



University of the West of England

THE CHARTERED INSTITUTE OF PURCHASING & SUPPLY®



# I-COMPETE

Case Studies on the Purchasing Practice of Small and Medium-Sized Enterprises in the South West



Research conducted by the University of the West of England and supported by Universities South West, the Chartered Institute of Purchasing and Supply, and Beacon South West

# I-COMPETE

## Case Study Introduction

While both academic and practitioner circles generally agree that procurement has an important role to play in the success and profitability of small and medium enterprises (SMEs) it is also recognised that there is a real scarcity of focus and literature in this area. In order to address that scarcity, Professors Mohammed Saad and Andrew Douglas, along with Dr Peter James have carried out research in this area for the Systems of Innovation, Procurement and Supply Group at the Bristol Business School. The research looks into the way SMEs in the South West of England undertake their procurement activities. It was carried out in partnership with the Chartered Institute of Purchasing & Supply and supported by Universities South West through joint funding by the South West Regional Development Agency and the European Regional Development Fund. One of the primary aims of this research was to create a number of case studies detailing the level of expertise in procurement among SMEs in the South West and identifying best practice. To ensure confidentiality is retained, the names of the organisations have been changed. This brochure reports on those cases in order to help to capture, transfer and disseminate our findings.

Other aims of our research include:

- understanding the impact of innovation in procurement upon the development of sustainable competitive advantage within SMEs;
- ascertaining what is needed to improve SME procurement practice and, how SMEs in both manufacturing and non-manufacturing businesses can achieve these improvements;
- identifying the main obstacles to SMEs improving their procurement expertise, and
- identifying the role the external environment plays in supporting SME procurement practice.

### Our Research Partners

We were pleased to be supported in this research by the University of Exeter and the University of Gloucestershire. In addition we also received support from Beacon South West and the i-Net Project aimed at helping SMEs from the South West to improve their innovative capacity.

### Our Approach

The main source of our data for the case studies in this brochure were obtained from 22 in-depth interviews with selected SMEs aimed at identifying their purchasing practices. We drew these SMEs from the response set of an online questionnaire which was based on an extensive literature review. Respondents were selected on the basis of the answers they had given to the survey.

The survey had concluded that –

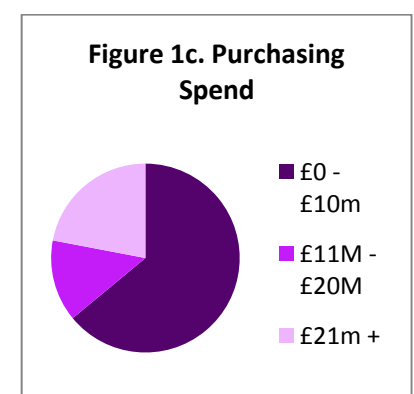
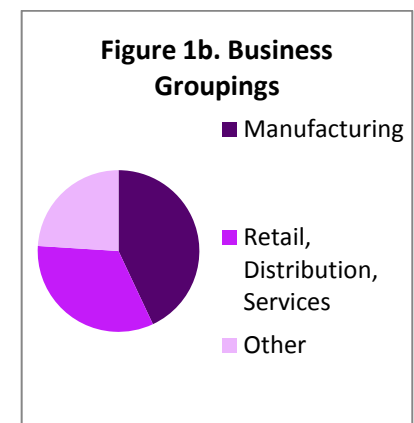
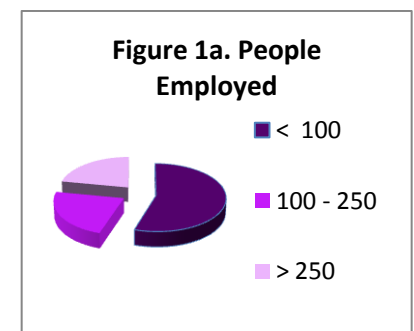
- a) There were contributors to this subject in the public domain including Quayle, Morrissey & Pittaway, Ellegaard, Pressey et al, Mudambi and Presutti.
- b) Compared to other areas of procurement that we have researched, there was significantly less research carried out in the area of SMEs.
- c) Much of the literature was more than 5 years old so it was interesting to see if there had been changes from previous findings.

The questionnaire was first piloted with 10 organisations. This helped us to introduce minor modifications before launching the full survey. Our target respondent organisations included both manufacturing and non manufacturing SMEs in the South West of England. Due to the size of these organisations, we approached those individuals who had primary responsibility for their purchasing activities.

We contacted each target organisation by telephone in advance of sending the survey request to identify the appropriate recipient and to ensure that they were willing to participate.

### Our Survey Respondents

We obtained 95 responses from the South West and also surveyed an additional control group of 25 SMEs from the rest of the UK. This was as achieved as a result of sending 450 e-mail requests. Figures 1a, 1b and 1c below identify the breakdown of survey respondents by people employed, business group and purchasing spend.

