

Supplier Relationship Management

Deepak Jain¹

Abstract

Supplier management became important in the 1970s and 1980s for manufacturing companies. This was driven by globalization and an expanding supplier base. The focus was then on a structured onboarding process and performance management. There was not much system support. Today, Supplier Relationship Management (SRM) has become a strategic tool to achieve competitive advantage through collaborations and partnerships. This paper focuses on how SRM software can be used to achieve this. It covers the SRM process, architecture and features of SRM software.

Keywords : Management, procurement, SRM, supplier relationship

I. INTRODUCTION

Supplier Relationship Management (SRM) software helps organizations streamline supplier selection and onboarding, performance tracking and assessment, document management, and other important supplier-related processes. It helps ensure purchasing from reliable suppliers and brings end-to-end visibility of collaboration workflow.

The SRM software market has a projected CAGR of 14% over the period 2021–2026. WBR Insights & Coupa asked 200 CPOs whether they have the right metrics and data to measure and monitor their supply chain health. Only 24% answered yes. 44% of teams still don't have any solutions to manage supplier performance [4]. This gap points to a huge scope of optimizing SRM in companies. Challenges that can negatively affect supplier relationship management include the following:

- ✦ Focusing on cost reduction rather than on cultivating value and strategic ties
- ✦ Lack of visibility into importance of suppliers to an organization and the value they can deliver; and
- ✦ Inability to develop clear objectives for the program, assign, and train staff to run it, and align business units to the objectives.

The present paper describes how an SRM software can be used to overcome these challenges. An SRM software can be used in retail, manufacturing, Information Technology, services, healthcare, government, defense, etc.

II. SUPPLIER RELATIONSHIP MANAGEMENT PROCESS

The SRM activities in the SRM process can be categorized as:

- ✦ Supplier Management
- ✦ E-Purchasing
- ✦ Sourcing
- ✦ Operational Procurement
- ✦ Spend & Performance analytics

Fig. 1 shows the activities in these categories.

III. CHALLENGES

Organizations that do not use an SRM system or those that use a legacy system face these challenges :

- ✦ System silos don't give the real-time and complete picture

Manuscript Received : July 3, 2023 ; Revised : July 14, 2023 ; Accepted : July 16, 2023. Date of Publication : August 5, 2023.

¹ D. Jain (*Corresponding Author*), CEO, Subtlelabs Solutions Pvt. Ltd., G-65, Sector - 63, Noida - 201 301, Uttar Pradesh, India. Email : deepak.jain@subtlelabs.com ; ORCID iD : <https://orcid.org/0000-0002-6511-0599>

DOI : <https://doi.org/10.17010/ijcs/2023/v8/i4/173267>

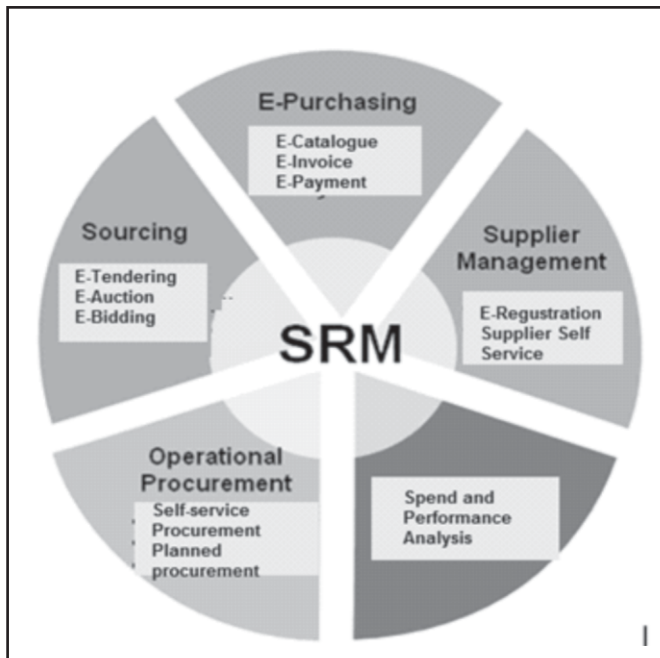


Fig. 1. SRM Activities

- ✧ Difficult to onboard and manage suppliers
- ✧ Increased costs
- ✧ Supply chain disruptions
- ✧ Ineffective decision making

IV. ARCHITECTURE

The architecture of an SRM system is shown in Fig. 2.

