in order to create the environment in which Supplier Experience Management can be successful.

What that mindset looks like and why Procurement is best placed to lead the initiative will be discussed in the next chapter.

THE VALUE SUPPLIERS CAN BRING MANIFESTS ITSELF IN VARIOUS WAYS AND CAN INCLUDE:



Fastest response times



On-time delivery



Access to the best resources



Correct quantity



First access to ideas or new innovation

“ Supplier Experience Management is about accepting this shift around seeing all suppliers as true partners and then focusing on doing whatever we can do to set them up for success.

Costas Xyloyiannis, CEO of HICX

The fundamentals of **the mindset change**

There are two main pillars to consider in terms of determining an organization's level of supplier centricity. One is the cultural mindset of the organization towards suppliers and the other is the technological framework to facilitate a supplier-centric, or supplier first, approach. The right cultural mindset has to be in place for a technological solution to be successful – and Supplier Experience Management cannot be successful on its own.



What is supplier centricity?

As Costas Xyloyiannis highlights, the first and most important mindset shift that needs to take place is the acknowledgement that all suppliers (not just the strategic few) should have access to a one-to-one style relationship. This means that the organization is able to 'put itself in the shoes of all suppliers' and is able to consider ways of removing friction on an ongoing basis so that suppliers are in a position to deliver the best outcomes.

This is frequently a challenge for organizations due to the complex nature of supplier relationships. While Procurement remains the experts in terms of the contracts negotiated with suppliers, there are many other aspects to an overall relationship with a supplier. The entire process involves sourcing, contracting and onboarding, it may involve compliance, risk assessments, there could be performance-related activities, health and safety or innovation initiatives, then invoicing, payments, right through to offboarding. All areas could involve different departments, different requirements, different processes and different points of contact at different times in the relationship. While each is effective in its own right, the view from the supplier side may not be one of a joined up, coherent or logical experience.

Supplier centricity occurs when internal teams are ready to work cross-functionally so that the relationship with suppliers is seamless throughout the entire lifecycle of the relationship.

The responsibility therefore goes far beyond the remit of traditional procurement activities and has to be embedded within the corporate culture and all aspects of the business.

"It's not just the procurement mindset, I think it really has to be a corporate culture, almost. A corporate mindset rather than just a procurement mindset. Because if you're best in the world and you're buddying up with the supplier, being as nice as you possibly can to them, and the rest of the company are treating them like the enemy, then you're never ever going to manage to build a winning supplier centric approach," says Robert Bonnar, Global Procurement Director at SHV Energy.

A necessary mindset shift

Companies adopting a supplier-centric approach to supplier management have consistently reported how this change in view, from one that is functional led, to one that is holistic, forms the biggest hurdle to starting the process. Leadership teams must therefore make it their goal to make processes simpler and better, not just for Procurement, but for the whole company and its suppliers and to see suppliers as an extension of the organization.

"I think that's where it starts, so the buy-in has to come from the top management or I would say just be initiated by top management," explains Ramit Mahajan, Head of Supply Chain at Henkel.

Depending on the industry, 40%-70% of revenue is spent on suppliers – which is seen as a cost. Organizations must shift their thinking to recognize that, while it is a cost, they must think of it as an investment as well. A CPO's main focus has, for decades, been cost and savings. Although that is unlikely to ever fully go away, it is important to move beyond cost and think of other types of value which are important.

Part of forging a route forward will be when companies start to define clearly what 'value' means for them, recognizing that it is going to be different for scenarios, for different organizations and for different categories of spend.

However, what is becoming wholly clear, is that there are better ways of deriving value from certain relationships and partnerships that can improve the ROI for the business, than simply focusing on saving 5% of a contract negotiation.



I would say change definitely begins at the top. Once senior management is focused and once the purpose is clear that we want to go for a comprehensive supplier experience, rather than just a transaction-focused experience.