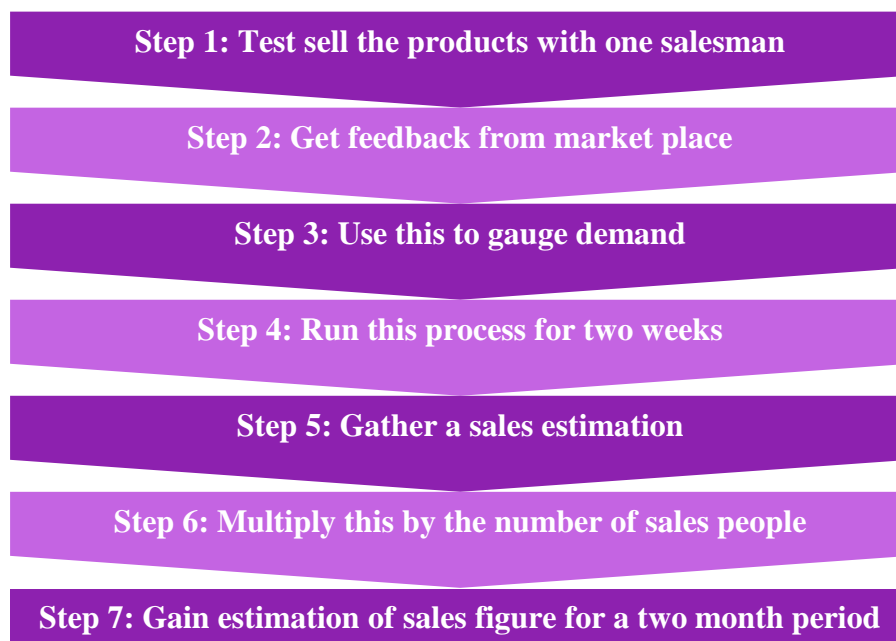


*Over the following pages we describe some of the case studies from the I-COMPETE findings. In order to guarantee confidentiality, we have removed the names of the respondents and their companies.*

### Case Study A – Integrating Purchasing with Other Functions

Although sales is a separate discipline to purchasing, it isn't necessarily the case that the work carried out by one part of the organisation doesn't impact on the other. We found evidence of this within one of our SMEs, a company that specialises on reselling automotive parts. This SME had sister organisations based in other countries but the balancing of sales and orders purchased relied mainly on the branch based in the UK. The process that they go through to ensure that there are no great mismatches between orders won and stock levels is outline in Figure 2 below.

**Figure 2 Matching Up Sales with Stock Levels**



The above figure gives a simplified account of the process. One addition is that in step six, an account is taken of the strengths and experience of each of the sales people in the field before arriving at the final estimate. Part of this strategy, which they have now been running for 11 years, is to also look at the trends for the products they sell on.

#### How does this tie in with purchasing?

As stated by the purchasing manager, there is a significant benefit. "It prevents back orders. It gives us the sales per appointment ratios and also amount per sale. This enables use to gear our stock levels accordingly." Purchasing and sales, in this case work together at a personal level, something that may be easier to achieve in a SME compared to a larger organisation. "I sit down with the sales manager and go through the ratios. We assess the products this way on the salesman's strengths and compare this with European performances of the other franchises to make sure there are no discrepancies. We remove the products from our range if they don't sell. It's as simple as that. If the consumer will not buy these, no matter how good they are, they are removed from our inventory. It's not 100% accurate, but it's there or thereabouts; around 95%. We are not overloaded with stock." If the company does over order then sister organisations in other countries help out "we can call in the other countries to take up our slack or we can take up theirs."

### Case Study B – The Use of Purchasing Consortia

The academic literature has mentioned the use of purchasing consortia by SMEs. However, our research pointed to the little use of consortia by our respondents. When looking that those that were not members of CIPS, nearly 80% of respondents either never or rarely use a purchasing service. This contrasts vividly with the findings of Quayle (2002, p155) who states that “The research identified strong interest (74%) in the use of a purchasing service. Some 36% of respondents considered that they would use such a service for all purchases and 64% considered that they would use the service for part of their purchasing needs. Similarly there was a strong interest in using the service as a consultancy (68%) and for finding new or difficult-to find products (78%).” The difference may arise in the phrasing of the questions. Quayle’s (2002, p158) paper puts the questions in terms of possible future behaviour (“*Would you be interested in using (an experienced) buying organisation to carry out your purchasing activity?*”) whereas our research asked about *actual* behaviour (“*Do you use a purchasing service acting as a consultancy or for sourcing difficult to find commodities / services?*”).

Bearing this in mind, we interviewed a nursing home that had use consortia for their opinion. One of the benefits of using such a service addresses one of the main problems faced by SMEs when it comes to purchasing: lack of resources. As our interviewee at the home stated “The benefits of consortia are for resourcing issues, i.e. outsourcing your purchasing to a reliable consortia, if you trust them. That was the case for us in the past where we did not have the time or resource in house, to get tenders in, to do comparisons, check quality and certifications, do audit trails, and all the things which go along with doing it in-house.”

During our interview, reasons for the unpopularity of this form of organisation were also touched on. “The downsides were that we were losing a certain element of control which we wanted to bring back in-house and therefore we know our manager has our best interests in mind. We are wary of using consortia for other things. Although they bring structure and keen pricing, we lose flexibility as the offset to price benefits – also there are some very constraining conditions and rules such as having to order in advance and also with the low quality we experienced with food, we felt the need to bring this aspect in house.” This is in line with another finding from our i-Compete which identifies that the number one barrier for SMEs further developing their purchasing activities is a lack of resources. One other respondent, a circuit board manufacturer indicated that consortia could free up resources by saving on “the time it takes to track hard to find commodities.”

