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.

We have not found in academic literature evidence of the existence of the Key Supplier Manager function. The objective of this paper is to “present” the existence of this specific “buyer” to the academic field. 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. According to our observations strategic suppliers are any or a combination of the following: (1) suppliers representing the highest spent in the company; (2) suppliers of multiple sites/divisions; (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 (most of the cases the Key Supplier Manager shall work with the supplier in order to assure the needs of the different sites); (5) suppliers which are also major customers; (6) and suppliers of strategic items according to Kraljic (1983); (7) mono-source suppliers (most of the time following a supplier base reduction); etc.

Key Supplier Management provides an additional focus within a company’s purchasing organisation, which is traditionally “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 to the buying company (Graham, Daughterty and Dudley 1994; Stuart 1993), management 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 in multinational companies. The idea is to have a first understanding of how companies “see”, or, how managers describe this role and build a preliminary theoretical framework. It is important to highlight that we have focused the analysis, at this very first stage, on the job descriptions presented by companies. We have a clear understanding that the roles and responsibilities described in these documents do not necessary represent the “on the field” reality but it seems to us a valid approach for
a first and brief analysis of the existence of this function. The actual practices understanding will be part of the doctoral research that we have started.

**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 the interactions 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 KAM approach**

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); the role of KAM in the organisation (McDonald, Millman and Rogers 1997;
Millman and Wilson 1995) and the intra-organisational relations of a KAM and the KAM team (Pardo 2000).

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).

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 Key Account Manages: 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 and have a 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? Are the roles and skills of the KSM really different from those we found in the literature about KAM?

As a first approach, we conduct an exploratory analysis of KSM by studying eight 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 the four fundamental dimensions of KAM presented by Homburg, Workman and Jensen’s (2002): (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 and G).

- **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 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, D and G).

- **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, D, H and G).

- **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.
Conclusion

This paper shows a first and brief approach to understand how companies describe the Key Supplier Managers through their job description and to build a preliminary theoretical framework. Our objective was to present to the academic community the existence of this role since no reference to this function was found in the academic literature. Furthermore, Key Supplier Manager seems to be an emerging role, most of the companies analysed have defined this job last than 2 years ago.

The limits of this research are mainly two: first the use of job descriptions rather than an in-depth on the field research of Key Supplier Managers (this will be one of the objectives of the doctoral research we have launched) and, second, the restricted number of companies analysed does not allows us to confirm that the Key Supplier Manager is an truly emerging function.
The practical contribution of this research is formalised in a document which summarises our findings in terms of:

- General mission statement of Key Supplier Managers
- Labels used to name Key Supplier Managers
- The Key Supplier Managers team
- Activities of a Key Supplier Manager
- Key Supplier Manager profile

This document was presented to 20 purchasing executives and managers from 17 different multinational companies all over Europe who participated to a one-day meeting on Key Supplier Management organised at the EIPM. It was the opportunity to some of them to have a first discussion on the subject and exchange experience on the topic.

The next steps will be the doctoral research launched in 2004 which will try to answer to the following questions:

- What does it mean to be a strategic supplier?
- Do companies identify and manage strategic suppliers differently?
- How mature purchasing organisations manage their strategic suppliers?
- What is the role of Key Supplier Managers and how does it differs from a regular buyer?
### Table 1 - Key Supplier Managers summary through job description

<table>
<thead>
<tr>
<th>Company</th>
<th>What is done? (1)</th>
<th>Who does it?</th>
<th>With whom is it done?</th>
<th>Is it formalised?</th>
<th>Remarks</th>
</tr>
</thead>
</table>
| 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  
· Guarantee 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 …)  
· Formalise and sign global agreement in accordance with delegation procedures  
· Follow up execution of agreement (global)  
· Follow up supplier load level (capacity) and                                                                                                                                               | · Supplier Leader  
It is not a full time position but a specific assignment that expands the scope of responsibility of another position within the purchasing  
· A Supplier Leader should                                                                                                                        | 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 implementation of |