V. DESIRED FEATURES

Some of the features that a good SRM system should have are [2]:

✧ **Mobile and easy to use interface:** This is a must have feature these days so that employees can use it on the go and training employees is easy and cost effective.

✧ **Communication:** The software should provide notifications to stakeholders like buyers and sellers to update them about the status of an order. An SRM solution should provide visibility to teams and managers according to their role and authorization so that they can take informed decisions.

✧ **Supplier Management:** SRM software should offer supplier onboarding functionality to ensure that purchasing only occurs with approved suppliers. Organizations should be able to use SRM software to increase their purchasing power by leveraging data and negotiating better terms with volume discounts and early settlement agreements.

✧ **Bidding:** AI-based supplier pre-qualification (to assess their financial stability, regulatory compliance, risk of

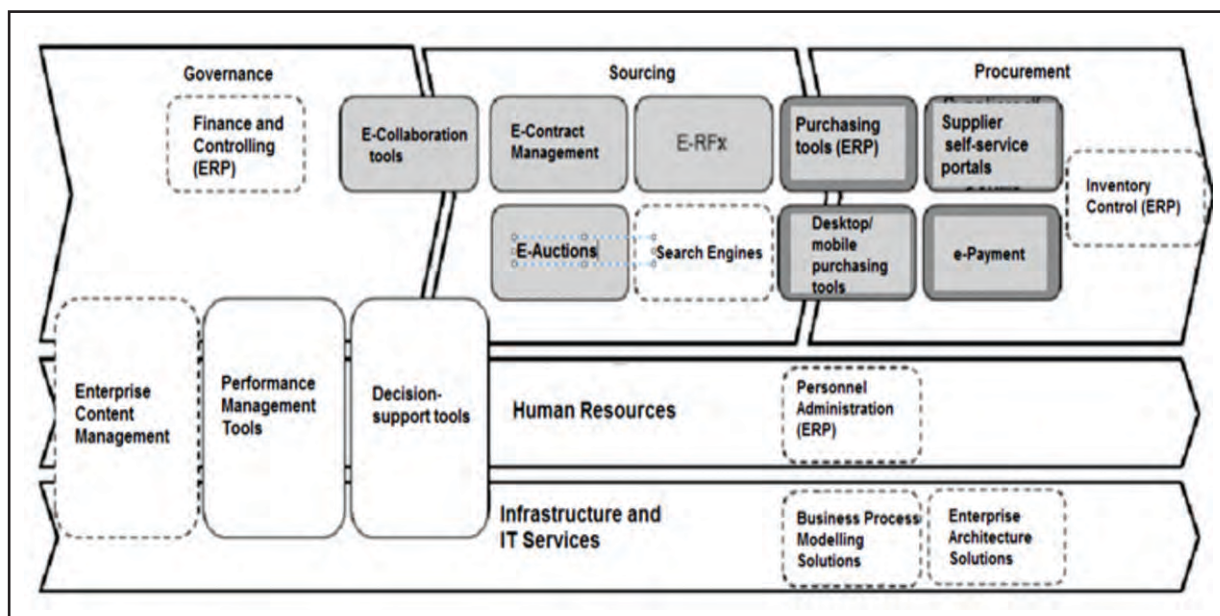


Fig. 2. SRM Information Systems

supply disruptions, etc.) should be supported [1]. The system should also support automated comparison of bids on various parameters.

✍ **Audit:** Auditing features are required to provide traceability with date and time stamps to promote accountability.

✍ **Risk Management:** Transactional risks can be reduced by using SRM software that quantifies budget impact and risk levels before any costs are incurred. This provides valuable insights that enables proactive spend management. Real-time supplier risk monitoring (reputational, financial, operational, and other risks assessed by AI based on private and public data sources and data from the questionnaires filled in by the suppliers) should be possible [1]. Fig. 3 shows a Supplier Scorecard.