**Further Reading:** Quayle, M., 2002. Purchasing in Small Firms. European Journal of Purchasing & Supply Management. 8, 151-159.

### Case Study C – The Benefits of CIPS Training

Within the South West, the knowledge and experience of the role played, and the services offered by the Chartered Institute of Purchasing and Supply have varied quite substantially. One respondent stated that they had decided to become CIPS chartered since filling out our survey while others were unaware of CIPS. What benefits are possible from the work of CIPS? One purchasing manager, from a food industry equipment manufacturer, had undergone a negotiation training module as part of their CIPS training. This training provided “vital information, techniques and most importantly methods of preparing for negotiation which have been excellent for up-skilling me from an industrial purchasing point of view.” Some of the benefits are highlighted in Figure 3.

**Figure 3 Benefits of Negotiation Training**

- 1. To Gain More Influence when Negotiating**
- 2. To Enable Better Preparation**
- 3. To Know How to Leverage Influence**
- 4. To Enable Purchasers to Win Price Freezes on Commodities**

The price freezes have been achieved “for the coming year, through signed agreements when we are seeing the costs rising rapidly, but as we have been committed to a time frame, we have kept last year’s prices. Also through building strong supplier relationships we can obtain very small quantities as a favour, well short of the minimum order, saving us a great deal of waste or stock which will never get used and also require storage too.” This gives an indication that some aspects of the buyer-supplier relationship that are usually associated with large powerful buyers can be achieved by SMEs as well.

**Further Information:** CIPS carry out training events, talks and workshops both nationally and regionally throughout the UK. Further details can be found from their website <http://www.cips.org/en-gb/trainingevents/>

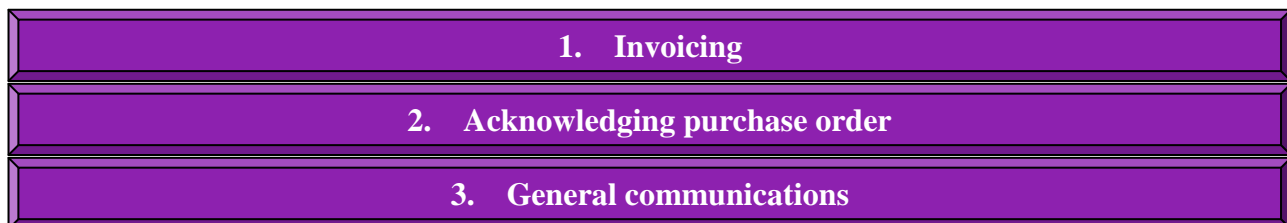
### Case Study D – Managing Supplier in order to Achieve Results

One area in which universities may be falling behind business is purchasing and supply. Just as in industry, those academics that are involved in working in purchasing, know of its importance. One of the areas where industry, including SMEs, may claim to be ahead of academia is the importance that is placed on purchasing. Compared to other areas of business and management there are relatively few courses on the subject of purchasing.

A fan manufacturer based in the South West, highlights the importance to competitiveness of purchasing and what it does to work with its suppliers. For them, purchasing activities have contributed to competitiveness in two ways. Firstly “it transfers directly to the bottom line – if we get better pricing. Secondly – it has enabled us to achieve more flexibility in what we do – so if we have purchasing options, to use different suppliers or have varied products to source, it gives us more options in the market place.”

This organisation did not limit its focus on performance just to itself. They also measured the top fifty of their production suppliers. This consisted of three subjective measures (see Figure 4).

**Figure 4 Examples of Supplier Measures**



There is evidence from the interviewee that this SME’s approach even touches on a learning cycle. “In terms of performance – it reaffirms what we already knew. It gives us a platform to send it out to the suppliers so that they can learn to improve from the feedback.”

As mentioned by quite a number of our respondents, training (both general and specific) is seen as important. “I did the standard CIPS qualifications and it’s evolved from working with the team. We are close knit, and we meet regularly and air our knowledge so it evolves. I have done some negotiations training – it’s such a wide subject. There was one delivered by Business Link – which was excellent - and we did negotiations in practice sessions as teams against one another. It did not focus on non verbal communication but on what you say and how you may go after this.”

Those in purchasing may not have any immediate plans to do more training, “but as we come out of the recession we are now looking more aggressively at the future with more new product lines than we have ever before considered and so we will need more people.” It seems that academia needs to wake up to the needs of business, both big and small, for graduates with at least an understanding of the importance of purchasing.

