

Strategic Internal Client Partnerships: CPO Perspective on Process and Payback

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Abstract. While supplier relationship management is considered essential among supply management professionals, deliberate internal relationship management is often overlooked. Yet the quality of internal partnerships determines whether supply management operates at the tactical or the strategic level.

This session is based on over 25 years of proprietary research into the process of internal partnerships and recent interviews with 15 exemplary CPOs from Fortune 200 companies who have demonstrated success building productive, strategic internal client partnerships. Participants will explore a model to build and sustain strategic internal partnerships and learn helpful “success practices” that can be used when working with their respective internal clients.

Introduction. Over the past several years, supply management has been transforming its focus from transactional and tactical activities to more strategic work. That said, at most companies supply management is still not represented at the most senior management level, even though 50-75 percent of company revenue is spent for purchased goods and services.

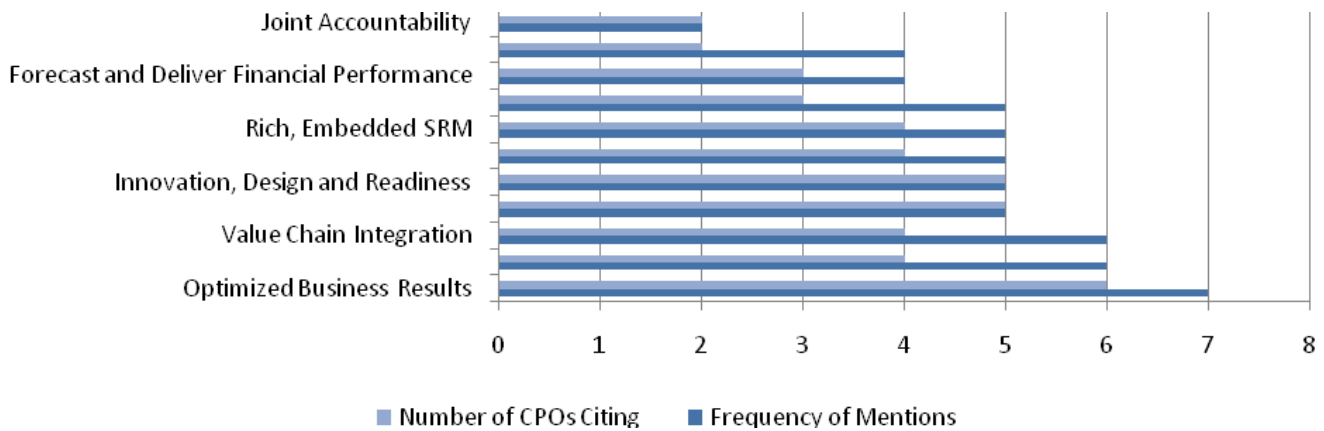
The continuing opportunity for supply management to transform the function and consequently reach its full potential is reinforced in research, as is the benefit of aligning purchasing strategy with business strategy and working more effectively with internal clients. But few models, processes or guides are available to explain and teach supply professionals the necessary skills and practices required to build effective, dynamic internal strategic partnerships in order to achieve those benefits.

In 2008, we conducted in-depth interviews with 15 leading Fortune 200 CPOs about how they develop and maintain internal client partnerships. This workshop will share their insights. The CPOs agreed that developing strategic internal client partnerships is a best practice that can and must be deliberately managed at the individual level, and ultimately at the process and organizational level to optimize business results.

Benefits Of Strong Internal Client Partnerships. Figure 1 shows the benefits of strategic internal client partnerships as experienced by the CPOs. Optimized Business Results was the largest benefit, expressed in both the number of times it was mentioned as well as the number of CPOs who cited the benefit. Strong internal client partnerships help to better link strategic plans, goals and objectives across an organization. The result is greater and quicker support for supply management resources and cross-functional work that delivers bottom-line results.

Another benefit of internal client partnerships is the opportunity to work up-front and to influence product cost and innovation. Close, collaborative internal client partnerships foster the ability to work upstream with suppliers and then with the entire organization and customers. They allow supply managers to serve as true integrators. This value integration, according to the CPOs, is a unique competency that elevates the CPO to a position highly valued by general management. It can also serve as a gateway to other senior positions.

Figure 1.



