Key Supplier Manager (KSM) : an emerging function in purchasing ?

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Abstract

In the last few years, we have seen emerging in several purchasing organisations the Key Supplier Manager function. The role consists of managing relationships with suppliers that the company has identified as *strategic*. Several multinational companies have formalised this function through specific job descriptions.

This paper is the first step of a starting research aiming to define a theoretical framework for the management of Key Supplier Managers in purchasing organisations. This paper presents an ongoing empirical research that elaborates an initial description of this function by analysing the "job descriptions" found today in some companies and interviews with appointed KSM. Finally, this research raises some questions that will serve to develop a doctoral research in 2004.

Introduction

There are two reasons that motivates us to conduct this research on the Key Supplier Management (KSM) approach. First, during the last 20 years the Purchasing function has experienced major changes. According to Gadde and Hakansson (2001), new roles emerged indicating both new attitudes towards purchasing and new requirements imposed on buyers. They continue to notice that achieving support from suppliers (in a win-win situation) requires reconsideration of the efficiency's view on the customer-supplier relationship. In the last few years, empirical evidence has shown the emerging of Key Supplier Management in several purchasing organisations. This paper considers that this role emerges when buyers in the purchasing department dedicate to the management of relationships with suppliers, which the company has identified as strategic. According to us, strategic suppliers are any or a combination of the following situations: (1) suppliers with the highest spent in the company; (2) suppliers of multiple sites/divisions of the; (3) suppliers of several different

commodities (for example, Telecom company buying microelectronic components and finished measuring instruments from the same supplier); (4) suppliers supplying the company at a global level; (5) suppliers which are also major customers; (6) and suppliers of strategic items according to Kraljic (1983). Key Supplier Management provides an additional focus within a company's purchasing organisation because traditionally, this focus has been "commodity based" rather than "supplier based".

Second, we have not found literature that describes this function specifically. Most of the literature available refers to the management of strategic suppliers in terms of the benefits (Graham, Daughterty and Dudley 1994; Stuart 1993), managing issues and process (Ellram 1991 and 1995; Stuart and McCutcheon 1995; Landeros, Reck and Plank 1995) without referring to "who does it", "within which internal organisation" or "how".

The objective of this paper is to present a conceptual framework as a preliminary model for understanding the role and activities of a Key Supplier Manager. We undertook a brief empirical research through the analysis of the "job description" of existing Key Supplier Managers whom we have met in multinational companies. The idea is to have a first understanding of how companies see this role and compare it to the theoretical framework.

Theoretical framework

We selected two theoretical approaches. The Interaction Model developed by the IMP Group (Hakansson 1982) provides a valid starting point for a reference framework for the study of the Key Supplier Manager function. This model shows the different elements found in the interaction process between buying and selling companies. As Key Supplier Managers play a role in this process, it

would be interesting and useful to understand this interaction's different elements and dynamics, which are based on the *interaction process* itself, the *participants*, the *environment* and the *atmosphere of the relationship*. Therefore, we can consider that the KSM is part of the adaptation process described by Hakanson whereby buying, organisations implement KSM with a view to manage the interaction with strategic suppliers.

The second theoretical framework is the Key Account Management (KAM) concept (McDonald, Millman and Rogers 1997; Millman and Wilson, 1995 and 1999; Pardo, Salle and Spencer 1995; Pardo 1999; Homburg, Workman and Jensen 2002). The study of KAM literature is a natural approach to develop a theoretical framework to understand the role and activities of KSM. We would like to use it as a "mirror" to transposing the main findings in this field to the KSM arena. The KAM literature provides different research approaches that we can use for future KSM research. Some examples are: Processes approaches in KAM (Millman and Wilson 1999); network management (Ojasalo 2004); adaptation process of KAM (Pardo, Salle and Spencer 1995); the customers point of view (Pardo 2001); and the role of KAM in the organisation (McDonald, Millman and Rogers 1997; Millman and Wilson 1995).

The KAM approach

We will use KAM as the generic term to indicate all approaches that selling companies may adopt to managing their most important customers. This includes terms, such as *national account management*, *strategic account management*, *major account management* and *global account management* (Homburg, Workman and Jensen 2002; Wilson and Millman 2003; Harvey *et al* 2003). Key Accounts are customers in a business-to-business markets identified by selling companies as representing a strategic importance (McDonald, Millman and Rogers 1997). Strategic importance of

customers may reflect not only the few customers which represents the highest sales or profit volume but also customers that offer reference value, access to process or technological knowledge or to markets not otherwise available (Millman and Wilson 1999).

