



Supplier Relationship Management & Supplier Experience Management in Practice



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The turbulent events of 2020 and 2021 have brought the world to a virtual standstill and with it a realization of just how dependent organizations are on their supplier communities.

Companies have reacted by starting to shift their focus towards collaboration, establishing true partnerships and driving value for all stakeholders, rather than simply thinking about cost savings.

This guide will address the differences between the established “Supplier Relationship Management (SRM)” approach and the increasingly popular and more holistic approach known as “Supplier Experience Management (SXM).”

What is Supplier Relationship Management (SRM)?

Supplier Relationship Management is the relationship that develops between a buyer and supplier, which is subject to the exigency of the goods or services purchased and supplied to an organization, and dictates the nature of the working relationship that the buyer should look to nurture with their suppliers.

Regarded as an essential soft skill for procurement and supply chain professionals, the process of Supplier Relationship Management encompasses

a detailed approach to procurement management and obtaining and enhancing the post-contract value from relationships.

Advantages of Supplier Relationship Management

If implemented well, there are numerous benefits of Supplier Relationship Management, including:

- SRM is focused on collaboration and innovation to get the most out of partnerships with suppliers.
- It is performance-based and as such, a great tool for certain supplier categories, especially those in which only quantitative data is used for measuring performance. Buying organizations in such categories are heavily reliant on being able to measure trackable deliverables to manage high impact situations so well-thought-out Supplier Relationship Management strategies combined with comprehensive Supplier Relationship Management software play a vital role in ensuring processes like production and IT are not disrupted.
- There is the possibility of utilizing it to drive innovation management. For example, it can enable organizations to broadcast a request for innovation, receive feedback from suppliers, and generate a pipeline of ideas.
- SRM allows for transparency and perspective for the supplier on how their customer, the buying organization, perceives them and their services. However, in practice this is often poorly executed.

Limitations of Supplier Relationship Management

Despite the advantages of Supplier Relationship Management discussed above, the ecosystem and the industry have changed in recent years. This has revealed certain disadvantages when adopting the Supplier Relationship Management model.

- **Focus on select few:** SRM is, in practice, only reserved for the select few suppliers which are strategically relevant due to the volume, quality and value of their services. In theory, the expectation is that Supplier Relationship Management should be applied more broadly to a large proportion of suppliers. Given that anything between 40% to 70% of a typical manufacturer's outgoings are spent with suppliers, as opposed to 20% on employees, suppliers are a vital component of the company's foundation.

And as with employees, motivated and happy suppliers work harder to deliver above and beyond basic expectations. This begs the question – why aren't organizations setting their suppliers up for success, to do their best for them?

- The Supplier Relationship Management framework favors **performance over relationships**: This is a common occurrence as the methodology is often limited to a scorecard system based on targets set by the buying organization. As a result, a two-way assessment of the health of the relationship, including how well the buying organization is upholding their end of the bargain, is seldom evaluated.

Instead, the practice is to measure suppliers' performance and benchmark them against one another, hoping some 'healthy' competition will motivate them to work harder. It is also not unheard of for organizations to delay payments to their suppliers to motivate them. As well as being a questionable practice, this is in the end counterproductive as restricting a supplier's cash flow is more likely to hamper rather than improve their performance.

- **Innovation is hindered:** The methodology is often bureaucratic and arduous, which blocks innovation. Certain companies with specific needs around development, packaging and design may not achieve the innovation they require by adopting a traditional Supplier Relationship Management model, compelling them to think of new ways to boost collaboration.

Apart from ideas management, which can only take organizations so far, SRM struggles in practice to deliver meaningful supplier-led innovation.

- SRM is **less relevant in many procurement environments**: Supplier Relationship Management can be helpful where clear objectives-based measurement is possible – to capture, for example, whether direct materials are delivered on time and in full. But SRM can be less relevant in wider categories where qualitative metrics play a greater role.

For example, if a creative agency commissioned to design new packaging was delayed by a marketing colleague who changed their mind often, in the end it will be more difficult to determine why the project ran late, as the reason is subjective. Stakeholder interviews can offer some feedback but can only go so far. Such issues are a clear indicator that a two-way communication process is necessary.

Despite its shortcomings in the real world, Supplier Relationship Management is still often discussed in Procurement circles. However, in a highly dynamic and volatile world, adaptability and resilience are paramount and approaching supplier relations from a fresh perspective will be critical in determining an organization's position, value and competitiveness in the market.

Why Supplier Experience Management (SXM) is the evolution of supplier management?