**Further Information:** Previous research by the Systems of Innovation, Procurement and Supply Group at Bristol Business School have looked at the savings that are possible from competent purchasing practice by medium and large firms. Details of this i-SAVE research can be found at [www.innovationinprocurement.com](http://www.innovationinprocurement.com)

### Case Study E – Customers and Suppliers: Two Sides of the Same Coin

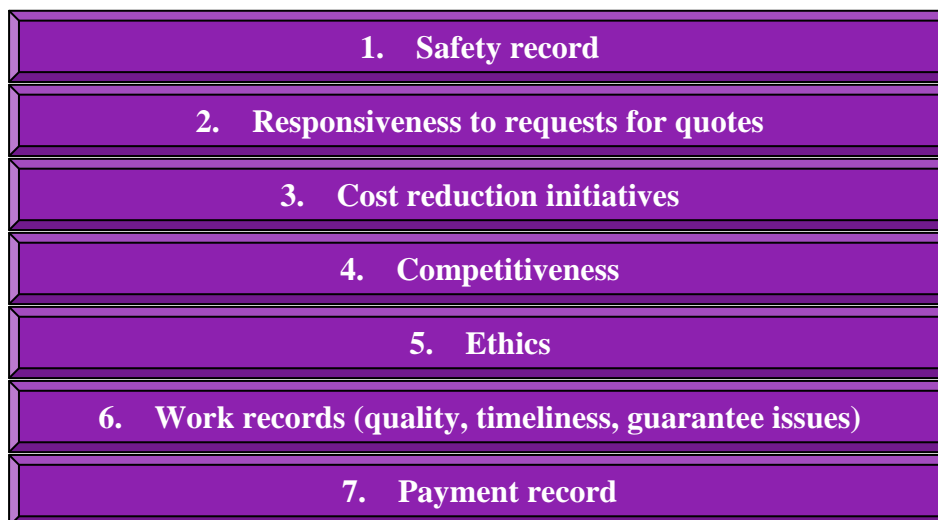
It is clear from one of our respondents, a ship builder and repairer customers can have an influence over how SMEs deal with suppliers. Also some skills that are useful for dealing with suppliers can also be used when dealing with customers. This case also gives another example of how SMEs can use tools, measures or techniques that would usually be associated with larger organisations.

This SME implied that not all customers want the same thing. “Some customers specify which suppliers they want us to use. *Some* of our clients insist we only use original equipment manufacturers (OEMs) for equipment overhauls – where as others give us a bit more leeway. Working with OEMs has been useful as they can support us with product knowledge and expertise. They issue bulletins with information on parts which can fail and what to look for in engine failure.” Another effect the customers has in on cost. “Knowing what the client wants has a cost implication – it depends very much on the age of the equipment we are servicing – whether it’s under warranty or will require more considerable expenditure.” These choices can have an impact on issues such as cost, quality and dependability.

We’ve already mentioned the benefits of negotiation with suppliers. But similar skill sets can be used for negotiation with customers as well. “As we do ship refits – ship owners want to bargain and negotiate on price, we find that we need to have the negotiating skills to handle this – so its very important to not just roll over. Tangible benefits come down to having the confidence to handle these conversations and deal with the customer competently and get the best deal for us. These courses help to up-skill our staff so it means that we do not need a senior manager to sit in on all meetings and can trust the staff to manage the negotiating so it saves time on doubling up on personnel.”

This SME also gave us details on how they measure the performance of *their* suppliers. One of the methods they use is regular contact through review meetings. “We hold these with each of our long term agreement (LTA) suppliers every 6 months. We have around 45 of these LTAs. Meetings are attended by senior management of each company.” The content of these meetings, which are recorded as key performance indicators, are given in Figure 5 below.

**Figure 5 Supplier Performance Measures**



For the safety record, the SME keeps accident statistics for each supplier. The responsiveness data, the quotes must be returned to the SME by the deadline stated. We can see that the issues of cost, quality and dependability that concern their customer, are cascaded down this part of the supply chain. Many large organisation could learn some lessons from this approach.

**Further Information:** Another research project carried out by the Systems of Innovation, Procurement and Supply Group , i-RELATE, looked at the different factors that buyers at larger organisations consider and deploy when they interact with their suppliers. This may give some indication of how SMEs customers may see their relationship. Details of the i-RELATE research can also be found at [www.innovationinprocurement.com](http://www.innovationinprocurement.com)

### Case Study F – Cost is *Not* the Only Factor

One tool manufacturing SME in the South West outlined the importance of cost to its performance, but only as one factor in a range of other activities. When asked about what part of their purchasing activities contribute to their overall competitiveness, cost was the first aspect mentioned. They are also looking into CIPS training programmes. Communication and relationships are also seen as important. “Because we work so closely with our supply chain, we ensure we get honest and upfront information if things are going wrong. We can pass this on to our customer or react accordingly, and thus keep our customers happy...as we are not trying to make a quick ‘buck’ and so get vital info when appropriate.”

One aspect where cost plays a part, is looking at forming long term supply agreements. “We do cost benefit analysis all the time. We have just produced a large £500k piece of machinery and analysed the payback time on investment. In terms of day-to-day purchasing activity we only tend to do it on a strategic supply agreement based on a long term agreement. We are currently going through an internal exercise reviewing all consumable purchasing and cross referencing the pricing and service levels across multiple suppliers. We are rating them on cost *and* service and form more longer term plans with the top 3 and whittle it down to the top 2 suppliers and set up a strategic supply partnership so we can streamline our approach to reduce the ‘noise’ in the system.”