Ramit Mahajan, Head of Supply Chain at Henkel

The importance of leadership buy-in

The buy-in first has to come from top management and work its way through the rest of the organization, not just the procurement team. This is a typical change management exercise in which concrete actions are required to be taken in the direction the company wants to move to. Some may be more reluctant than others, especially those where leadership is focused on the traditional approach and traditional working methods of having a transactional rather than experience mindset, advises Ramit Mahajan of Henkel.

In case the leadership team is not convinced and is focused on the traditional approach towards suppliers, an evidence-based approach of past successful supplier experience efforts and practices are the best way to prove to them why it is beneficial for everyone to adopt SXM. For example, as their main focus is probably going to be on cost, presenting the savings SXM can generate might be a reason they will open their minds and consider it.

“Try to build that supplier experience and then you can present to your leadership what you've done and all of the good outcomes it has generated. It may be additional savings, it may be how you have secured other stock or helped other teams by building these good relationships. But I think showing them is the important part and that is how you can also build that internal trust with your leadership,” adds Charlotte Anabelle de Brabandt of the Institute of Supply Management (ISM).

Without this change driven by leadership, procurement leaders may feel they face a tough conflict between cost pressures on the one side and building relationships with suppliers through Supplier Experience Management (SXM) on the other, which either halts – or significantly slows down – progress to becoming supplier centric and prevents the benefits from being realized.

Creating a mandate for change

The most important task is to create a mandate, to have someone own the entire SXM process. Currently, procurement teams are in charge of suppliers and supply chains. However, in most organizations, there is no single person or function looking after the entire supplier experience.

In encouraging developments, a few organizations have now started to appoint such a person, by either re-structuring their departments or creating a new role, such as Head of Supplier Experience.

Charlotte comments, “I wonder who will actually own it in the future and whether there will be a new role within the organisation. Having a lead for supplier experience, or making sure that the organization is a customer-of-choice is a new variable within the company – it is something that we want to strive towards, and that is becoming a new measurement. I think it is definitely a change that's here to stay.”

Once a person within the organization has ownership of Supplier Experience Management, the data-experience flywheel can come into full effect, in which better experiences create better data, and better data can be used to create better experiences. This truly unlocks the value of SXM and solves the decades-old supplier data problem.



For me, owning a mandate, is a fundamental starting point. Someone has to own the problem in order to fix it.

Costas Xyloyiannis, CEO of HICX

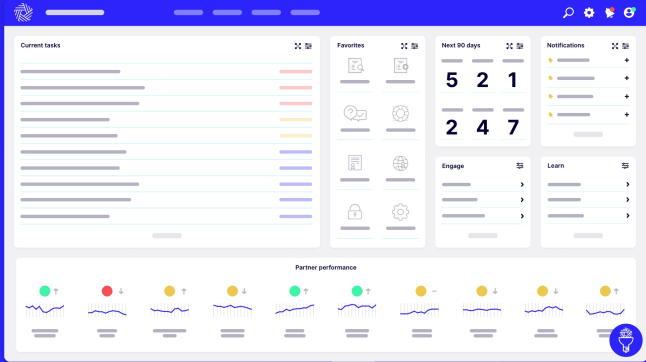
WITHOUT LEADERSHIP, THE CORE PROBLEMS THAT AFFLICT BOTH SUPPLIER MANAGEMENT AND CONSEQUENTLY SUPPLIER DATA WILL CONTINUE TO PERSIST:

- Multiple channels of communication and systems means supplier engagement is lower and data cannot be managed as effectively, becomes out of date or is missing
- There is less transparency internally into the supply chain when disruptive events lead to constrained supply
- It will remain difficult to run new corporate initiatives such as Environmental and Social Governance (ESG) or innovation programs
- Suppliers continue to face higher administrative burden and therefore costs to be passed on as a result of more resources needed to manage communications and adhere to requirements placed on them



The aim is a shift from the mindset of, 'What can I as a customer get out of the interaction?' to 'How will both parties mutually benefit from interactions?'