✍ **Budget insight and control:** SRM software should provide insights into available budget vs. actuals for better decision making.

✍ **Policy Compliance:** Working capital can be saved by

configuring spending policies in SRM solution. Adherence to policies improves spending behavior, auditability, and ensure profitability.

✍ **Business Intelligence:** SRM software should provide real time reports and should have drill-down capabilities to focus on problem areas or areas that are doing well. The ability to analyze and report on historical and real-time data is key to understanding how a business spends money and where to cut costs. It should be capable of tracking supplier performance and compare suppliers.

✍ **Procurement Management:** The system should support creation of templates for purchase requisitions and purchase orders, and automated approval workflows for these.

✍ **Integration with other systems:** The system should integrate seamlessly with ERP and other solutions such as financial, material management etc. for having seamless procure to pay system, complete visibility, and to have real-time data.

Fig. 3 to Fig. 8 show some sample SRM software features.

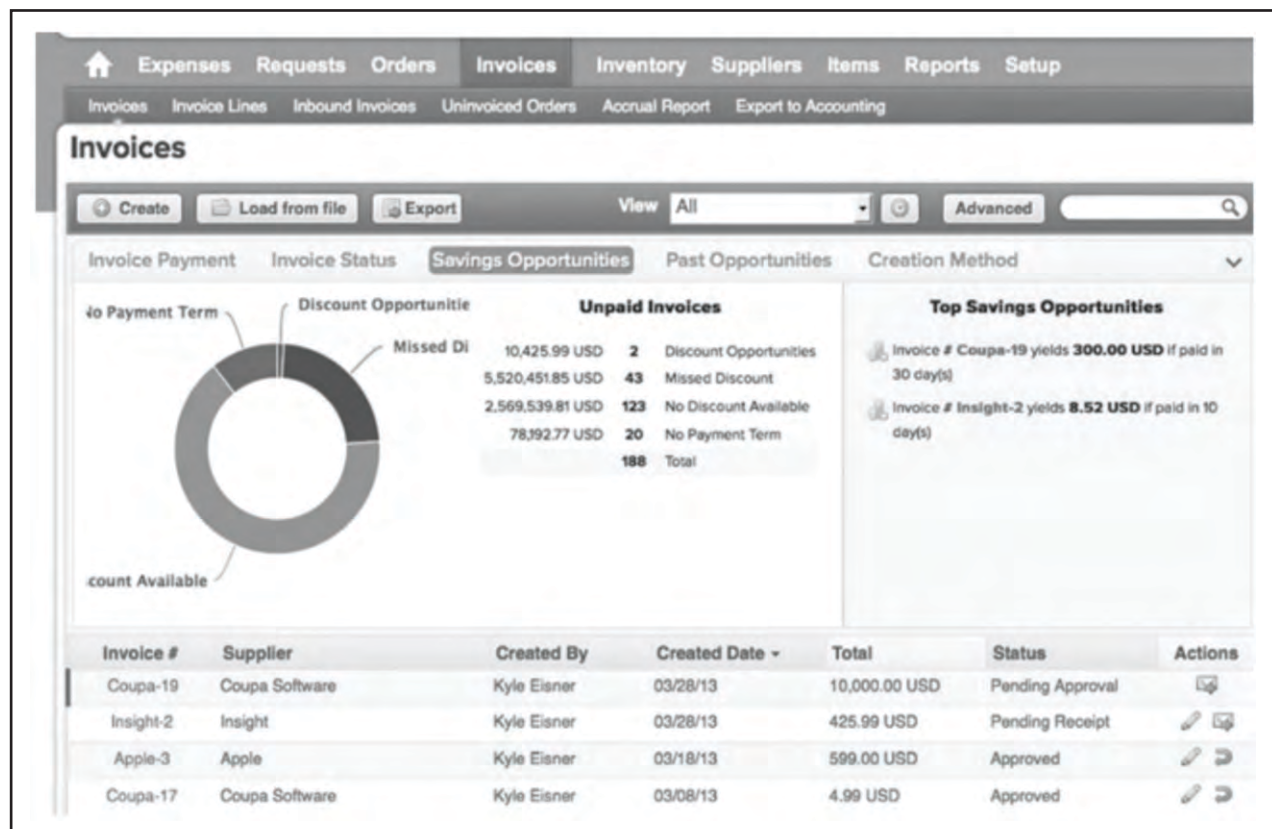


Fig. 3. Invoices

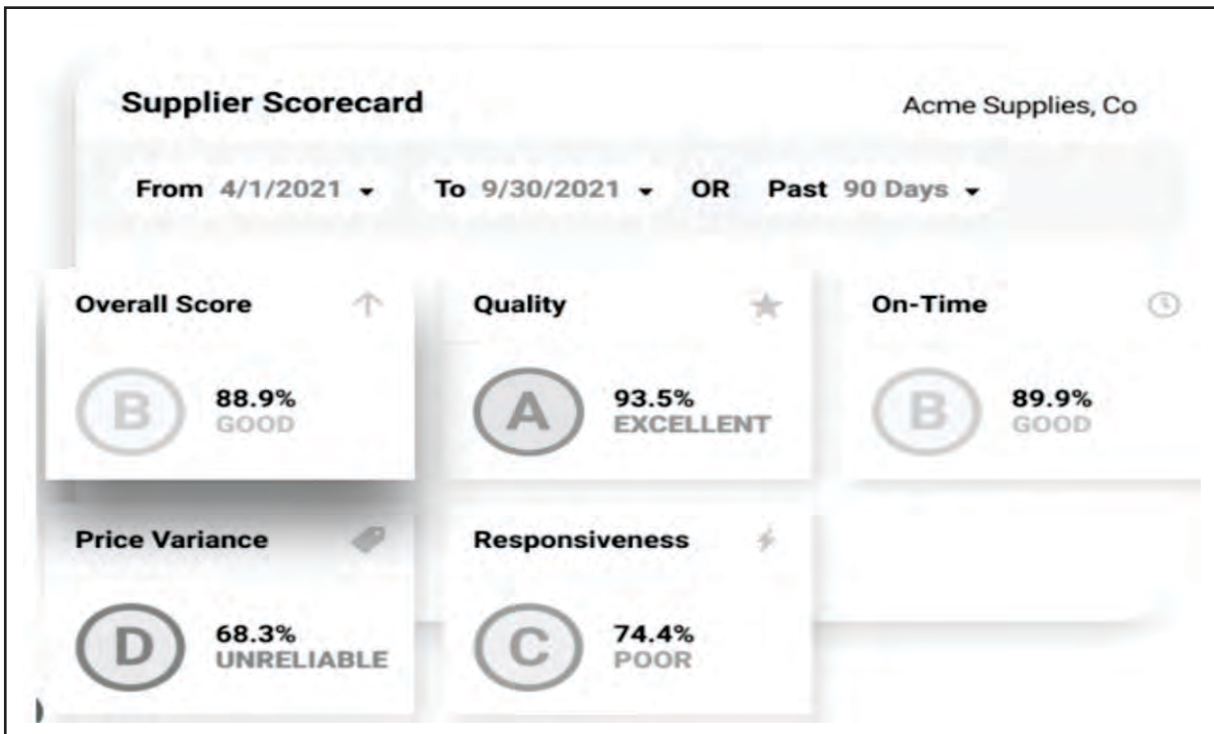


Fig. 4. Supplier Scorecard



Fig. 5. Supplier Comparison

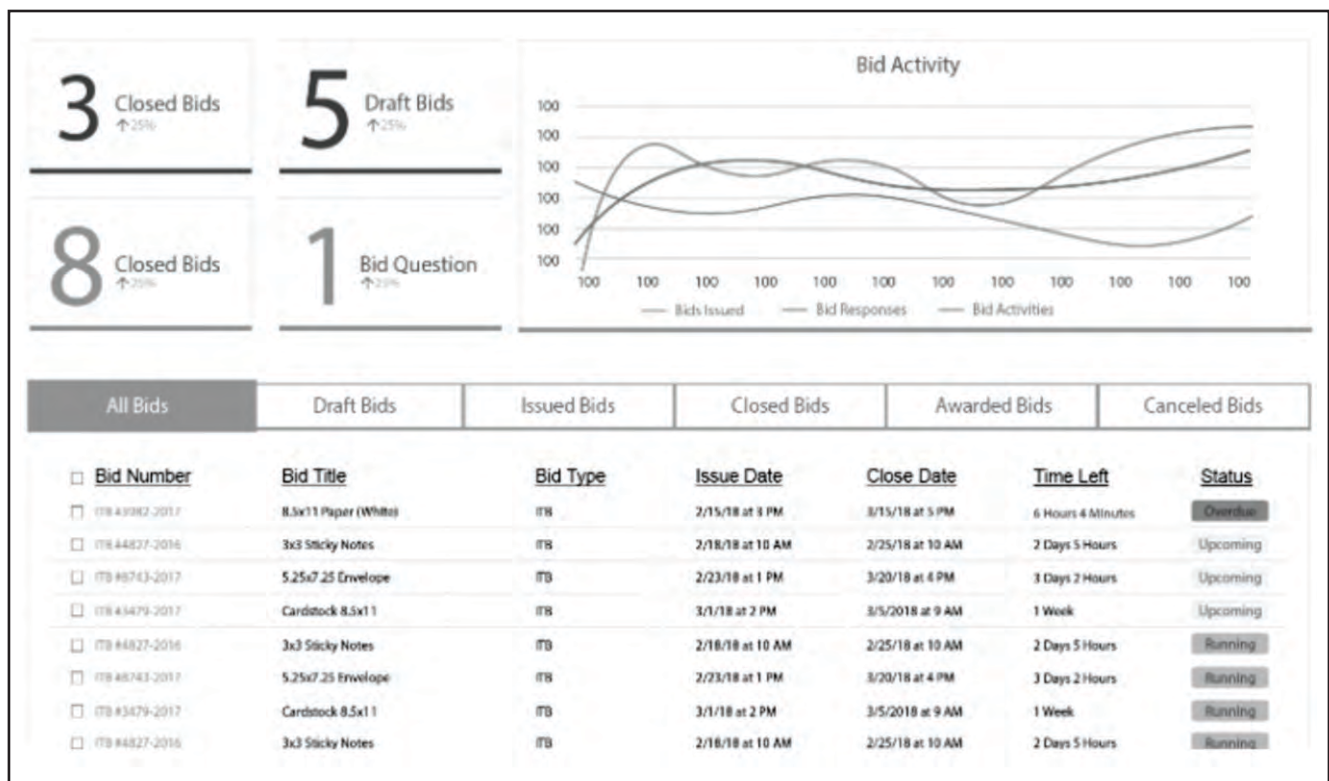


Fig. 6. Bidding Dashboard

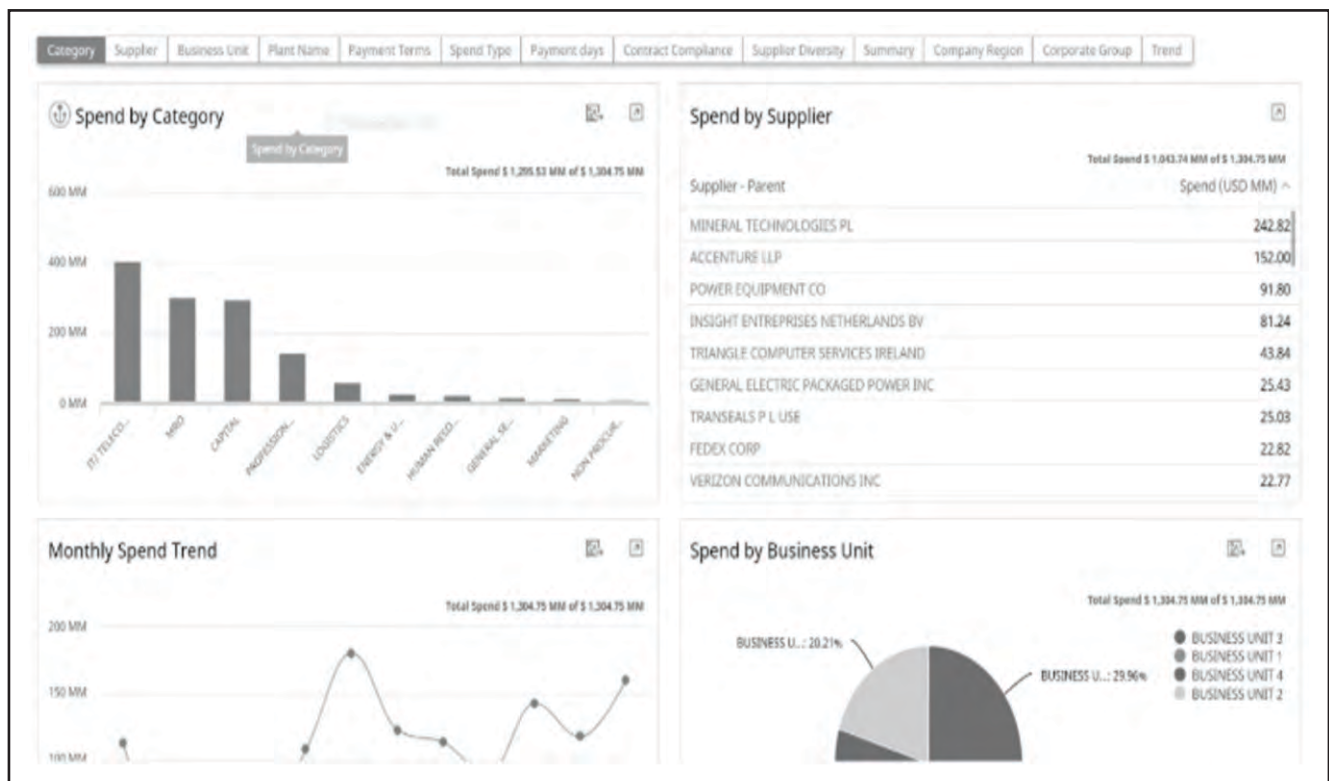


Fig. 7. Spend Analysis

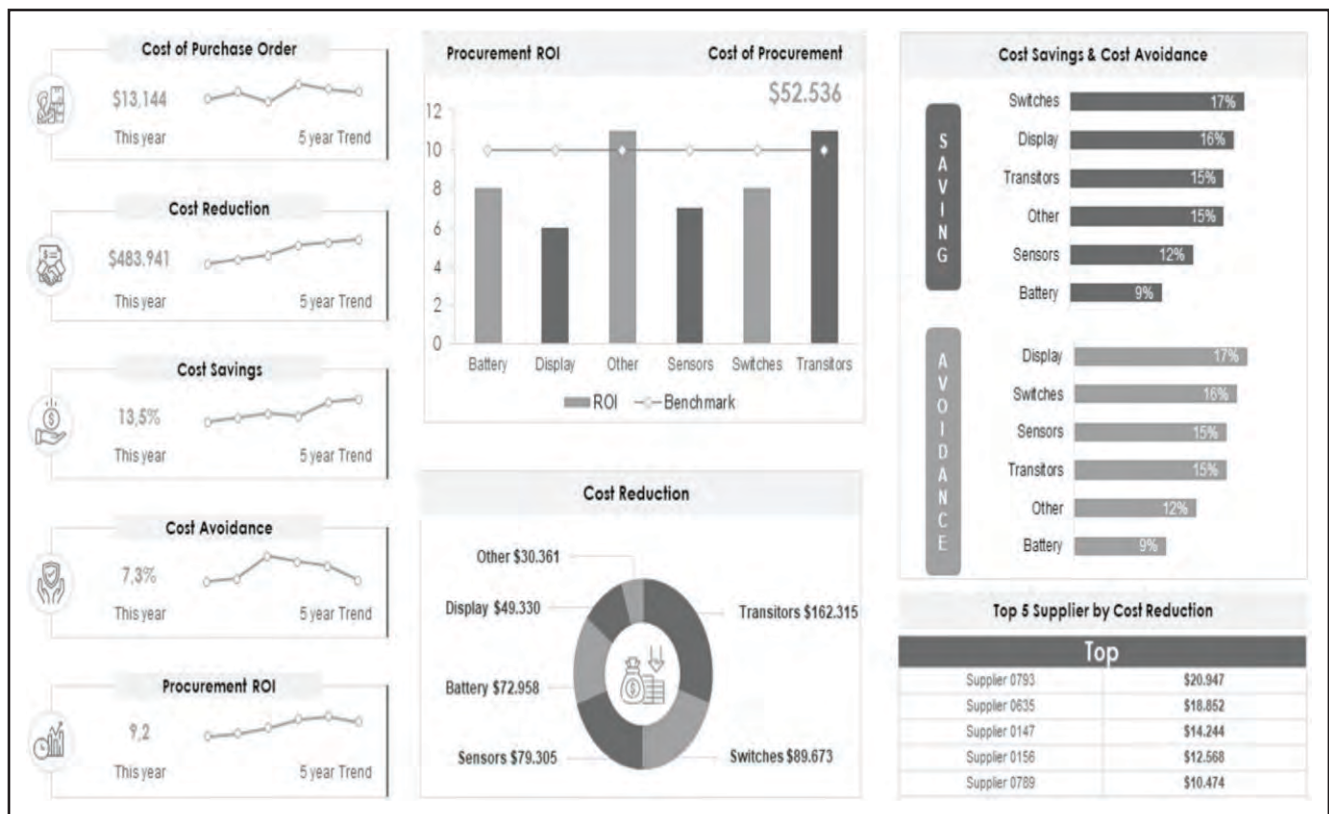


Fig. 8. Business Performance Dashboard

VI. CHOOSING THE RIGHT SRM SOFTWARE