Due to the limitations of Supplier Relationship Management, it is time for the next evolution in managing supplier relationships. Organizations need to fundamentally rethink how they work with their suppliers. This is why, at HICX, we work with procurement and supply chain leaders to transform the way organizations work with and think about their suppliers.

Supplier experience refers to all the interactions that take place between an organization and its suppliers. 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.

- SXM is about being **fully supplier centric**, that is, actively championing the success of 100% of suppliers, rather than just the select few, which drastically increases competitive advantage. It involves evaluating all the touchpoints as one single experience.

“You have to understand that there is no success for you unless that success runs all the way through. These are complex relationships with suppliers, and they really require a two-way collaboration.”

Amy Fong, VP at Everest Group

- Supplier Experience Management is **not a one-size-fits-all, but about a personalized, one-to-one approach**. Large corporations must have visibility within their supply chain to understand the differences in their supply base. They should adjust the expectations of their suppliers. For example, a small supplier cannot be expected to have the same insurance policy as a large organization, as it might end up costing them more than the contract. There cannot be one type of experience as there isn't one type of supplier.
- SXM is about **having a common goal**. Suppliers should be treated as an extension of the organization, ensuring suppliers and the buying organization share objectives and ambitions, to jointly be successful.

The graphic features the HICX logo on the left and the 'art of procurement' logo on the right. Below the logos, the text reads 'Webinar Series: Supplier Experience Management (SXM)'. A red play button icon is centered over the text. To the right of the text are six circular headshots of diverse individuals. At the bottom left, there is a blue button with the text 'Watch Now'.

Objectives of Supplier Experience Management

The ultimate goal of Supplier Experience Management is to establish trust and transparency with suppliers, in order to build relationships based on mutual success. As the organizations are dependent on suppliers doing good work, all relationships must focus on managing supplier experiences no matter how strategic or tactical they are. Managing supplier experiences at scale, for the masses, forms the basis for SXM.

Treating suppliers as partners will ultimately lead to becoming their customer-of-choice, which is essential in times of constrained supply, such as during COVID-19 shortages. Good suppliers will always have a choice, and organizations must ensure they are the ones being chosen. This means buying organizations will be getting the best from their suppliers, fastest response times, on-time delivery, right quantity, first access to ideas and innovation, etc.

“It’s impossible, or relatively impossible, for you alone as the customer to go and change the regulations without heavy, heavy involvement of the suppliers as to what differences, what changes would really make sense and improve safety, quality, cost, value, et cetera. It’s got to be not a win-win but of value to everyone. There’s an ROI for improving the business. So, for the industry as a whole, rather than just your own company. Even for your competitors at some point when they catch up.”

Robert Bonnar, Senior Global Procurement Director at BP

Benefits of Supplier Experience Management

- **SXM sets suppliers up for success**, by creating an environment in which they can do their best work. At the heart of SXM is people, which is why for the tool to be successful, organizations must first understand the end-to-end journey suppliers go through, in working together. Similar to Supplier Relationship Management, Supplier Experience Management still embodies the core principle of collaboration and innovation but takes it a step further to drive real value for everyone.
- SXM seeks to actively **identify and remove friction points**: As such, it is a pragmatic approach. This radically improves the experience for suppliers and frees up their time and resources to do their best work. For example, by removing the pain point such as making late payments, suppliers will have the resources they need to do better work for you, and your customers.
- SXM is a logical step for competitive advantage: With the right cultural mindset and technology in place, SXM will foster the right environment for mutual success.
- **SXM goes beyond Procurement**: The notion of end-to-end has broadened from a Procurement based 'sourcing to contract' process, to being more relevant across the organization. As Supplier Experience Management is fully cross functional, it benefits the business holistically.
- Aside from suppliers, **experience management initiatives are successful in other areas**: For example, employee and customer experiences have been delivering values to organizations who practise them for years.

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

Costas Xyloyiannis, CEO of HICX

It will further enhance the relationships with all suppliers, which enables more suppliers to make the most of macro factors. Happy and motivated suppliers who face fewer obstacles will be better placed to mitigate risks and optimise advantages on buying organization's behalf, to the benefit of the end consumer.

Supplier Experience Frameworks

Determining the organization's level of supplier-centricity can be measured through two factors. First is the cultural mindset, in which everyone must acknowledge that all suppliers, not just a strategic few, should have access to a personalized experience. A business does this by 'putting themselves in their suppliers' shoes', removing consistent pain points, and ensuring internal teams work cross-functionally so that suppliers' experience is truly end-to-end.