Amy Fong, Vice President of Everest Group



Acme Co.
Components supplier

ACTIVITY

- Data mapped
- Address updated
- Procurement approved
- ISO Certification added

What is the Supplier Experience and data quality flywheel?

“ The philosophy here is that better experiences create better data and better data creates better experiences.

Costas Xyloyiannis, CEO of HICX

Why do we need better quality data?

During COVID-19, organizations that had their data in order and up to date could reach out to their whole supplier base by sending one email and within one mass communication, could gain insight into and send out vital information. On the flip side, others were struggling with a huge data task based on the implications of not knowing who to contact and how to contact them. The difference that makes in the event of a crisis, and the impact it can have on an organization, is startling.

However, keeping supplier information up-to-date on an ongoing basis, so that it is ready in the case of an adverse event, is not an easy endeavor. Ultimately, companies are almost entirely reliant on their suppliers to provide them with relevant data and for the information to be available at the point of need. This is where the supplier experience-supplier data flywheel comes into action.

Rather than seeing this as an issue, the flywheel effect provides a benefit and opportunity for those ready for and committed to a Supplier Experience Management approach.

Outdated tools no longer fit for purpose

Much of the issue lies in the systems and tools used to manage supplier data. Many organizations still use email and Microsoft Excel, which creates multiple issues with visibility, efficiency and control. This is evident across all departments, not just Procurement.

There are multiple supplier facing systems in use which connect different data on suppliers, causing inefficient and manual workload such as having to copy data between these systems.

Many organizations also relied only on traditional solutions such as ERPs. As the crisis in 2020 unfolded, the limitations of transactional systems as a source of supplier data were brought into sharp focus, due to their role as primarily a mechanism for sending orders, receiving invoices and paying suppliers.

“In the end what is this doing?” asks Costas. “It’s actually stopping the organization from focusing on more strategic initiatives – the ones that really create value: sustainability, innovation, risk management. Many recognize that this is a big gap in their foundations”, adds Costas Xyloyiannis, CEO of HICX.

Additionally, as the world is trying to get back on its feet from the unexpected events of 2020, there are other increasing dangers on the horizon. Businesses are reporting increases of data breaches, cyber-crime, cyber-attacks and fraud. A lack of transparency and inadequate processes exacerbate these issues.

“Now more than ever before I think the impact and threat level has truly risen and became the number one risk factor right now within organizations – and also within our supply chain,” comments Charlotte Anabelle de Brabandt of the Institute for Supply Management (ISM)

All these events have brought to the forefront the significance of good (supplier) data, while the cost of bad data is now even greater than ever.

There has never been more urgency in moving away from spreadsheets, outdated tools and processes in favor of a new approach.

The experience-data flywheel in action

In order for data to be kept up-to-date, every supplier has to be engaged with its customers as much as possible. If communications are difficult, multiple log-ins into different systems are required, or information is arduous to find, then suppliers are going to avoid any information sharing until a critical point is reached and that information becomes vital – and even then, it is likely to be limited to sharing only what is necessary to overcome a current bottleneck.

On the other hand, removing the complexity and friction that suppliers face when dealing with multiple systems and departments in your business and providing them with tools such as the ability to self-serve information that is unique and matters to them means that suppliers are enabled to efficiently accomplish what is needed and will return more often to update more information.

As Stephane Sacherer of Mondelez explains, “The supplier must go to the tool,” which he sees as being similar to a marketing campaign. “The objective is to have suppliers return, again and again. If this is not achieved, the data still becomes obsolete. Ways of encouraging this behavior include features such as invoice tracking and dashboards,” he continues. Stephane reminds us that even small businesses need to keep their information up-to-date and that Mondelez “therefore has set objectives, such as targets for number of visits per year and number of suppliers logging in to the system. In order to drive this higher, ways are being identified for bringing more value to the portal, and to make it a one stop shop,” he says.