Our research aims to understand why companies adopt a KAM approach. Sharma (1997) concludes from empirical results that suppliers firms use KAM in response to customer demand. He suggests that buying firms, which make decisions based on multi-functional and multi-level input, and take long periods of time to do it, prefer key account programmes from their suppliers. Homburg, Workman and Jensen (2002) explain that selling companies are increasingly organising around customers and shifting resources from products or regional divisions to customer-focused business units in response to the increasing demand of powerful and more demanding customers, which have rationalised their supply base and centralised their procurement.. These customers expect similarly a coordinated selling approach from their suppliers.

To co-ordinate day-to-day interaction with the key accounts, selling companies typically form dedicated teams headed up by a "key account manager" (McDonald, Millman and Rogers 1997). Pardo (1997) goes further by saying that a Key Account Manager may be a "super-seller" but above all, someone who brings an added value to the relationship and takes on responsibility for a privileged coordination between a supplier organisation and a customer organisation. He or she is a *facilitator* who is not a substitute for existing relationships, whose members of the company have already built up with the customer.

Millman and Wilson (1995) identify the following roles of a Key Account Manager:

- Boundary spanning role where the Key Account Manager is : the negotiator, consultant, interpreter of customer needs/values, mediator, customer's advocate/friend, and finally an information broker
- · Facilitating multi-level, multi-functional exchange process
- · Co-ordination and tailoring the seller's total offering to key accounts
- Promoting the KAM concept within his or her own company
- Responsibility for sales/profit growth of one or more key accounts consistent with the business objectives

McDonald, Millman and Rogers (1997) list the skills required of the Key Account Managers given by KAM Directors, key account managers and buying company contacts: integrity, product/service knowledge, communication, understanding the buying company's business and business environment, including selling/negotiation skills. In a recent paper, Wilson and Millman (2003) present three types of managers: Analyst, Politician and Entrepreneurial strategist. The skills set associated with these types are seen as being both hierarchical and cumulative. Analysts tend to be team-oriented; trouble-shooters possessing outstanding knowledge of product/services, technologies; and customer industries that focus on global sales targets. Politicians combine diplomatic and linguistic skills with cultural empathy and knowledge of global business trends/opportunities...They are adept in achieving objectives via influence and persuasion. Entrepreneurial strategists operate with a fair degree of autonomy...They seek out synergistic potential through combining core competencies of their own organisation with those of their global account.

The Key Supplier Manager

Has the customer company adopted their purchasing organisation in order to promote an economic agent able to deal with the KAM ? Did the roles and skills of the KSM are really different from those we found in the literature about KAM ?

As a first approach, we conduct an exploratory analysis of KSM by studying six different multinational companies in different industries: Energy distribution (public company), personal care, automotive subcontractor, electric component manufacturer, pharmaceutical company and telecom equipment. We analysed the job description of Key Supplier Managers (identified according to our preliminary definition) and, additionally in some cases, we interviewed and had access to secondary information sources such as internal documents.

To understand KSM, we propose to adopt Homburg, Workman and Jensen's (2002) approach, which four fundamental dimensions of KAM are: (1) activities (2) actors (3) resources and (4) formalisation. These dimensions refer to fours basic questions: (1) What is done? (2) Who does it? (3) With whom is it done? And (4) how formalised is it?

The findings are summarised in table 1.

The analysis of table 1 shows several emerging dimensions of the KSM's role:

- *Information consolidation and sharing*. In all cases the KSM is responsible of managing the information internally concerning the strategic supplier (business strategy, contacts, business volumes, etc...). He also shares his company information (consolidated business requirements in terms of volume, quality service level, ...) with the supplier (cases D), .
- *Co-ordination of cross functional and cross unit teams* in projects or operations involving the strategic supplier (in all cases). He shares internally the company strategy towards the

supplier. We can consider a Key Supplier Manager, as he whose function is responsible for cementing the internal relationships, so that the company's internal functions pull in the same direction, as stressed by Cousins (1995) concerning strategic sourcing partnerships.

- Facilitation of cross functional teams between both companies (cases A, B and D)
- *Accountability of results* concerning the overall performance of the supplier (quality, delivery, cost...) (cases B, D and E).
- Negotiation of global agreements with the supplier (cases A, B and D).
- *Influencing* suppliers through the maintenance of high level contacts (internally and externally) (in all cases).

