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How many 'C's in partner?

Sourcing a supplier is a crucial part of purchasing, and the methods and criteria used have changed greatly in the past few years. Neil Fuller explains how to approach identification and selection



CHOOSING THE RIGHT SUPPLIER IS frequently the key to obtaining quality, performance and price; hence sourcing is critical to optimal purchasing performance. However, it is not sufficient to merely select the most suitable supplier in the first instance; it is crucial to long-term success that performance is monitored, maintained and improved.

This requires consideration of supplier appraisal and assessment, procedures for monitoring, and the development of the most suitable relationship between the parties.

Shift to partnership

One of the most important aspects for the buyer in assuring supplies is the maintenance of good supplier relationships. These can be a major asset not only in assuring supplies, but also in maintaining quality and good prices.

Good supplier relations have always been important in the maintenance of supplies, particularly during periods of shortage. But supplier relationships have changed from an adversarial to a "partnership" approach.

This change has been brought about by the increasing use by buyers of techniques such as quality assurance, zero defect policies, statistical process control and just-in-time. These all place extra responsibilities on suppliers, who will accept them only if they see some long-term benefit for themselves in the relationship.

So, in return for accepting these additional responsibilities, it has become common to offer the supplier a long-term prospect of business in a partnership relationship, with both parties offering and accepting complementary responsibilities and helping to solve problems to their mutual benefit.

The partnership approach, or "co-makership", clearly influences the nature of the relationship between buyer and sellers.

However, it also influences the selection criteria for new suppliers. The criteria for the selection of a supplier in the long-term relationship may differ from the competitive criteria apparent in the adversarial approach.

Supply chain management

The partnership approach is part of supply chain management. This approach is broader than the simple relationship between the suppliers and buyers of separate organisations. It deals with managing materials in a positive way – from the suppliers and subcontractors, through purchasing, stock control, production and distribution, to the final customer.

It is concerned with achieving the lowest cost in the whole manufacturing and supply process by identifying and balancing the relationship between the links in the supply chain and ensuring the chain operates at the lowest total cost and maximum efficiency.

Broader selection approach

Supplier selection has traditionally been described as being based on the "five Rs" – right price, right quality, right quantity, right time and right place.

However, greater emphasis is now placed on the management of the buyer-supplier relationship in a non-adversarial, longer-term perspective. This may mean that the five Rs are no longer sufficient when compared with the qualitative aspects of the relationship.

Ray Carter of consultancy DPSS advocated a more comprehensive approach to supplier selection in his article "The seven Cs of effective supplier evaluation". This approach has subsequently been developed and extended by Carter and now consists of the "10 Cs". Acceptance of this approach does not actually make the five Rs any less important. They are still there, but the supplier selection approach is broader.

Carter's original seven Cs for supplier selection were:

- Competency: all staff, all the time – requires evidence;
- Capacity: sufficient and flexible;
- Commitment: to quality – quality systems;
- Control: control of process;
- Cash: sufficient funds for the business;
- Cost: cost/price relationships and total cost of ownership;
- Consistency: consistent production of goods or services (ISO 9000).

The three further Cs are:

- Culture: compatible with similar values;
- Clean: environmentally sound – conforming with legislative requirements;
- Communications: the supplier is fully integrated with information and communication technology (ICT).

Hence the selection criteria have now become "Carter's 10 Cs of supplier selection".

■ This is an edited extract from the CIPS Study Guide Graduate Diploma Professional Stage: Tactics and Operations, by chief examiner Neil Fuller. It is available, priced £26, from the CIPS bookshop on 01780 756777 or online at bookshop.cips.org

Checklist

- Supplier relationships are now based on a partnership approach.
- Partnership forms part of supply chain management, which aims for lowest total cost and maximum efficiency.
- The criteria that should now be used to select suppliers are competency, capacity, commitment, control, cash, cost, consistency, culture, cleanliness and communications.



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