In turn, this information can be used to segment suppliers and further refine and tailor the experience so that reasons for returning become more compelling or information provided to them can be more enriched.

This, specifically, is how the experience-data flywheel cycle operates. Over time, the whole system is data driven by the suppliers. If implemented successfully, these kinds of systems can enable supplier experience at scale, rather than for the select few, which is one goal of SXM and is wholly different from an approach that uses outdated tools and technology.

“Experiences these days are digital experiences, which we’re talking about. Simply put, the digital experience depends on excellent data and information to fuel it. And it also enables doing things at scale for the masses, rather than for the few. And also, doing it efficiently at scale,” explains Costas Xyloyiannis, CEO of HICX.

This flip, as Dr. Epstein describes it, means that when evaluating software, it will need to be considered against new criteria, which she believes need to be defined by six guiding principles, namely:

- High grade experience
- High quality data
- Ubiquitous analytics
- Full automation
- Flexibility
- An enabler to create value

In particular, on the last point, Dr. Epstein highlights that the focus, as we discussed in terms of the mindset shift that is required, is not on cost savings, but on ‘growth enablement,’ and enabling

management of new capabilities through managing the firm’s ecosystem of partners.

Conclusion

At the beginnings of the COVID-19 pandemic crisis, companies whose supplier data was inaccurate, incomplete, and in an overall bad state of health, lacked visibility into their supply chains. It resulted in increased issues for all stakeholders and strained supplier relationships. Most companies knew which suppliers provided them with which materials, however, the lack of that relationship meant that suppliers did not know how to ask, and who, or what they needed to do in order to successfully deliver. As a result, they were forced to onboard more suppliers than ever before in a short period of time, exposing themselves to even greater risk. With no process for ongoing data improvement already in place, they were caught off guard with existing bad data.

Fortunately, more and more organizations are starting to realize that without the foundation of good data quality, they are remaining stagnant, rather than advancing. This will become even more evident, not just due to growing risk factors, but also as organizations try to advance digitally through the use of new technologies such as AI and machine learning, whose backbone is good and accurate data – and for which Procurement has arguably the most exciting role as a function to play.



“ In our *Key Issues* study this year, the most common barrier to digital transformation people listed – and I mean all functions, not just Procurement, we knew this was an issue with suppliers, but across the business was lack of visibility and clean information. What we’re starting to realize is that as we try to transform our organizations digitally, if we don’t have good underlying information, we can’t advance.

Amy Fong, Vice President of Everest Group

An exciting time for **procurement**

Dr. Elouise Epstein, author of *Trade Wars, Pandemics and Chaos*, holds a positive outlook for Procurement, as she says, “I often say that now is the greatest time to be in Procurement. It’s because technology has arrived and digital has arrived for Procurement – and it’s driving us along the path to the ‘strategic’ procurement that we’ve all been dreaming about for the last decade or two.”





More than any other enterprise function, procurement has grown from back-office cost control to strategic business partner. Today's procurement practitioners are at the forefront of innovation, sustainability, and social responsibility, making change by directing where and how enterprises spend their money.

Dr. Elouise Epstein, Partner
at Kearney

Leveraging existing skills and relationships

Adam Brown of BT Sourced, agrees, as he reminds us that the core of Procurement, as a function, remains finding, attracting and signing-on suppliers, but adds, "Who retains a supplier? Naturally, it should be Procurement as well, as they have already established that relationship, and hopefully partnership with the supplier. Instead of passing them on to different departments, Procurement should manage the end-to-end journey by involving different departments – but by still overseeing the process. The supplier's experience does not end once they have been signed on. It's then that the real work begins with onboarding, invoicing, dealing with purchase orders, payments, communications, and so on," he explains.

Fundamentally, suppliers and Procurement already have a great relationship which needs to be nurtured. Both sides must ask themselves 'Are we driving the needs of the business?' and how to best reach a common goal.