There are both challenges and benefits from not focusing wholly on cost alone. “Some of our larger customers have accused us in the past of not always being the cheapest, and we argue that we do not try to short change our suppliers and explain our philosophy of long term price fixing with our suppliers and how, when we have urgent or fiddly requirements or difficult to obtain resources, we will get favourable attention. This has actually led to our key customers coming to us when they have a problem with their supply chain to resource from ours when they hit problems. So not only have we brought them with us, they now really value our approach and understand how it actually pays dividends in longer term.” In this way it is not the company alone that potentially benefits, but at least two tiers of the supply chain.

As stated by the manager interviewed, “Lack of resources is always an issue for an SME. Therefore we empower the team to work collectively with the supply chain. The supply chain knows about our business, our core products and resources we require.” Supply chain interaction for them relies on both use of technology *and* the personal touch.

Firstly “we are putting steps in the process such as an intranet system whereby 1 email can go to 15 suppliers with a tender instead of ringing around 15 suppliers. We measure them on accuracy and timeliness of response and pass some of the work down the supply chain through boxing cleverly on mundane day to day issues. This frees us up to be more strategic and look at bigger issues such as consumable spend and leverage staff to have more enjoyable and stimulating roles too. Especially if we get a big tender in for example – these small developments in our system save so much time – we can then prioritise – and get the best price and service – and be selective forming long term relationships.”

Secondly attention is even paid to personal matters such as who is it within the firm that has worked with suppliers and whether this choice of person has had an effect on the relationship. “Within the supply chain, I may have a better reaction than lower ranked or new colleagues. We value everyone’s input at that point, therefore we can see who is not getting the same level of service/response as the senior managers and can therefore give this feedback to our suppliers if they have been treating some of our junior or more recently employed staff with less regard than the MD or senior staff. So this approach saves us an awful lot of time, and also can reap dividends especially when we hit snags.”

The focus on cost as only one of a range of factors influences the company’s interaction with their suppliers as well. “We measure cost, delivery performance and quality. And as a senior management team – we sit down with the team and rate the suppliers on their overall performance including response times to quotations as well as reacting to problems. We have an open discussion and talk about each of the suppliers.”

As mentioned by other respondents, “negotiation skills training is important for us to understand long term relationships beyond getting the lowest price possible. Its never about the short term, we know we can move around the supply chain getting the lowest price. We look to take our skills further and get the best agreement for both parties.” This focus on a ‘win-win’ relationship is sometimes implied by the academic literature as referring to a large customer and small supplier. Here we can see that that is not always the case and the route to competitiveness does not rely just on focusing on reducing cost alone.

**Further Information:** For more information on research into the use of e-tenders and buyer auctions, the i-SOURCE research, carried out by the Systems of Innovation, Procurement and Supply Group at Bristol Business School is available at [www.innovationinprocurement.com](http://www.innovationinprocurement.com)

### Case Study G – The Benefits of Sourcing Locally

Previous case studies have talked about the challenge in purchasing of looking at both cost and other factors. This raises its head again when we consider purchasing from the locale or region. These have impacts on cost and other issues such as quality and delivery. As explained by one independent nursing home in the South West, the impacts may vary depending on what commodities you are purchasing. “We have very different ranges of procurement. Of these ranges, food constitutes the largest element. We have a group catering manager who was a former senior chef within our care facilities and she was promoted to this role to supervise the other chefs and coordinate and over see the food sourcing, and procurement.” This use of a catering manager to take on a significant buying role had a key challenge. “The purchasing went from being outsourced through national providers to working with local suppliers. It was therefore important that we also kept a rein on this progression to working with multiple suppliers. We try and buy as locally and as fresh as possible now as our policy because in the past we had used a purchasing agency approach which was fine but the national suppliers were not getting a great quality, in spite of a good price. Local suppliers began to compete on a price level and some of the chefs began to revert to locals for the quality and so we made it a policy to source local. Also with the carbon reduction and decrease in pollution, it fits in superbly with our company ethos.”

For the nursing home, there is still a drive to source locally for other commodities. “Property related and equipment make up the remainder of purchases. We use a lot of hoists and specialist disability equipment such as baths etc. We use a local supplier in our county and most are South West based, if not based in the main in our county, as they have proved cost effective and reliable.”

**Further Reading:** There is some debate in the academic literature as to the role that proximity plays in the buyer-supplier relationship. One conference paper, from Bristol Business School, (Saad, M., James, P. & Douglas, A., 2010. Proximity Between Buyer and Supplier. The 19th Annual IPSE Conference. Lappeenranta, Finland. May 16-19th, 2010) details some of the arguments [For a free copy, please email [Peter.James@uwe.ac.uk](mailto:Peter.James@uwe.ac.uk) ]

### Case Studies H & I – Purchasing Expertise

Resources, or the lack of them, is one of the key challenges for SMEs. Purchasing does not escape this challenge. One case that highlights an approach to this challenge was given by a circuit board manufacturer from the South West. “We do not have a dedicated resource (for purchasing) but we spread it amongst senior managers.” One answer to allocate responsibility for buying to those familiar with the items and services required for that particular discipline. “As we are an engineering company different people do purchasing from different functions and teams and although it is not the most efficient way of doing it, it enables us to get around the problem. Therefore these people are often faced with the need for complex requirements and so they are the best people to deal with those needs. As sourcing basic items waste their time, we are aware of the drawbacks, but this approach enables us to make the most of the budgets we have.”