**Notes:**
1. (1) Details may vary based on specific job descriptions.
2. (2) Company Integrated Partner
3. (3) Relationship and improvement action plans management improvement
<table>
<thead>
<tr>
<th>Task</th>
<th>Responsible Party</th>
<th>Comment/Additional Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organize regular business reviews with the supplier</td>
<td>Global Account Manager</td>
<td>Cross functional team mentioned several times in the job description.</td>
</tr>
<tr>
<td>Complete periodic supplier performance global assessment in liaison with the company’s local units operations dealing with the supplier</td>
<td></td>
<td>Programme formally launched in 2003 with 6 suppliers.</td>
</tr>
<tr>
<td>Define necessary improvement plans</td>
<td></td>
<td>The company urged the global suppliers to develop a KAM as a counter part of the Global (Supplier) Account Manager</td>
</tr>
<tr>
<td>Provide feedback supplier performance assessment to interested parties</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assess supplier financial performance regularly and communicate on results, risks, issues, …</td>
<td></td>
<td></td>
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<tr>
<td>Pilot a maximum of 2 suppliers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Evaluate supplier financial performance regularly and communicate on results, risks, issues, …</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assess supplier financial performance regularly and communicate on results, risks, issues, …</td>
<td></td>
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<tr>
<td>Define necessary improvement plans</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corrective actions</td>
<td>Required skills: communicate, negotiate, drive regular business reviews, understand financials basic elements and master English as business language</td>
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</table>

**E - Personnel care company**

- The Global Account Manager directs Supplier’s overall business with the company and is accountable for the resultant development of worldwide profitable business.
- 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.
- 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 database 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 hierarchy.

Programme formally launched in 2003 with 6 suppliers.
| 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 and 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 RPS 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 |
| G – High tech defence supplier | What the job holder does in decreasing importance:  
- Compile and analyse requirements. Identify risks and opportunities for consolidation to ensure strong supplier strategy, achieve cost/synergy benefits. Increase value delivery  
- The primary interface with supplier for corporate purchasing | Supplier Relationship Manager  
SRM reports to the Purchasing Director. It is mentioned “multidisciplined teams” | This is formalised in a job description but not yet accepted by Human Resources. It is an addition to job holders | Skills required:  
- Min. 5 years senior purchasing role in international company  
- Business studies or related degree  
- Management of multidiscipline, supplier |
- Maximise internationalisation of target suppliers and ensure strong compatibility of corporate strategy
- Plan and execute cross functional team negotiations with suppliers at the highest level to deliver internationally applicable, complex, high value agreements on behalf of the group
- Management and control of suppliers at national and international level using KPI’s to competitive leverage and tactical control of suppliers
- Resolve ad hoc problems to implement process improvements arising from problems to the benefit of all units

**H – Truck industry (5)**

<table>
<thead>
<tr>
<th>Role</th>
<th>Responsibility</th>
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| Group Supplier Host | Overall responsibility: Keeping the holistic view on the supplier. Co-ordinate and drive general business relationship activities and issues.  
- Keep track on Commercials, Ownership, Financial situation, overall problems, etc  
- Be the main driver in the development of the supplier (Framework agreement, performance, EDI, Certificates, SEM development)  
- Focus point of information update  
- Responsible for negotiation of overall commercial agreements (to be analysed case by case)  
- Facilitate a good and close relationship with the supplier on all levels. Arranging top management meetings with the supplier min. once a year.  
- Contribute to business’ commodity strategy implementation where the supplier is identified as a preferred supplier.  
- Arrange internal meetings (live/Phone & Net) between all concerned business for co-ordination purpose on a quarterly basis.  
- Report progress/issues to GPC on a quarterly basis. |
| Must constitute a team. Reports to Global Purchasing Committee | To be formalised. |

(1) Based on the job description  
(2) We have replaced the company name for confidentiality reason  
(3) Internal working documents  
(4) It is a French company and the job description was defined by a UK based director  
(5) Internal PowerPoint presentation to Group Supplier Hosts
References


Pardo, C (2000), Doctorate in Management, University of Burgundy, Thesis subject : " From Key account manager to key account team. The reconfiguration of interorganizational exchanges into intraorganizational exchanges ".


