



Developing a Supplier Management Strategy

Corporate Services

EXECUTIVE SUMMARY

*An essential framework for ensuring outsourcing
success over the life of your supplier contract.*

2nd Edition – Revised for 2007!

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Introduction

Outsourcing. The term conjures a wide range of emotions and reactions. While some business leaders tout lower cost and increased competitive advantage, others express disappointment with failed outsourcing relationships and efforts to effectively govern outsourcing contracts. Reams of data support both sides, further confusing and clouding the issues.

In the world of business, where are you? Excited over opportunity? Disappointed with reality? Or simply confused and uncertain about where real opportunities lie and real pitfalls exist?

Of course, reality is rarely as simplistic as media sound bites would have you believe. Outsourcing is a complex, multifaceted business solution that may take the form of offshoring, bestshoring, or nearshoring. Outsourcing may also occur locally, regionally or nationally. In many cases, job transfers occur within the U.S. or other country of origin, and often only ownership of the job and not the individual actually performing the job changes. The real challenge is in making educated judgments regarding things like cost/benefit, expertise, resource allocation and shareholder value based on the best information available, a thorough understanding of the context and realistic expectations.

This report combines expertise derived from more than a century of collective experience of the senior staff of Expense Management Solutions, Inc., as well as data collected from more than nine years of client engagements and additional research and surveys conducted specifically for the development of this publication. The good news is outsourcing works! The bad news is that too many companies don't know what it takes to make such complex relationships succeed. All too often, outsourcing failures get the headlines while the successes that continue to drive more and more companies to investigate the opportunities inherent in outsourcing are reported with much less fanfare.

While great progress has been made in refining the art and science of outsourcing complex services, much less attention has been given to supplier management strategies that ensure the supplier relationship delivers the anticipated return over the lifetime of the contract. Developing a successful supplier management strategy requires discipline, knowledge, tools and a thorough understanding of the business environment and strategies driving the outsourcing decision. This report examines the elements of a successful supplier management strategy and the steps involved in its development. It is not intended to be a comprehensive textbook, but a useful reference tool for identifying important steps and making good decisions related to supplier management strategy and its components. We are confident you will find the report a useful reference as you navigate the complex relationships created by businesses intent on deriving greater value through outsourcing.

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