Further help is available from purchasing services acting as a consultancy who may source specialist commodities or services. The manufacturer in question have used such services. “We have developed relationships with specialist resourcing companies. A small company in particular devotes itself to searching high and wide to getting us the quantities we want or can’t find. This enables us to save on the expense of buying excessive amounts of stock and also the time it takes to track it down,” thus helping to address the key challenge of a lack of resource.

A similar story arises from a drinks manufacturer based in the region. Internally, within the company, “There is not one person responsible for all buying. Some is done by the operations director and some by the finance director, and also the product manager such as juices. The person who does the buying is the person who knows the most about that product or category area and so it makes it relatively straight forward this way. 5 or 6 people buy things from stationery through to bottles of juices.” It is their belief, that they have communicated the situation well internally and gained potential benefits from this approach. “as an executive management team, we have looked to offer suppliers something in return and we try and look on both sides of the fence in these difficult trading times.”

They also seek out expertise externally and use a broker to carry out the sourcing of one particular commodity, namely electricity. Another external source are the suppliers themselves. “We work collaboratively with our supplier base. We are a small company and we try not to go to war with companies, when we’ve got issues we ask ourselves and our suppliers how can we solve them and how can we get a better price and we work with them rather than against them.” This collaborative approach is an example of putting into practice what some larger organisations only *claim* to be doing.



### Mini-Case Study:

*“Negotiation skills training is important for us to understand long term relationships beyond getting the lowest price possible. Its never about the short term, we know we can move around the supply chain getting the lowest price. We look to take our skills further and get the best agreement for both parties.”*

Tool Manufacturer

### Mini-Case Study:

*“How have we overcome our obstacles? Because our purchasing is spread out over several departmental heads, it distributes the workload across these individuals and therefore we can now draw upon this skill set accordingly and increase resource by working more extensively with them where required.”*

Conference and Training Organisation

## Case Study J – The Role of Business Support

Two South West manufactures, one in the aerospace parts sector and another in data communication hardware gave insights into the roles that the wider business environment can play to support SMEs in their purchasing.

The former stated that it sought procurement advice and knowledge from professional bodies, academia and government. The advice sought was in areas such as “British standards, interpretations of tests, solving an issue on a drawing or a requirement, analysing of a metal with a University and analysing a problem with a 3rd party on a production process.” The process has been beneficial and satisfactory. The focus has been on a familiar problem. “We do not always have the resources and expertise – being an SME we cannot afford to carry a material expert and sometimes you need to find someone who can answer a question which requires a lot of research knowledge.”

The latter company focused its discussion on the roles played by universities, both in traditional teaching and in a knowledge transfer capacity. “University of Bath’s School of Management is where I did my Masters. I use it as a source of reference and knowledge together with the alumni group.” Another ongoing area of support is the Knowledge Transfer Partnership, or KTP for short. “We also run a number of KTP knowledge placements with the University of Plymouth to bring in academic knowledge into the business. Projects have included consumer trends. We have been delighted with the results as there is so much knowledge we can benefit from. The KTP’s have been great and provided us with excellent projects which have gone on to contribute to the business.”

**Further information:** The KTP is a business support programmes that helps organisations, many of them SMEs, work with universities. It aims to benefit firms, graduates, university research and the wider economy. More details can be found out at the UWE Bristol web here: <http://rbi.uwe.ac.uk/Internet/business/ktp.asp> The national website is available here: <http://www.ktponline.org.uk/>

### Mini-Case Study:

*“I look to external organisations now as I feel I have passed on most my knowledge to my team. We seek out best practice where we see it, especially with our customers. We have implemented the CIPS programme, and have started bringing in external trainers.”*

Electronic Parts Manufacturer

Mini-Case Study:

*“We have decided to become CIPS chartered since filling out your survey. I hope it will provide a demonstration that what we are doing is correct and validate our strengths and experience – such as negotiation skills and supplier relationship skills. We are hoping the qualification may expose where we can improve further.”*

Paper and Card Manufacturer

**Case Study K – Sector Led Initiatives**

Mention has been made above of the role played by the wider business environment. In some cases, it is the professional bodies of particular sectors that take a lead. The following account from an electronic systems SME details the actions of a customer within the aerospace industry that pointed the way to 21<sup>st</sup> Century Supply Chains (SC21). “One of our major customers guided us towards the SE21 Programme – which gives us a dashboard of information which is easily read and shows how different parts of the business are performing. It’s a 1.5 year programme and you get a bronze, silver or gold award and your delivery performance gets rated on the SE21 website. It ensures we have the correct measures in place for monitoring our suppliers’ performance – so our customers can look down the chain to see how it is working and we are also looking down the chain at our suppliers at their suppliers so it keeps us one step ahead.” This is another example of how different innovations can be cascaded down the supply chain.