A warning about data

However, Dr Epstein has some words of warning – especially when it comes to the question of data. "We have, as a procurement function, skated by, ignoring data for too long, or just taking a very narrow sliver," she says.

This is an area that has to change, as she continues, "If you get the seat at the table, you had better bring some value. How many procurement people, whether it's the CPO or the actual people on the ground working with the business, show up to the meeting and add zero value? That's a negative for all of us."

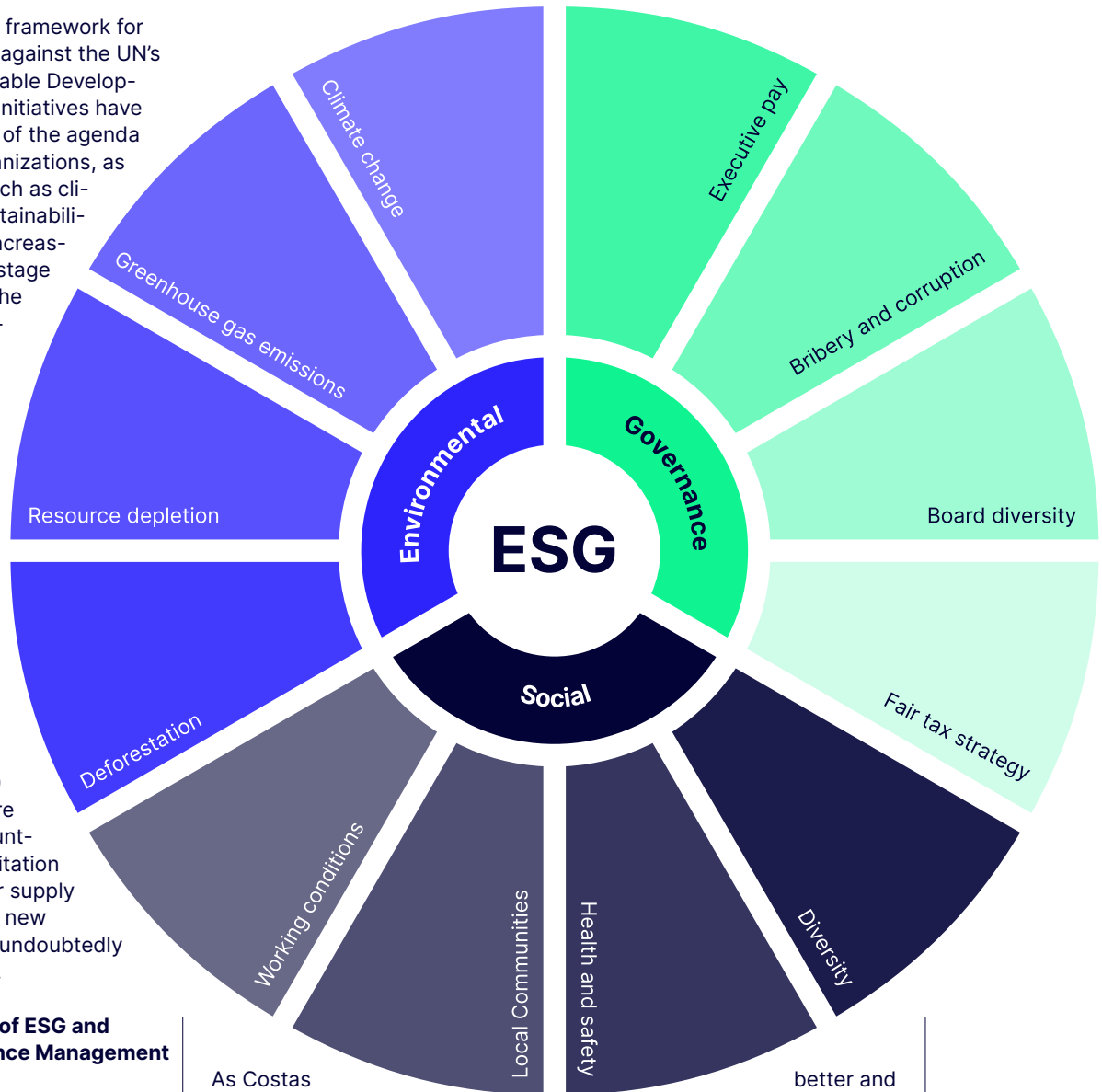
Her advice: "You need to be able to get the data, be able to ask the questions in advance, and actually proactively work with it, because the greatest challenges for procurement over the next decade – sustainability, diverse suppliers, innovation – solutions to these are not going to come from approving invoices or making the buying process more difficult."