The second factor is adopting a technological framework which ensures a supplier-first approach.

Organizations should make it as easy as possible for their suppliers to contact them, update their data and deal with payments. Doing this in dozens of systems is hindering suppliers' experience.

"I think it has to be a corporate culture rather than just a procurement mindset because if you're the best in the world, buddying up with the supplier, being as nice as you possibly can, and the rest of the company are treating them like the enemy, you're never going to manage to build a winning supplier-centric approach", Robert Bonnar, Senior Global Procurement Director at BP.

The Supplier Experience Maturity Model

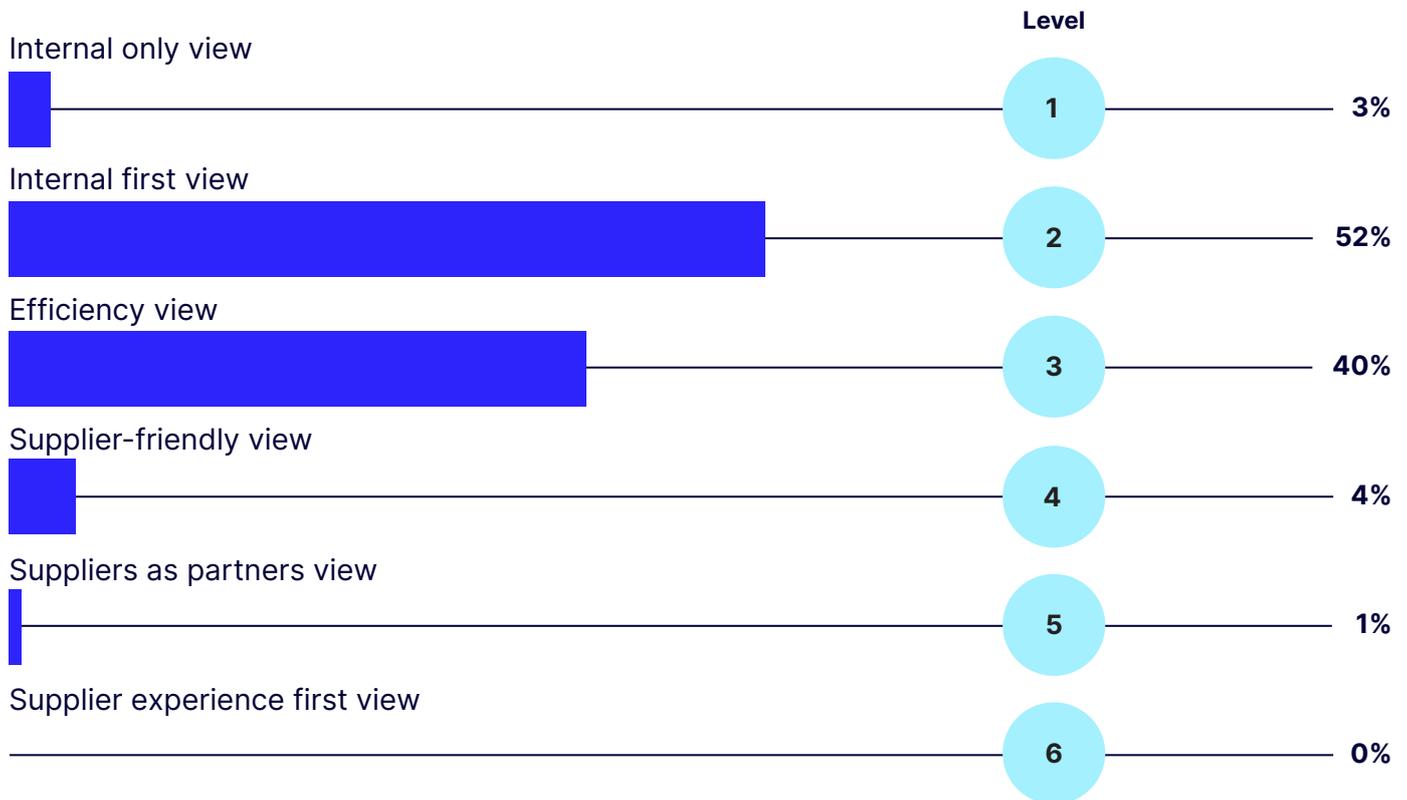
In July 2021 HICX published a [Supplier Experience Survey](#), in which we asked 100 of the most senior procurement professionals about their function today and the vision for the function in the future. The survey posed two types of questions: one based on actual activities and the other focused on aspirational objectives. The results provided an interesting insight into the state of the industry and allowed for the creation of the Supplier Experience Maturity Model, which measures six levels of performance:

