Managing purchasing and supply relationships

UNIT CHARACTERISTICS
This unit is designed to enable students to focus on developing and managing effective relationships, old and new, within the supply chain. Students will be able to review and develop existing relationships and identify opportunities for establishing new relationships that will enhance the performance of the supply chain, while exploring the benefits and risks of establishing such relationships.

By the end of this unit, students will be able to apply a range of tools and techniques to manage relationships, and explain how to exploit opportunities in order to maximise the effectiveness of the supply chain.

STATEMENTS OF PRACTICE
On completion of this unit, students will be able to:
• Review the effectiveness of existing relationships and identify potential areas for growth and diversification in the supply chain
• Examine supply chains and appraise key relationships and growth opportunities
• Apply a range of techniques for supplier selection and assessment, for the provision of goods and services
• Appraise procedures to support the outsourcing of services
• Explain the use of a range of interpersonal and communication techniques required to develop personal effectiveness in relationships
• Identify supply chain problems and propose resolutions
• Explain how to monitor and review supply chain relationship effectiveness.

LEARNING OBJECTIVES AND INDICATIVE CONTENT

1.0 THE CONTEXT OF RELATIONSHIPS IN SUPPLY CHAIN MANAGEMENT

1.1 Classify and describe the range of relationships that may exist within supply chains
• Definition of relationships in the context of supply
• Overview of internal and external relationships.

1.2 Evaluate the contribution of appropriate and well-managed relationships in achieving co-operation and collaboration between buyers and suppliers
• The relationship spectrum
• Adversarial
• Arm’s length
• Transactional
• Closer tactical
• Single sourced
• Strategic alliance
• Partnership
• Co-destiny.

1.3 Evaluate or analyse the challenges in managing effectively the relationships between purchasers and suppliers:
• Supply positioning model
• Supplier preferencing model
• The reasons for changing the way in which a relationship operates
• Managing risk in commercial relationships
• Buyer and supplier behaviour in relationships
• Market management matrix.

1.4 Define the natural life cycle of supply relationships and analyse the position of specific relationships in their life cycle
• The concept of the relationship life cycle
• The stages of the relationship life cycle
• Linking the relationship life cycle to the relationship spectrum
• Understanding your position in the relationship life cycle.

1.5 Differentiate between lean and agile supply philosophies on supplier relationships
• Traditional supply philosophy
• Lean supply philosophy
• Agile supply philosophy.

1.6 Analyse and explain the corporate social responsibility (CSR) and ethical, technological, legal and environmental constraints on relationship development
• Component parts of CSR
• The case for CSR
• The case against CSR
• CSR and supplier development.

1.7 Evaluate the relationship between internal and external stakeholders in the supply chain and propose ways of maintaining objectivity within the relationships
• Ways of maintaining objectivity in relationships
• Services versus manufacturing supply chain relationships
• Technical specialists versus purchasing specialists.

1.8 Evaluate the role of culture and relationship values within supply networks
• Organisational culture
• Relationship values and behaviours
• Managing buyer and supplier perspectives on values and behaviours.

2.0 ASSESSING AND SELECTING SUPPLIERS

2.1 Formulate objectives for relationships with suppliers
• The impact of internal and external stakeholders on supplier selection
• The impact of internal suppliers on supplier selection
• The external supplier’s view of the selection process
• Manufacturing and service supply chains
• Upstream and downstream supply chain activities.

2.2 Evaluate and apply techniques for supplier appraisal and selection
• Supplier appraisal techniques
• Vendor rating
• Supplier auditing.

2.3 Evaluate the effectiveness of the assessment process
• Supplier appraisal deliverables
• Measuring the supplier appraisal process
• Effect of supplier appraisal upon relationship development
• Supplier appraisal in the context of the relationship cycle.