Apart from cost, factors that need to be considered for choosing an SRM software are size and complexity of supplier network, need for real time collaboration and integration with other systems. An organization needs to understand its current business processes, challenges, and goals and then choose a software that will help it achieve its goals. The software may be vanilla, customized, or best-of-breed.

VII. CONCLUSION

Using an SRM software can be a game changer for any organization. An organization is able to get a 360° picture of each supplier, instant feedback, and a long-lasting relationship with suppliers. It is able to save cost and can take fact-based decisions. SRM software chosen by an organization should meet its current and future goals and should offer seamless integration with other systems for it to be effective.

AUTHOR'S CONTRIBUTION

Deepak Jain is the sole author of this paper and he has done the complete work for it.

CONFLICT OF INTEREST

The author certifies that he has no affiliations with or involvement in any organization or entity with any financial interest or non-financial interest in the subject matter or materials discussed in the manuscript.

FUNDING ACKNOWLEDGEMENT

The author has not received any financial support for the research, authorship, and/or for the publication of the article.

REFERENCES

- [1] "Supplier Relationship Management Software." ScienceSoft. [Online]. Available: <https://www.scnsoft.com/scm/srm>

[2] S. Jandrell, “Top 12 must-have e-Procurement software features,” [Online]. Available: <https://www.fraxion.biz/blog/key-e-procurement-software-features>

[3] CAMELOT Consulting Group, “The (R)evolution of Supplier Management”. [Online]. Available: https://www.camelot-mc.com/wp-content/uploads/sites/3/2020/08/White-Paper_Strategic-Supplier-Management-1.pdf

[4] “Top 10 stats: Supplier Relationship Management Software Market (2022).” kodiakhub.com. [Online]. Available: <https://www.kodiakhub.com/blog/top-10-stats-supplier-relationship-management-software-market>

About the Author

Deepak Jain is an experienced engineer and product leader with a demonstrated history of working in the computer software industry solving technically challenging problems at scale. Eager to build products, solving real-time problems. He founded Subtlelabs as a product engineering company that is today serving customers across the globe. He had earlier worked with global companies and created solutions in Healthcare, Security, Fintech, Logistics, and CRM domains.