

Economic Development & Diversity Compliance

# Strategic Sourcing and Supplier Relationship Management

Greater Miami Chapter of



# Standard Information About Robert Ballou, CPSM, CPSD

With over 25 years of corporate supply chain management experience, Mr. Ballou currently leads the economic inclusion activities with local, small and minority owned business enterprises for Broward County Public Schools. He has lectured at universities in the U.S. and at numerous national conferences.

Nova Southeastern University: MS Management/Leadership

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## Interesting fact about Robert

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As a certified Yoga, Thai Chi fitness instructor, and a practicing 5th-degree black belt martial artist, Robert incorporates lessons from mindfulness, ashtanga yoga, and martial arts into his leadership and business development consulting. He blends his business and fitness professional experiences into a unique mindfulness practice for everyday life, leveraging common sense as an uncommon expertise.

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# ABOUT EDDC

The Economic Development & Diversity Compliance (EDDC) Department is at the heart of the School Board of Broward County, Florida's (SBBC) commitment to Diversity and Inclusion.



## Mission

To grow the economic base of Broward County to benefit students and the business community.

The EDDC is responsible for administering [Policy 3330 - Supplier Diversity Outreach Program](#) to help local, small, minority, and women-owned business enterprises (S/M/WBE) participate in the District's procurement and contract activities.



# Typical Procurement

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Story Time



# Procurement Reaction

“The purchasing group feels smug in the knowledge that they have saved the company ten percent on price and holds this up to (Sr. Management) to show that they are doing a great job and adding value to the (organization), although the ten percent savings was never eliminated from the operational budget and the total cost of ownership for using this supplier may escalate owing to poor quality, poor delivery, extra inventory required as buffer stock, or other factors not included in the negotiation.”

Handfield, 264



# Internal Customer Reaction

The internal customer, who may have had nothing (limited) to do with the negotiations, now has a disenfranchised supplier to work with and has no knowledge of the (additional) terms negotiated in the contract. Further, the supplier selected may have a product or service that does not meet the needs for operations, manufacturing service delivery, or end-customer requirements. They are now forced to use this supplier or face severe penalties from (Sr. Management)"

Handfield, 264



# Supplier Reaction

“The supplier who put forth a good faith response to provide their best price given the volume requirements, has been battered around a few times and now vows to recoup their lost margin in ways that the buying (organization) may not realize (Margin Remediation). These may include using lower-cost materials or contract labor, compromising on quality or delivery, or extracting outrageous expediting charges on rush deliveries.”

Handfield, 264





# Supplier Relationship Management

The Why- Don't be evil (Ye Ole Google); "Do the Right Thing"

The What – An Innovative Way to Prevent Adversarial Relationships

Contracts with shared goals and shared savings

The Who- Procurement

**Procurement shift from buying what is asked to sourcing for solutions with supplier partners....**



# Procurement vs Sourcing.... New Trend?

Purchasing Must Become Supply Management  
Peter Kraljic, Harvard Business Review **(September 1983)**

“In many companies, purchasing, perhaps more than any other business function, is wedded to routine. Ignoring or accepting countless economic and political disruptions to their supply of materials, companies continue to negotiate annually with their established networks of suppliers or sources. But many purchasing managers’ skills and outlooks were formed 20 years ago in an era of relative stability, and they haven’t changed. Now, however, no company can allow purchasing to lag behind other departments in acknowledging and adjusting to worldwide environmental and economic changes. Such an attitude is not only obsolete but also costly. “



# What is Strategic Sourcing

Strategic Sourcing is a procurement process that creates efficiency across all activities within the procurement cycle to secure the best possible price for a product or service. The main objectives are to save money and improve the acquisition process, supplier performance, and minimize risk. Strategic sourcing focuses on the shared gains in a collaborative relationship. Strategic partners look for new innovative ways for your products and services. No matter the purchasing size, the 7-step strategic sourcing practice, originally developed by A.T. Kearney, has been tested and proven effective for sourcing products and services.



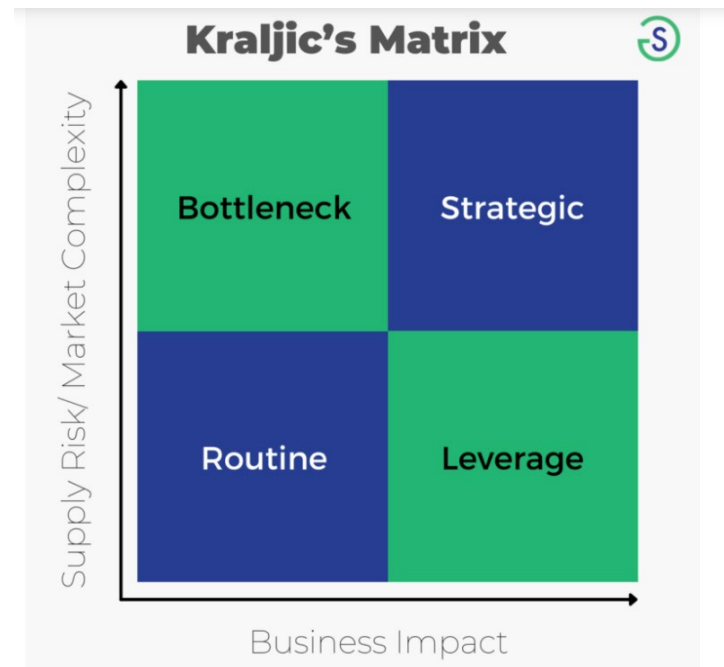
# Step 1: Profile the Category

The first step is to identify the sourcing category or commodity, including the volumes (quantity, types and sizes) spent on products and services, current prices and suppliers, and specification details. Also, don't forget to analyze your users – who they are, where they are located – and departments involved in the supply chain.



