

Partnerships vs Traditional Sourcing: Creating relationships that achieve greater benefits



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There is a plethora of content discussing the subject of supply-side partnerships, with forums and industry bodies all defining the terms in different ways.

Here are three terms with similar definitions, depending on the source you quote:

- Sourcing
- Strategic Sourcing
- Partnerships

What’s the difference, and where does Procurement fit?

Procurement involves merely **procuring** goods, inputs, and materials and organisation needs for their operations. While **sourcing** comprises the entire body of effort necessary to building and maintaining vendor relations, vetting suppliers, creating and maintaining a supply chain, who are ideal to the organisational needs.

PROCUREMENT	STRATEGIC SOURCING
Doing the work	Choosing a vendor
Extends through full relationship	Launches the partnership
Focuses on a specific need	Evaluates long-term goals
Involves narrow group of people	Involves lots of internal input
Focuses on acquiring goods	Focuses on vetting vendors
Action and goal-focused approach	Big-picture, long-term thinking

Digging-deeper into sourcing

When it comes to 'sourcing', leaders in this area say:

"Strategic sourcing can often be an intangible concept and difficult to distinguish from a partnership".

Peter Longo,

Director of Strategic Sourcing, 2020

"Partnership sourcing is about creating a commercial framework that serves the client and supplier for not only today, but for the future in an increasingly complex and unpredictable environment."

Sadler, 2003

With so many buzzwords and so many experts, "Partnerships" is the term in favour, but are we really clear on the concept, and does the behaviour in the marketplace match the definition?

I would suggest that forms of traditional sourcing hide under the new mantle of "partnerships".

Partnerships in a common-sense no-jargon view are about creating business relationships that achieve greater benefits, through good supplier and buyer relationships.



The 5 questions to ask in your next sourcing activity:



1 Can you select a partner through a traditional bidding process?

It doesn't allow for a tailored business relationship based on mutual trust, openness and shared risk. Increased commitment and improved communication are benefits of partnerships yet can be absent in a bid process.



2 Are both parties clear on their relative positions (profit vs. risk on the Kraljic matrix)?

It's a tried and tested way to open up a dialogue, it opens up a discussion about how the client views the supplier and how the supplier views the client (see a recent article in Forbes here, it's still a relevant model). You may find you are trying to build a partnership in a commodity environment with dubious returns.



3 Is the relationship you wish to create/be part of creating, set to deliver the best total value to the business?

How to measure 'value' is important and must be in the language of the client – if your client doesn't value innovation or process improvement (see supplier positioning) then there is a disconnect.



4 Value optimisation – will both parties have the intent and execute to work towards understanding cost savings, quality improvements, risks, service improvement?

If there is a mismatch, the journey will be problematic and potentially not a partnership at all. There are many tales of the best intent being contracted, but the behaviours of the parties after the agreement is signed is quite different.



5 Can you see the strategy that links the total business plan of an organisation to maintain a sustainable position for the organisation in the relationship that you wish to create/be a part of?

You may find after answering these questions that your sourcing activity is really a traditional sourcing activity, or a strategic sourcing activity, dressed up in the label of a 'partnership'.

The next question is to ask yourself is, is that the relationship you want? And if not, what needs to be done?

Wasted investments and non-competitive supplier costs and behaviours are the enemy of value optimisation.

CDRU can work with you to manage complex suppliers and supplier relationships, and ensure incumbent suppliers remain competitive and aligned with your needs now and in the future.

CDRU's methodology and expertise helps to deliver guaranteed ROI and Outcomes. Always.