How does SXM help with other corporate initiatives, **such as ESG?**

Starting its life as a corporate social responsibility initiative introduced by the UN, the Environmental, Social and Governance movement has had a significant impact on investment trends over the past twenty years, with linked assets totaling over \$30 trillion.

As part of a framework for delivering against the UN's 17 Sustainable Development Goals, ESG initiatives have shifted to the top of the agenda for almost all organizations, as issues in areas such as climate change, sustainability and inclusion increasingly take center stage politically and in the minds of consumers. According to a recent Deloitte study, for example, 45% of Gen Z consumers stopped purchasing certain brands because of ethical or sustainability concerns. Meanwhile, in Germany, the new Supply Chain Act will mean that companies with 3,000 employees or more will be truly accountable for the exploitation of workers in their supply chains. The list of new requirements will undoubtedly continue growing.



The intersection of ESG and Supplier Experience Management

This creates a data challenge. How can an organization ensure that tens of thousands of suppliers are adhering to and remaining compliant with the increasing volume of initiatives? As discussed previously, many companies are still using outdated tools to manage their suppliers, which creates issues with visibility, control and efficiency.

This is where ESG and SXM intersect. Ultimately, the company is reliant on the supplier to provide the information that is required and to keep it up-to-date.

As Costas reminds us, "Who do you depend on for a lot of the different corporate initiatives that are being put into place? Everyone is now constantly surveying their suppliers, or asking them for reporting on diversity spend, or carbon footprint, or information on the suppliers' suppliers – all these types of things. So, if you do not sort out the feedback mechanisms for them, it creates inefficiencies all round. So, it goes hand in hand. It is all about finding a way to have the processes in place in which your data gets

better and better, taking us back to the central point: better experience means better data, better data means better experience." Establishing an environment therefore in which it is easy for each supplier to complete the unique, required tasks at the time necessary, amid a backdrop of increasing information requests, is crucial for maintaining supplier engagement – and receiving the information that is vital importance to measuring the progress or success of corporate initiatives.

It is a partnership. As Mary Beth Lang of Kaiser Permanente explains, “Sustainability really is top of mind. We’ve looked at our scope one emissions, so that we can be carbon neutral, and we were able to achieve that last year – but now we’re starting to tackle scope three emissions, which is a very different discussion, and we will rely on our supplier partners more and more to achieve the bold goals that we’re trying to adopt.”

Using segmentation to create better partnerships

As stressed throughout, it is important to keep the supplier’s perspective in mind at all times. Most suppliers are likely to perceive these additional tasks, which are far from ‘just a little something’, as a cost. Instead, through open communication and transparency, they should see it as working towards the next layer of value.

However, when discussing value with different suppliers, it can be difficult to understand whether there is always a consensus on the definition of the precise value driver under the spotlight. This is where segmentation becomes an invaluable tool in communications. For instance, suppliers from one global region might have a different idea of what sustainability might mean to one organization versus another, as all regions and jurisdictions have differences at a local level which can impact interpretation. It is important to be clear on overall aims and objectives, be able to communicate why they are important and help the suppliers in achieving them, rather than leaving them to deal with minimal or no guidance.

The same can be applied to innovation. Innovation will have different meanings to different companies, suppliers and categories. For some, it could mean to deploying a new technology, implementing more efficient procedures or simply finding ways of making cost savings.