As mentioned before, the role of both customer and supplier focus comes into play. “Whereas the sales people look forward up to their customers and their customers’ customers (and we can be one of 30 suppliers to a contract for our clients), we look downward to our supply chain and can work with them to anticipate demand. Its not relevant for bolts, washers and screws – which are C grade/level items – but for A grade/ level monitors such as TFT displays for PCs – these are high value high performance items and if we have a problem with quality issue – it can be critical.”

In addition to quality, dependability of supply is also an issue which was put into sharp relief for this SME after the tsunami in Japan. “Here we realised the impact it would have on the supply chain, as there were components that could not be sent on to our supplier’s supplier due to the tsunami . So we were able to identify a Taiwanese source and pre-empt the issue, as they had taken delivery prior to the tsunami. In terms of benefits – it’s been most beneficial and right now we are working on an Relationship Matrix (RM) which can be used to identify the intangible within a relationship and make it tangible. It helps us to quantify all the components measured and communicated between us and suppliers. So as we begin to move towards A-class components, it flags up the edges which need to be addressed and which can be tackled out of an evolving relationship. And on the flip-side, where the relationship is around C and D class components, it enables us to widen our supplier base and not afford so much time to low level products and the relationship around them – thus focussing our time where it can be used to make the most strategic impact.” It is worth noting that even with this initiative, the subject of a limited resource is again in the forefront.

Further information: For more information on SC21, Lanham, J. and Saad, M., June 2007. SC21 - Supply Chain for the 21<sup>st</sup> Century – Requirements Needs Study for the West of England Aerospace Forum. is available through Professor Mohammed Saad of BBS at [Mohammed.Saad@uwe.ac.uk](mailto:Mohammed.Saad@uwe.ac.uk) The official website of SC21 can be found here: <http://www.adsgroup.org.uk/pages/77378481.asp>

Mini-Case Study:

*“Our knowledge of the original production process and building relationships with the suppliers over a number of years has enabled us to be profitable. Getting suppliers who can supply products from manufacture to finished product has been difficult, but in partnering with suppliers and getting this accomplished through our relationships with them, we have been able to maximise profits.”*

Confectionary Reseller

### Case Study L – The Case for Sourcing Internationally

As mentioned in Case Study G above, there are benefits of sources locally or within your region. Speed of deliver is one issue. As one conferencing and training organisation informed us, “we know local suppliers can deal with issues much quicker. We are pleased with our current suppliers and for our needs, it makes sense to work with local suppliers as its their travel costs which keep the rates down.” A number of our respondents did purchase from overseas. Countries that SMEs sourced from included China, Japan, Australia as well as the rest of Europe and North America. Our research unearthed a number of reasons why SMEs in the South West sourced items from further afield.

In some cases, the very nature of the business necessitated buying from overseas. A food importer explained how they have little other choice. We source the majority of our products from abroad because we are in the Mediterranean food business and the ingredients are not found in the UK! Although we make it here – it’s native to the Mediterranean . we try and keep it within Europe because it’s easier – the hoops we have to jump through to buy from USA and Australia, are very time intensive so it costs us more by the time we have made the import so we keep to Europe.” Their contacts tended to approach them or meet through some of the international shows. It was a similar story with one drinks manufacturer. “we source the majority of ingredients from abroad because mangos, ginger and lemons which make the majority of our juice contents do not grow here as it is simply not hot enough!”

For some respondents, the goods were available in the UK but they were imported for other reasons. One manufacturer to the water industry explained “Over 50% of our products comes from abroad – from France and Germany – and its just not available in UK for the quality which we require.” This was mirrored by one automotive parts seller. “The reason why we buy from our supplier in Europe is quality. They are not the cheapest nor the most expensive. They are always good, they always work. Quality has a future.” Even for that company some aspects of their spend was done within the UK.

One water industry equipment supplier pointed to macro-economic factors as being important in deciding the source of their purchases. “We do review our sourcing strategy from time to time when steel prices and the currency rates rise dramatically – as its difficult to be competitive in our market when the currency rate goes against us, especially as we are purchasing from abroad. But as we are tied in to buying from our parent company abroad, this is largely unavoidable. We can buy from another subsidiary in another part of Europe, but there is little we can do about the rising steel prices.”

### Case Study M – Purchasing: The Benefits of a Dedicated Function

Some of the firms interviewed have talked about the role of purchasing being spread throughout the organisation and some of the benefits that have arisen. One company, a drinks wholesaler, gave the viewpoint of an SME that had set up a dedicated purchasing function. To do so, it relied on another discipline, that of human resources. “We have 90 suppliers and 100 different lines. We set up our function about 6 years ago. We were looking for negotiation and systems skills. It was hard to get the right people with the right skills living in this area. The performance has been pretty good though for those we have recruited.”

Again, when talking of benefits, the issue of cost is not too far from the agenda. “By having a dedicated function we have been able to drive down our cost prices. We’ve been through a process of key suppliers where we evaluated them and tried to form key partnerships and develop relationships and drive our buying power in order to improve sales by getting closer to 13 companies at the outset. It has percolated out to other suppliers. Especially blue chip and niche suppliers.” The drive to change in this way has been introduced by competition from larger organisations in the same sector. “We are an independent wholesaler. We have competition from nationals who have very competitive pricing to much smaller independent wholesalers. When we went through the key supplier process we accepted we can’t match the buying power of biggest competitors as they are many times our size, but we recognised we could get much closer than we were so we have tried to force our way up the pyramid. Some would not entertain our strategy at all but the majority did.”