Finally, we propose a general framework for the analysis of the KSM's role using both the IMP interaction framework and the KAM literature (figure 1). We put forward the Key Supplier Manager as the counter part of the Key Account Manager.

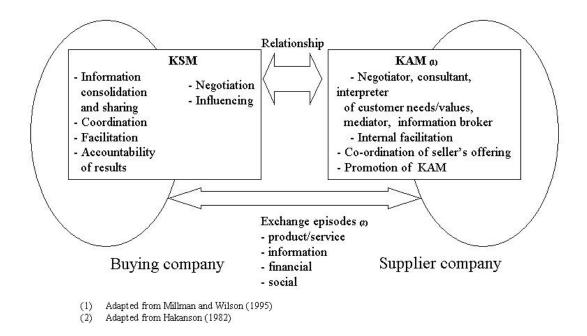


Figure 1 – The Key Supplier Interaction process and the different actors

Conclusion

This paper is not the presentation of our research findings but just the identification of a research topic. We raise some questions to be addressed in our research :

- Which role does a Key Supplier Manager play in the management of strategic suppliers?
- Is Key Supplier Management an adapted approach to manage strategic suppliers?
- Which criteria do companies use to select suppliers towards a KSM approach?
- In which cases does a KSM approach may be an effective answer to strategic supplier management?

We believe that this research will provide answers to practical questions that managers from multinational companies have asked us:

• When to consider a specific organisation to manage strategic suppliers?

- How can we differentiate suppliers (the strategic ones from the others)?
- What should be the role and profile of a Key Supplier Manager?
- What cross-functional organisation is required to successfully implement KSM?
- A harder question to answer is how to measure the benefits of a KSM approach?

The theoretical implication is to contribute to the Buyer-Seller relationship approaches developed by the IMP Group by bringing the supplier's perspective, mainly linking how the KAM and the KSM are related to each other.

The conceptual framework presented in this paper would help us to conduct a broader empirical study in order to answer these questions and to perform our understanding of this emerging function in purchasing organisations.

Company	What is done ? (1)	Who does it?	With whom is it done?	Is it formalised?	Remarks
A - Telecom company	 Manage the contract/relationship with the supplier Understand the supplier strategy (through high level contacts) Negotiate contracts or provide support to local negotiations Receive, report and update information about the supplier (turnover, major events, evolution, in a supplier file) Involved in all commodity teams or projects where the supplier is involved 	 Major Supplier Account Manager Key Supplier Account Manager 	Team of buyers of a commodity	 Programme launched and implemented since 2001 Purchasing Directors appoint a Major Supplier Account based on Purchasing Management VP Operations appoints a Key Supplier Account based on proposal of Purchasing Management Key Supplier Account Managers are supposed to spend 20% of their time 	Suppliers are classified in four different categories: platinum, gold, silver and bronze. Platinum suppliers serve the company worldwide with several different commodities.
B - Automotive supplier	 Prepare the signing of the agreement Coordinate the relationship and ensures that the respective benefits and obligations are applied Guarante internal communication and reporting 	Company Integrated Partner Buyer (2)	Formally in coordination with the buyers of other divisions. Access to top management of the company and other functions (Supplier Quality, R&D, Quality)	 Programme name Company Integrated Partner (2) launched in 1999 Booklet available with selection criteria, standard agreement, etc 	More than 100 suppliers with the Company Integrated Partner status
C - Energy distribution company	 Information sharing: consolidate company needs and provide information regarding the supplier (products, market share, financial situation) Define the relationship policy taking into consideration the company's and the supplier's needs Relationship and improvement action plans management improvement (3) 	Large Account representative	Not defined	Programme pilot launched end of 2003 with four large account nominated. Programme part of the corporate purchasing plan 2003-2005	Programme launched to secure high risk suppliers (high purchasing volume and risk). Suppliers being part of the programme shall also deliver at least 2 different divisions. Pilots will be used to better define the programme for the future.
D - Electric component manufacturer	 To be the key interface / contact between the company and the supplier and thus facilitate bi directional communication Globalise requirements of entities linked to the supplier Collect, maintain, update supplier related data in various databases Negotiate with supplier (price evolution, logistics, incoterms, etc) 	 Supplier Leader It is not a full time position but a specific assignment that expands the scope of responsibility of another position within the 	Not formally defined	• It is a formal nomination process. Nomination is confirmed in writing to the Supplier Leader, and it is communicated to the supplier, the commodity manager and purchasing managers.	 Performance criteria and evaluation based on: Quality of supplier related information in the company information systems Results obtained with supplier (savings, quality,) Completion of supplier performance assessment and

