

## Procurement Leaders: Working together to manage supply chain disruption

The recent extremes in weather have been providing some text book examples of disruption to the procurement process, and the value of truly understanding the risks that can impact your supply chain.

Businesses in the UK were caught out by the heavy snow. At a very basic level it was about having processes in place to allow an organisation to function when staff couldn't get into work - it affected customers and suppliers.

Again, at a basic level, it revealed problems in supplier relationships - especially when the procurement process had concentrated on price at the expense of service.

Professor Richard Wilding of the Centre for Logistics and Supply Chain Management, at the Cranfield School of Management, boils it down to having good communication, and good relationships, with suppliers and customers when you're looking at supply chain risk management. "If you foresee issues are going to occur make sure you communicate that immediately," he says.

The problem comes when you've classified a partner as a commodity supplier and have no relationship with them whatsoever. "Because you have no relationship, you may not have key bits of information communicated to you," says Wilding.

It's possible a business has not recognised the strategic importance of a commodity, nor recognised the need to work closely with the supplier. Or it has simply allowed a systemised procurement process to distance a supplier relationship.

Yue Jin Tay, business development manager of e-commerce solutions provider ProcServe, believes there is a common misconception that systemising the transaction process with a supplier equates to actually systemising the relationship with a supplier.

He acknowledges it can happen, but only if you allow it. "It's important that buyers make that distinction with how they do business on a day-to-day basis, and the contractual commercial relationships they have," he says.

He also sees it as vital for buyers to have the clarity and understanding of the impact and criticality on their business of goods and commodities. This informs the kind of relationship you want to have with your supplier.

"Once the supplier understands they have a role to play and they are important, there is a mechanism to work together in partnership to manage these risks," says Tay.

If a procurement professional has gone in there and all they've thought about is getting it for the cheapest price possible, they're not going to have the same level of service and response when there's disruption.

"Your competitors may have built more robust relationships with that supplier," says Wilding. "At the end of the day your supplier is going to favour who it has a better relationship with."

He believes that if you're requiring people to go above and beyond the call of duty, they're only going to do it if there's a level of trust and an emotional tie. "It comes down to individual personal relationships," he says. "We've tried to systemise processes but people are key in gluing supply chains together. Those relational dimensions become incredibly important."

If the network glue is there, suppliers can help customers; and customers can help suppliers, by informing them they can manage without a delivery, for example.

A word of warning though. Wilding doesn't suggest it's a good time to try and leverage your relationship when circumstances beyond their control have affected your supplier.

"The thing to remember is that competition is not between individual companies, but the supply chains they're part of. If you end up screwing your suppliers, or your customers, that's going to come back to haunt you. You're going to destroy the competitiveness of that supply chain environment."

Plainly put, the key thing is working together.