- 1. Internal only view:** Little to no consideration is given to the supplier experience. All the focus is on the buyer's benefit. Little to no collaboration.
- 2. Internal first view:** Low adoption of initiatives to help suppliers. IT interfaces with suppliers are fragmented. Feedback is sought only occasionally. Rare collaboration with suppliers.
- 3. Efficiency view:** Isolated examples of processes designed with the supplier in mind. Improvements of IT and processes are ongoing. Some collaboration with a few select suppliers.
- 4. Supplier-friendly:** Company-wide recognition that for suppliers to deliver their best the organization must be supplier-friendly at all touchpoints. Extensive collaboration with suppliers.
- 5. Suppliers as partners:** A joined-up, friction free experience for all suppliers. Communication is two-way, with regular feedback. Goals are mutually shared.
- 6. Supplier experience first:** Incorporating level five, while also showing iteration based on supplier behaviour and feedback and investing in leading edge technologies and solutions to improve supplier experience.

Based on the Supplier Experience Maturity Model, the *Efficiency view* encompasses Supplier Relationship Management, as in that stage organizations are focused on their own efficiency with little regard for their suppliers. On the other hand, the level of *Suppliers as partners* is the

beginning and forms the foundation for SXM, while *Supplier experience first* is the aspirational level organizations should strive towards. The Model below presents the responses and clearly indicates many are far from adopting a truly supplier-centric approach.

THE SUPPLIER EXPERIENCE MATURITY MODEL



The Supplier Experience Maturity Matrix

An alternative way of viewing the same results is to split the questions that form the basis of the analysis into two categories, namely those that measure the sentiment of the maturity of the aspirations for delivering superior supplier experience versus those that assess the strength of the practical ability to support the execution of those aspirations. The results are presented in a four-grid distribution, showing the organization 'type' in terms of its approach to Supplier Experience Management:

1. **Traditionalists** are those who achieved a relatively low score in both aspects
2. **By-standers** are those that 'talk the talk' but without the foundation for execution

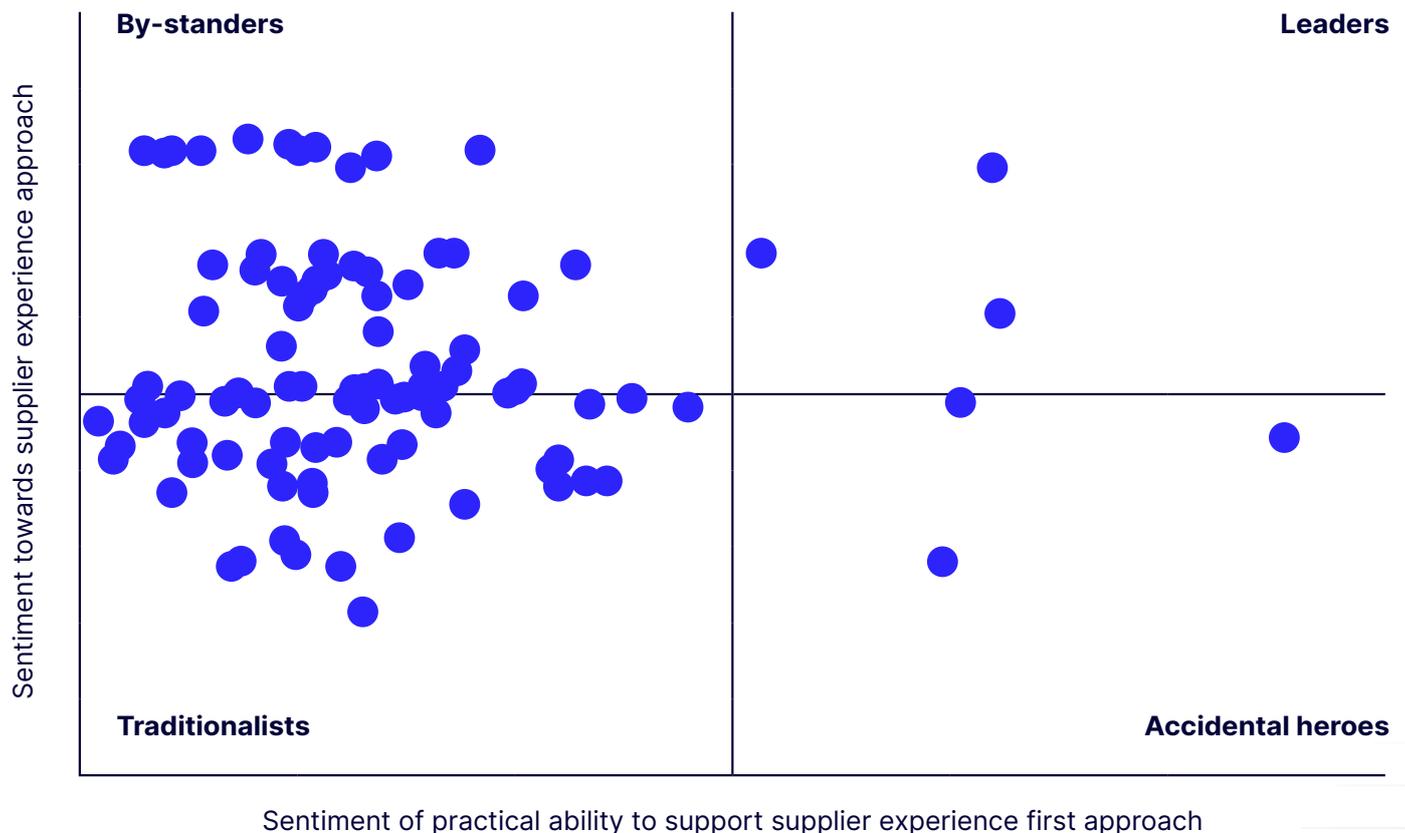
3. **Accidental heroes** are those who are in a good practical position to support a supplier experience first approach but currently do not have the right mindset