Indicators Of Effective Internal Client Partnerships. For the CPOs, the number one indicator they use to gauge the effectiveness of their internal client partnerships is speed and timing. “Speed” refers to the level of responsiveness of the internal client and adherence to schedules and requests. “Timing” refers to the point in the decision making process that supply management is engaged. Rounding out the CPO’s top five of 17 indicators are: Success Executing Common Initiatives; Feedback; Partner on Vision and Strategy; Pull Instead of Push.

The CPO Approach To Internal Client Partnerships. While it is possible to make significant strides in individual relationships in a few months, the journey to efficient and effective internal client partnerships that enable value chain integration can take three to five years, and even top performers believe they have a long way to go.

Many CPOs assert that they invest more time in this area than in any other area—including supplier relationships. The building blocks for success are one-on-one meetings and informal interactions. Especially for new CPOs, there is no substitute for face time. Most of the 15 CPOs regularly connect (from quarterly to annually) with 30 or more senior level people within their own organization in a one-on-one or two-on-two format. When a new senior leader external to supply management joins the company, they make an effort to provide them with an orientation on history, key projects, and to brainstorm opportunities.

After five or more years of a conscious focus on internal client relationships by supply management, there appears to be a point where it becomes less of a consciously driven activity and more of an integral part of an organization’s culture. At that point, there appears to be a cross-over into integrated teams and extended value stream.

Establishing And Maintaining Internal Client Partnerships. Having access to internal clients is essential. Informal interaction fosters a special opportunity to partner. Supply management organizations that appear to be most successful managing internal client partnerships co-locate with their important internal clients or enable and encourage supply management team members to meet in person with internal clients. Establishing “single point contacts” makes it easier for internal clients to work with supply management.

Additionally, there is no better way to initiate and maintain a partnership than to deliver results: Quality, Volume, Cost and Profit. Then the key is to give your partner all the credit.

The “breakthrough competencies” developed by Nick Ward of SMI-2 and Rob Handfield from North Carolina State University are what help enable these CPOs’ teams create and manage strong, strategic internal client partnerships. The breakthrough competencies are: enterprise-wide perspective and customer-focused decision making; business acumen and innovative thinking; operational improvement through collaboration and team leadership; and communication, influencing and facilitating change.

- **Organizational Enablers Of Effective Internal Client Partnerships.** CPOs in our interviews identified three enabling factors that when present in an organization make it easier to operate strategically and maintain influence across the organization. These organizational enablers allow supply management to drive customer requirements into supplier performance and in turn leverage supplier capabilities. This enables enhanced performance to known and emerging customer needs and changing market conditions. These high-level enablers help to facilitate the organization-wide benefits of strategic supply management and the ease with which supply management can create value stream integration.
- Senior Policy Board Level Representation of Purchasing and Supply Management (Seat at the Senior Table)
- Systematic Alignment of Objectives and Strategies, Joint Goal Setting, Common Metrics with Joint Accountability
- A Forum for Regular Communication of Successes and Distribution of Credit to the Business Clients

Even without the existence of those three enablers across the organization, the CPOs see themselves as responsible for working to establish these enablers at the client-relationship and business-unit levels.

Building And Supporting Their Team To Develop Internal Client Partnerships. To reinforce collaborative, internal client focus among their team, the CPOs in our study are actively engaged in the process of expectation and example-setting, and they believe that over time the organization will pattern its culture after their example.

Less common among the CPOs is the systematic provision of tools and practices. These include training, relationship mapping and assessment, integration into performance

management by setting a specific relationship goal and definition of standard competencies emphasizing internal stakeholder management. The provision of tools and practices in support of team success partnering with internal clients is an emerging best practice.

Conclusion. By leading their teams and enabling a disciplined and purposeful approach to internal client partnerships, CPOs can have a profound and lasting positive impact on their organizations. Recognizing the importance of this practice and deliberately cultivating and managing internal client relationships fortifies the supply manager's individual position in an organization and strengthens the organization.

Managing strategic business partnerships is accomplished by aligning with the true needs of the business and engaging in ongoing dialogue with internal business clients regarding what is important to them and aligning organization needs, client needs and supply management needs. This kind of work allows the CPO to be recognized as a senior leader and gives supply management a bona fide strategic role in the organization.

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