Table 1 - Key Supplier Managers summary though job description

	 Formalise and sign global agreement in 	purchasing			implementation of corrective
	accordance with delegation procedures	 A Supplier Leader 			actions
	 Follow up execution of agreement (global) 	should pilot a			
	• Follow up supplier load level (capacity) and	maximum of 2			Required skills: communicate,
	investment plans	suppliers			negotiate, drive regular business
	Organize regular business reviews with the	•••FF			reviews, understand financials
	supplier				basic elements and master English
	Complete periodic supplier performance global				as business language
	assessment in liaison with the company's local				as business language
	units operations dealing with the supplier				
	Define necessary improvement plans				
	 Provide feedback supplier performance 				
	assessment to interested parties				
	Assess supplier financial performance regularly				
	and communicate on results, risks, issues,				
E - Personnel care	The Global Account Manager directs Supplier's	 Global Account 	Cross functional team	Programme formally launched	The company urged the global
company	overall business with the company and is	Manager	mentioned several times	in 2003 with 6 suppliers.	suppliers to develop a KAM as a
	accountable for the resultant development of		in the job description.		counter part of the Global
	worldwide profitable business				(Supplier) Account Manager
	 Define a global strategy that takes into 				
	consideration the company's own commercial				
	strategies, imperatives and intent.				
	 Develop and implement an ambitious but 				
	realistic 5-Year Business Plan and a yearly				
	Budget in coordination with his/her Global				
	Category Coordinators and Regional Account				
	Managers (RAM's), within the framework of				
	Suppliers' overall Divisional Plans/Budgets.				
	• Develop with other Tech Dev Coordinators and				
	Regional Acct Mgmt the resources necessary to				
	the achievement of the Key Account Business				
	Plan. Monitor and assist in all Global Projects/				
	Processes.				
	Ensure quality of global coverage and				
	coach/motivate his/her team.				
	Regularly assess the performance of team				
	members together with the company's VP				
	Purchasing/ Prod Dev/GBD and their direct				
	superior(s).				
	Develop and maintain intensive/positive				
	personal contacts with major decision-makers in				
	the company.				
	• Contribute to the long-term Business Plan in				
	line with overall specific Business Unit				
	objectives and intent.		1		
	Communicate supplier objectives to team				

	 members and assure quality input into Regional/Category Budgets and Business Plans. Build, maintain and be responsible for a global data base specific to the supplier. Arrange training/support needs, short and long term, for his/her Team. In parallel, map out a development plan in conjunction with the company's VP's and Suppliers' team's direct superiors. 				
F - Pharmaceutical company	 Mission: To coordinate, assist and advise the Global Buyers and Business Unit Buyers in their relationship and strategy with his global supplier accounts by supervising Buyer's strategies end ensuring a coherent global policy throughout the group. Responsibilities: Manage the Vendor Rating System (VRS) for his global supplier accounts by collecting and consolidating data and issuing supplier performance report when needed. Coordinate and advise global strategies and local relationship towards his global supplier accounts and alert Steering Procurement Committee on potential conflicts between strategies Manage the global supplier account file by collecting information and keeping it updated and available for the global Procurement & Supply (P&S) teamwork Coordinate, consolidate and circulate within the P&S group all strategic information that relates to his supplier accounts such as meeting notes, market information 	Vendor Account Manager (VAM) The role is to be the expert of global supplier accounts	VAM must work closely with local buyers. Local buyers shall constitute local cross functional teams. VAM must also work closely with the Global Buyer responsible for the commodity	Decision making system and global vendor rating systems are formalised in internal procedures	Skills and competencies: Leadership: • Methodical and analytic • Ability to work in international environment • Responsible • Open and candid • Strategic thinking Technical: • Understanding of global P&S vision and plans • Understanding of Global Buyer strategies • Knowledge of his supplier accounts organization, strategies, finances and businesses • Knowledge of global P&S portfolio Key performance indicators: • Satisfaction of Global Buyers • Accuracy of the his global supplier account files • Coherence between his supplier account global strategies

(1) Based on the job description(2) We have replaced the company name for confidentiality reason(3) Internal working documents

Table 1 – Key Supplier Management analysis through job descriptions

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