4. **Leaders** are those who, relative to others, are strong in both categories.

As per the Supplier Experience Maturity Matrix, *Traditionalists* are those who practise neither Supplier Relationship Management nor Supplier Experience Management and are solely focused on their own gain.

Once they start to adopt some SRM practices, they move towards the *By-standers* type. On the other hand, *Leaders* are those who have a supplier-centric approach.

THE SUPPLIER EXPERIENCE MATURITY MATRIX, DISTRIBUTION OF RESPONSES BY MATURITY LEVEL



Challenges of Supplier Experience Management

Adopting a truly supplier-centric approach is not an easy task. As stated previously, it has to be embedded into the corporate culture. Although the benefits of Supplier Experience Management are immense, there are certain challenges which must be tackled first. Some of the common issues or challenges are:

- Regional or local requirements
- Quality of data on suppliers
- Interdepartmental communications and information sharing
- Too many manual processes or exceptions
- Lack of skillsets to analyze data

These issues are discussed in detail within the [Supplier Experience Survey](#), however, fixing the data and having a mandate are the most pressing.

Data quality & supplier experience flywheel

At the core of SXM is data, and organizations starting their journey towards seeing their suppliers as true partners must first solve this massive data challenge. The goal is to automate tasks, digitalize and make experiences frictionless.

As experiences these days are fully digital, that is not possible without good data. Digital experiences depend on excellent information to fuel them, especially to do it efficiently at scale.

“The philosophy here is better experiences create better data, better data creates better experiences.”

Costas Xyloyiannis, CEO of HICX



The current challenge is the fact many organizations use multiple systems, owned by multiple different functions which are not connected, forcing the supplier to have to interact with all of those systems and submitting the same information multiple times. Suppliers are a core source of data and need to be given a frictionless way of providing organizations with it. Data is proving to be a massive hindrance to achieving objectives, creating one-to-one and personalized experiences as well as getting efficiency as a result.

No one owns the supplier experience

The common reason why Supplier Experience Management does not exist in most organizations is because no one has the mandate to own it. Corporations are too often internally focused, with each function having their own silo or solutions. Only once the problem is externalized and looked at from the suppliers' perspective can the issues be identified and solved as the whole experience is then viewed end-to-end.

Having a mandate, someone owning the problem is the fundamental starting point in fixing it. In large organizations specifically, it is vital to show the business case of why it is beneficial for the business to enable suppliers to do their best work. To adopt a value-focused experience, rather than transaction-focused experience, the buy-in has to first come from senior leadership and work its way down the organization. Their purpose has to be clear.

“The real challenge here is, there is no owner of the supplier experience. Nobody has an end-to-end understanding of what the suppliers go through. That means, for a start, that organizations do not see that they have a supplier experience problem. And, if there is no ownership, there is no way that the problem can be fixed.”

Costas Xyloyiannis, CEO of HICX

For a full analysis, refer to findings of [Supplier Experience Survey](#) and find out more about [Preparing for Supplier Experience Management](#).

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.

