

Supplier Relationship Management

[00:13] - Matt Hounsome

The supplier relationship management, or SRM is another particular area of focus for Auckland Council. It's something that we've dabbled in in the past that we're trying to push more into in the next financial year and foreseeable future.

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SRM is a systematic approach to managing strategic partnerships with our really strategic relationships that we have with our supply base. So again, it's not something that we can do with all of our suppliers. It's very targeted. To get to the point where we know who we're going to work with we go through a segmentation process.

So we look at all of our suppliers across the Auckland Council group, and we look at the level of spend and the criticality of supply of a product or service. By analyzing these two factors, we can really pinpoint our top strategic suppliers, and they're the ones that we look to put in place an SRM program with.

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Key parts of SRM are the governance model, which is basically how often we're going to meet, who we're going to meet, and what we're going to talk about when we meet. So typically this will involve more senior members of both the Council organisation and also the supplier, possibly even up to the Chief Executive level. So we define who's going to be talking to who, and we have a relatively defined agenda which is consistent across all of our supply relationship management.

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What that agenda consists of is usually some high level performance metrics and review, which isn't down in the detail of the contractor SLAs. It's raised the level above that. We will talk about high level risks and issues, and we'll also have a very strong focus on continuous improvement, innovation, sustainable and social outcomes.

One of the reasons we've decided to focus more on SRM at Auckland Council is because it's been recognised that quite often within procurement we may lose value beyond the contract's signature. So during a sourcing process, we typically develop or deliver a lot of really good value for Council in terms of cost savings, in terms of some really great KPIs and deliverables, and then typically we will then pass a contract to the business and move on. So we're losing that value. So what SRM enables us to do is to maintain and to grow the value that we've delivered through the sourcing process.

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A recent example of where we've put in place an SRM framework is with SAP. So SAP are a significant supplier to Auckland Council. They have multiple systems that underpin our key operational areas, including our procurement systems. They have relationships with multiple business units within Auckland Council, and previously there was no overarching oversight of the relationship and the conversations, the discussions, the contracts that we have with SAP. So through SRM, we've established a core working group with multiple levels of hierarchy within the Council organisation all the way up to our Chief Executive.

What that looks like in practice is we have quarterly review meetings, which we're reviewing SAP's performance across the multiple contracts and business units who interact with SAP. So we have that holistic view of the relationship of the performance. We've introduced some new KPIs specifically around sustainability and social outcomes, which is typically an area which we weren't particularly strong on within the ICT space.

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Both category strategies and SRM enable us to add much more value than what we would do just through sourcing alone. It enables the procurement team to raise its profile and not being seen as just a centre of transactions. Enables us to bring our strategic thinking to the forefront and to show the business that effective planning, effective frameworks and methodologies, and partnering enable us to really maximise what we get out of our supply chain and how we work with our supplies.