However, innovation is not free. Squeezing that extra 5% out of a supplier can frequently mean that innovation is simply stifled, and more valuable opportunities are therefore lost.

“Similarly, you have take the same approach with innovation. It isn’t just about the system and innovation, to be honest, is about having that two-way dialogue with that supplier and that open communication”, Costas Xyloyiannis, CEO of HICX.

Meanwhile, as CPOs shift their focus to ESG initiatives, they have also started to pay far more attention to other areas under their influence, such as impact spending and the use of local or diverse suppliers. Organizations are advised to have a separate division, or at least one dedicated person within the function, committed to focusing on impact spending, such as helping suppliers ensure that their employees are earning a living wage, suggest Mary Beth Lang of Kaiser Permanente.

Building a community to encourage success

Building and strengthening supplier communities is essential for the success of all of these types of initiative. Mary Beth Lang of Kaiser Permanente, explains, “This means that 75% can reach out and ask each other key questions.

For us, that has just strengthened the diverse supplier network that we have. We did see a lot of that – and we have global associations that were very active and very helpful as well.”

Data-backed decision making

When it comes to addressing environmental issues that are most rife, business leaders need access to good data. This is because when supplier information is accurate, complete, current and devoid of duplications, it acts as a single source of truth – making it easier to record and aggregate any interactions that have taken place with suppliers, including managing the content and information that they have provided in relation to ESG matters. When this happens, the buying organisation can see the full scope of activities associated with every single supplier, which translates into a rich stream of information that can be queried or analysed.

Executives can use the insights yielded from this process to make informed decisions around which areas they should tackle first, for example, palm oil or sustainable forestry. Only then can organizations start investing in the right partners and solutions – such as supporting communities or boosting innovation efforts – to together make a truly positive impact on the supply chain.

“ What we found within our supplier base is that many of them do business with each other. And so, as we have built our diverse supplier community, they have become a community among themselves.

Mary Beth Lang, Chief Supply Chain and Procurement Officer at Kaiser Permanente

Why is the SXM approach **a win-win** **for both** suppliers and organizations?

What is the (soft) ROI for organizations?

“

One consideration connected to regulation, for example, is the idea that there's this ROI for improving the industry as a whole, rather than just your own company.

Robert Bonnar, Global Procurement
Director at SHV Energy



As discussed previously, particularly in Chapter 1 which defined SXM, an organization cannot be successful if its suppliers are not successful, which is why it must do everything possible to support suppliers and set them up for success. The market is changing and in order to not just keep up but thrive, companies must adopt the SXM philosophy – not only within Procurement, but as part of their corporate mindset.

SXM creates a win-win for both the customer and the supplier

SXM is no longer optional; it is necessary due to the dependency of organizations on their suppliers. However, there are also a number of direct benefits that derive from using SXM to become customer of choice, as we have seen previously:

- Fastest response times
- On-time delivery
- Correct quantity
- Access to the best resources
- First access to ideas or new innovation

However, beyond these, there are more complex benefits that also yield ROI and that can be a win-win for both parties.

“If it makes things better for you and everybody, then it ends up actively more profitable because you need less time, effort, or resources, to do the same things on the big projects. Those relationships there will last years and years. It’s in the mutual interest to do it,” comments Adam Brown of BT Sourced.

Sometimes the ROI, or the mutual win is less obvious at first, as Robert Bonnar of SHV Energy, recounts, “Let’s say in gas or energy, or whichever industry it might be, if you can improve the regulations, then actually it drives an improved quality and value for everyone. Even for your competitors, at some point, when they catch up.”

However, Rob states they wouldn’t have been able to achieve that on their own, “The regulations, for me, added a dynamic which then actually enabled some really interesting discussions.