2.4 Evaluate the constraints on supplier selection within the public sector
• Legislation affecting supplier selection
• Supplier selection routes available to the public sector
• The buyer’s perspective on selection legislation
• The supplier’s perspective on selection legislation.

2.5 Analyse the role of reciprocal trading in purchasing relationships
• Definition of reciprocal trading
• Examples of organisations’ policies on reciprocal trading
• Managing reciprocal trading in the selection process
• The impact of reciprocal trading on relationships during and after the selection process.

2.6 Analyse and explain how to mitigate against the potential risks of a change of supply source
• Risks of change
• Cost of change
• Mitigation of risk and cost
• Communication and stakeholder management.

3.0 MANAGING OUTSOURCED RELATIONSHIPS

3.1 Develop and apply procedures for undertaking an outsourcing exercise and maintaining effective outsourced relationships
• The definition of and difference between service contracts, sub-contracting, outsourcing and insourcing
• The outsourcing decisionmaking process
• The outsourcing process
• Legal implications of outsourcing.

3.2 Explain how performance should be managed in outsourcing exercises
• Managing the outsourcing contract
• Establishing and implementing performance measures
• Monitoring performance measures
• Understanding why some organisations are insourcing.

3.3 Evaluate the impact of outsourcing on relationships between customers and providers
• Outsourcing relationships and the relationship spectrum
• Outsourcing relationships and partnerships
• How to manage change in an outsourced relationship.

4.0 DEVELOPING AND MANAGING RELATIONSHIPS WITH SUPPLIERS

4.1 Identify the causes of conflict in supply relationships and select appropriate methods for their resolution
• The positive and negative roles of conflict
• Conflict factors
• Conflict factors related to the types of relationships in the relationship spectrum
• Stakeholder management and conflict.

4.2 Evaluate the impact of both power and dependency on the management supplier relationships
• Power versus dependency
• Relationship issues resulting from power and dependency
• Managing power and dependency.
4.3 Analyse the role of transparent communications between purchasers and suppliers in the effective management of supply relationships
- Stakeholder communication
- Communication tools and techniques in the context of supplier management

4.4 Appraise the use of e-purchasing on supply relationships
- E-purchasing and the relationship spectrum
- E-purchasing and supply situations
- Appropriateness of e-tools and their effect on relationships
- Suppliers’ perspective of e-purchasing
- Stakeholders’ perspective of e-purchasing.

4.5 Appraise the relationship aspects of international supply contracts
- Factors affecting international supply contracts
- Managing risk in international relationships
- Factors affecting performance measurement and ongoing monitoring
- International supplier development.

4.6 Evaluate a range of techniques to develop stronger relationships between purchasers and suppliers
- Supplier development
- Supplier development opportunities
- Supplier development versus supplier relationships
- The stakeholder and supplier development.

4.7 Explain a range of techniques for managing multi-tiered supply relationships
- Performance measures and their impact on the different parties within the supply chain, that is manufacturers, retailers, service providers
- The importance of measuring relationship development across the supply chain
- Difficulties involved in measuring performance across the supply chain
- The buyer and supplier perspectives on performance measurement.

4.8 Evaluate a range of measurement tools to assess the performance of suppliers and the strength of relationships between purchasers and suppliers
- Executive sponsorship
- Account management
- Continuous improvement programmes
- Service level agreements
- Key performance indicators
- Relationship assessment tools
- Feedback mechanisms.

4.9 Review the circumstances in which supply relationships end, and select appropriate methods for their termination and, where appropriate, determine ways of retrieving and retaining the relationship
- Resolving disputes
- Using the contract to terminate a relationship
- Maintaining a supply relationship post-conflict
- Ways of retrieving and retaining the relationships.

4.10 Analyse the relationship challenges of multinational suppliers in the context of a global supply chain
- Barriers to successful ongoing relationship management
- Multinational organisations as customers in local and national supply chains
• Multinational organisations as suppliers in local and national supply chains
• The positive impact of multinational organisations in developing economies.