#### Mini-Case Study:

*“We have looked in advance at the ‘what if’ problem scenarios with the supplier and averted litigation as we had already agreed what would happen.”* Electronic Equipment Manufacturer

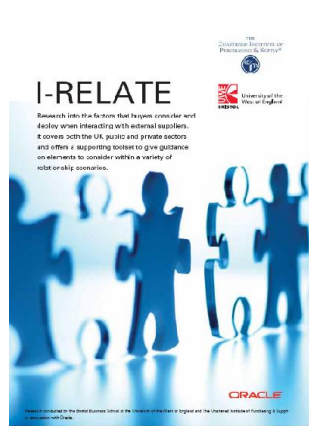
# I-COMPETE

## The I-Series Research Family

The I-Series is the result of over ten year's worth of cumulative research. The aim is to produce research that is:

- Independent
- Topical
- Aimed at practitioners
- Available to all
- Easy to understand
- Based on sound academic research
- Accompanied by a toolset where appropriate

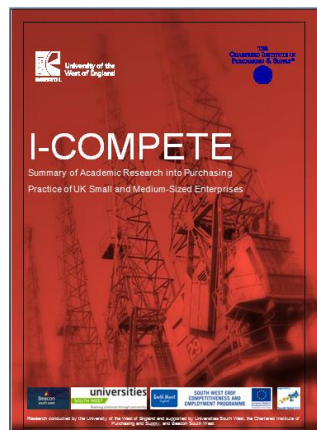
These projects have collectively been accessed by over 35,000 people in 32 countries.



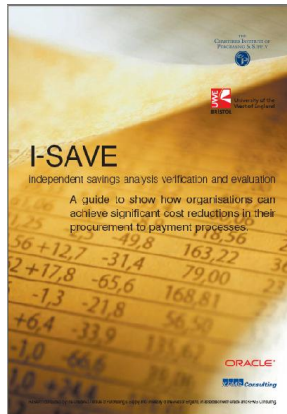
**I-RELATE** – A study to determine the factors that a buyer takes into account when considering a potential supplier and how the strength of these factors varies depending on the nature of the relationship. An accompanying toolset allows practitioners to benchmark their approach by supplier relationship grouping against our research findings.



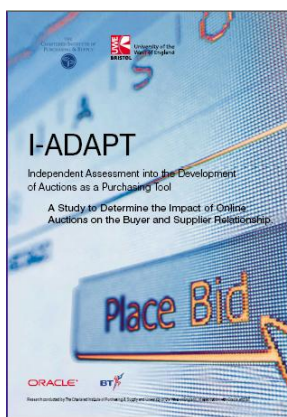
It is now approximately 10 years since the advent of E Sourcing tools such as E Tenders and E Auctions. Supported by the Chartered Institute of Purchasing and Supply, **I-SOURCE** looks to discover how widely these tools are used in the current purchasing environment and what role do they play within organisations.



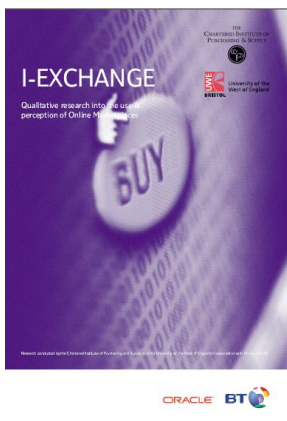
**I-COMPETE** is the most recent of our research projects. It looks to fill the gap in the academic literature by looking at purchasing practice by SMEs in the South West of England. In addition to a series of case studies derived from the research, the findings of the study are presented via both a brochure and an on-line toolset available free to practitioners.



**I-SAVE** – Independent savings analysis, verification and evaluation including a self-help toolset providing aid when trying to assess the savings contributions / ROI from an investment in your procurement 'environment'.



**I-ADAPT** – A study to determine the impact of online auctions on the buyer-supplier relationship. Specifically excluding price-saving considerations and looking at what happens post e-auction in areas such as supplier quality, delivery, reliability and account management.



**I-EXCHANGE** – Quantitative and qualitative research into the use and perception of e-marketplaces. Assessing how both buyers and suppliers view them and if they have now developed to become a real consideration in an e-procurement context.



**I-INNOVATE** – An investigation into the emergence of a fifth stage of purchasing development. This research identified key elements that span the purchasing 'environment' and produced a toolset that lets the practitioner benchmark themselves against the leaders in both private and public sectors.

For more information on this research, visit: [www.innovationinprocurement.com](http://www.innovationinprocurement.com) or email Dr Peter James at [Peter.James@uwe.ac.uk](mailto:Peter.James@uwe.ac.uk)

The research is conducted by the Bristol Business School at The University of the West of England, Bristol and is supported by Universities South West, the Chartered Institute of Purchasing and Supply, and Beacon South West.