## Step 2: Supply Market Analysis

Understand your buyer power and category critically to position the sourcing strategy by performing market analysis. Then, you determine what strategy approach better fits with the type of service you're sourcing. Once you identify the segmentation of a product and service, you'll have a clear vision of how the product and service impact the overall business, then be more confident about what strategy and partner relationship you should implement.



## Step 3: Develop a Strategic Sourcing Strategy

It is a critical step in deciding where and how to buy while minimizing the risk and cost. To get the best of our supplier pool, you should consider both existing and potential suppliers. Establish your business' goal and the minimum requirements for suppliers, then list the selection criteria that are most suited to your requirements, capabilities and resources. A cross-functional team with critical stakeholders is highly recommended.



## Step 4: Select the Strategic Sourcing Process

Time to solicit bids! The most common method that many businesses are using is Request for Proposal (RFP). If you're not familiar with the term, RFP is a document that solicits proposals, which is often used through a bidding process, written by an organization interested in acquiring a product or service from vendors for their project. The document outlines the details of product or service specifications, requirements, pricing breakdown, legal and financial terms and conditions, and evaluation criteria.



# Step 5: Negotiate with and Select Suppliers

Now you may have many suppliers that respond to your RFP. Your next task is to shortlist the most potential suppliers, then interview for clarification or asking more details if needed. The more information you have from each supplier, the better decision you will make. To do that, you need to form the best possible team that knows the product or service you want to purchase, which helps ask the right questions to potential suppliers.





# Step 6: Implementation and Integration

**Communicating** with suppliers and internal customers is an integral part of strategic sourcing. After negotiation, you may have the decision of what suppliers you want to partner with. Make sure you notify those successful suppliers that are going to be involved in the implementation stage. The more complex your product is, the tighter your cooperation and partnership should be. It's critical to integrate suppliers into your meetings or discussions included in the implementation stage, making sure they're up-to-date on the most recent changes and updates.



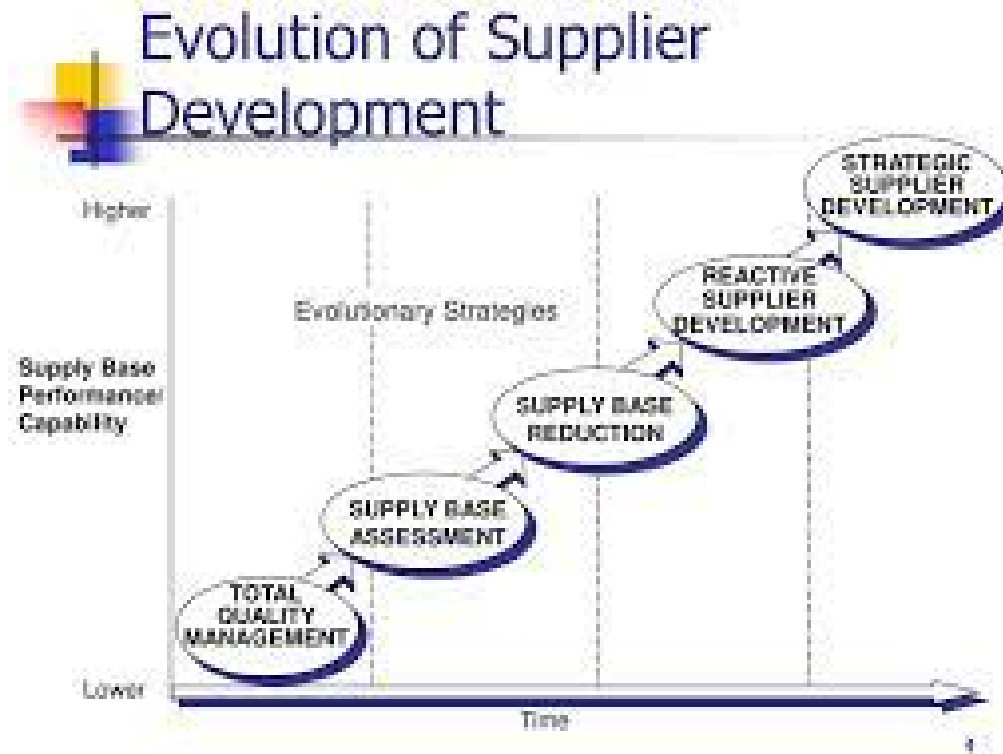
# Step 7: Benchmarking

Many people underestimate this step, but it's a huge mistake to skip it. It's essential to measure the supplier's performance over time – starting with benchmarking the current status of the product, continuously monitoring the results and ensuring the goal is being achieved. By doing so, you can quickly identify the problem during the implementation and notify your supplier to address the issue with the lowest business impact.



# Conclusion

**Strategic Sourcing + Supplier Relationship Management =  
Strategic Supplier Development**



Handfield, 324



# Resources



**Supply Management Intelligence**  
A Managerial Handbook  
for Building Sourcing  
Strategies  
Robert Handfield  
Auerbach Publications, 2006

**Harvard Business Review**  
Supply Chain Management  
**An Innovative Way to Prevent Adversarial Supplier Relationships**  
by David Frydlinger, Oliver Hart, and Kate Vitasek  
October 08, 2020

[Strategic Sourcing | Understanding The 7-Step Strategic Sourcing Process \(suppliergateway.com\)](https://suppliergateway.com)

**Harvard Business Review**  
Operations Strategy  
**Purchasing Must Become Supply Management**  
by Peter Kraljic  
From the Magazine (September 1983)

[An Innovative Way to Prevent Adversarial Supplier Relationships \(hbr.org\)](https://hbr.org)

[Purchasing Must Become Supply Management \(hbr.org\)](https://hbr.org)



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