They’re not too flexible and so, if through the conversations with suppliers, we can actually find a way to build opportunities to approach the regulators together, this builds a good sense of partnership because it’s impossible (or relatively impossible) for you alone, as the customer, to go and change the regulations without the heavy involvement of the suppliers as to what differences and what changes would really make sense to improve safety, quality, cost, value, et cetera.”

Collaborative relationship and true partnerships will always naturally bring in positive results. Organizations must remember that suppliers, in fact, are humans, rather than corporate machines and these supplier organizations also have their own aims and objectives. The ‘magic’ happens when those goals and objectives are aligned.

Benefits in times of need

However, there are many more ways in which SXM yields ROI. Mary Beth Lang from Kaiser Permanente explains that, as a result of their long-standing commitment to focus more on impact spending and diverse suppliers, in return those suppliers were there for them during the hardest periods of COVID-19 pandemic. Not only that, but they were also actively looking for ways to help them when the crisis hit. She believes this proactive response is a consequence of the culture that guides Kaiser Permanente.

“Their innovativeness and willingness to retool were also very helpful. We had a big oxygen shortage in December, and we had three different companies that were very innovative, so we were able to set up different pods outside our facilities and were able to give to our patients the oxygen concentrators as they left our facility. Those are the suppliers that we look to when we have a crisis,” she added.

THE AWKWARD QUESTION OF FEEDBACK

As stated previously, excellent suppliers have a choice, and organizations must ensure they are the ones being chosen, which means that obtaining feedback from suppliers is crucial. On the other hand, suppliers are probably going to be reluctant to provide feedback as they do not want to antagonize their clients.

Again, the answer is to view the feedback program through the lens of the supplier. They are much more likely to be honest if different strategies are applied rather than simply asking them to fill a survey and be vulnerable, without doing the same in return. Amy Fong of Everest Group, suggests, “Admit what you could have done better, and the feedback is more likely to be forthcoming.”

Feedback is a valuable piece of data and, if utilized in the right way, “it becomes a win-win situation: one where the supplier is happy to do business with your organization,” adds Costas Xyloyiannis, CEO of HICX.

Examples from practitioners such as these highlight how suppliers need to be made to feel as if they are not just part of a supply chain, but are a part, or an extension, of the organization. This is why transparency, flexibility and providing support throughout is incredibly important. “That was something that we developed through the pandemic that we definitely wouldn’t like to give up in the future,” adds Robert Bonnar of SHV Energy.

Robert reminds us, however, that no relationship or partnership is ever the same, that they are all unique, and therefore should be treated as such.

“I think you’ve got to be able to get visibility, and to look at the risk – and therefore the resilience – in your supply chain to really appreciate how to go about segmenting or deciding who it is that you’re really going to work with within the different tiers. I think that’s something that came out very strongly from the pandemic for us, which I would definitely take forward into less troubling times,” he continues.

Organizational readiness for SXM

While Part One of our discussions on Supplier Experience Management, The Supplier Experience Survey, looked at the findings of senior procurement professionals' opinions on the experience their suppliers are having and their hopes for the future, this whitepaper, Part Two, focused on addressing the steps needed for an organization to be ready to adopt the SXM framework and execute it into action:

#1

Assess the mindset of the organization and ensure the right mandate is in place for SXM to be owned

Audit the processes and technologies and ensure that they meet the requirements to support a supplier-centric approach

Create a feedback mechanism for suppliers and use that feedback in the design of an end-to-end supplier experience

#2

#3

#4

Identify segmentations of suppliers that will help with communications and participation in corporate initiatives such as ESG and diversity

Establish key criteria that can be measurements of progress and success and set up a reporting mechanism for these to ensure ongoing supplier experience improvements

#5

HICX is the Low Code Platform for Supplier Management.

We enable business to find, maintain, and re-use trusted Supplier Data and Information across their Enterprise, across any spreadsheet, app or system. Our solutions enable your businesses to be more reliable, flexible, and scalable. Building from a rock solid platform of good quality data, we help businesses become digital in supplier management, third party management, compliance and risk, master data and finance management.

