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Companies need a focused supplier development program

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Pharma companies have realized that in the bid to attain more cost savings and increased efficiency, it is important to have a firm and a strong procurement team.

Rajesh Nawale, Chief Manager - Procurement, Abbott Healthcare Pvt. Ltd.

1. How earlier procurement management team used to work and how it is different from the current one?

Earlier, the entire work scenario was different and the procurement department was framed as the support system with no involvement in a strategic partnership. However, tables are now turned around and transformation initiatives are being taken up by companies and cross functional teams are now being formed for such kind of sourcing projects where the subject expertise is provided by the R&D personnel and the sourcing manager concentrates on negotiating the required KPIs & SLAs at the best possible price and terms & conditions.

2. What are the key elements to have a successful procurement team?

Pharma companies have realized that in the bid to attain more cost savings and increased efficiency, it is important to have a firm and a strong procurement team. Once company manages to carve a fruitful procurement team then managing tasks such as supplier relationships, volume consolidations, specifications harmonization, TCO models, e-procurement solutions etc. become lot easy and simple. Currently, working with suppliers is no longer a simple task of selecting the best quality for the best price. Increasingly, competitive markets make understanding company’s supplier's economics more important than ever before.

3. Could you shed some light on Supplier Relationship Management (SRM)?

In the initial phase of a relationship, moving from an adversarial relationship to a more collaborative one may have to be addressed in stages. Complicating these relationships is the need to consider the strategic and market value of a supplier (How much does a supply shortfall cost?) and the nature of the relationship (How can a supplier create even more value for its buyer?).

Supplier partnerships often do not achieve the desired benefits expected from the investments made and, many times, this area of procurement receives too little attention and budget, or is not involved in product-development decisions early enough. Companies need a focused supplier development program as part of their overall supplier relationship management (SRM) process to manage risk, encourage innovation, generate returns, and identify cost-saving opportunities.