Living on the Edge
How to Balance Supplier Relationships with Ethical Responsibilities
PRESENTATION OUTLINE

1. What is Supplier Relationship Management (SRM)?
2. What are our Ethical Responsibilities?
3. How do we balance these two objectives harmoniously?
What is Supplier Relationship Management?

Supplier Relationship Management (SRM) is the discipline of strategically planning for, and managing, all interactions with third-party organizations that supply goods and/or services to an organization in order to maximize the value of those interactions.
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Or, in plain English, – managing your relationships with your suppliers (d’uh!)
“Supplier Relationship Management (also called Vendor Relationship Management) is a set of principles, processes, and tools that can assist organizations to maximize relationship value with suppliers and minimize risk and management of overhead through the entire supplier relationship life cycle.”

Strategic Procurement Planning in the Public Sector, Herndon, VA: NIGP, and the Scottish Public Procurement Toolkit – A step by step guide to producing a strategic sourcing strategy.
WHAT ARE SOME BENEFITS OF SRM?

• Consolidation
• Cost reduction
• Increased efficiency
• Volatility mitigation
• Enhanced Communication
• Continual Improvement of Operations
QUICK QUESTION:

How many of you work for an organization that has an established policy/protocol in place to develop and manage supplier relationships?

Please type “yes” or “no” in the chat.
HOW DO WE EFFECTIVELY MANAGE OUR RELATIONSHIPS WITH SUPPLIERS?

1. Supplier Stratification
   • Pinpoint key suppliers
   • Draw a greater focus on developing those relationships

2. Governance and Organization
   • Establish the framework for how you will interact
   • Identify team members and their specific roles
   • Act strategically NOT reactively

3. Supplier and Organization Development
   • Identify needs and goals that will benefit both you and the supplier
   • Develop a clear vision
   • Ensure everyone benefits equally

NIGP, Global Best Practice – Supplier Relationship Management.
HOW DO WE EFFECTIVELY MANAGE OUR RELATIONSHIPS WITH SUPPLIERS?

4. SLA’s (everyone’s favorite!)
   - Hold suppliers accountable for poor performance
   - Provide incentives for outstanding performance
   - Performance map

5. SRM software
   - Provides standardized tools and templates
   - Enables supplier relationship data management
   - Enables relationship visibility

6. Regular reviews
   - Open and constant communication critical
   - Feedback and lessons learned
   - Adaptability

NIGP, Global Best Practice – Supplier Relationship Management.
What are our Ethical Responsibilities?

Word association:

For the next 2 minutes, type in the chat words that you think of when you hear “Ethics”…

Also, go ahead and get up and stretch real quick (I’m going to).
What are our Ethical Responsibilities?

- Fairness
- Transparency
- Morals
- Right vs wrong
- Rules
- Sustainability
- Headslines
- Consistency
- Corruption
- Integrity
- Dilemma
- Human rights
ETHICS IN GOVERNMENTAL PROCUREMENT

- Federal
- State
- Local
- Organizational
- Departmental
EXECUTIVE ORDER 12674 – APRIL 12, 1989
George H. W. Bush

PRINCIPLES OF ETHICAL CONDUCT FOR GOVERNMENT OFFICERS AND EMPLOYEES

• “in order to establish fair and exacting standards of ethical conduct for all executive branch employees”

• “To ensure that every citizen can have complete confidence in the integrity of the Federal Government”
PRINCIPLES OF ETHICAL CONDUCT FOR GOVERNMENT OFFICERS AND EMPLOYEES

• “1. Public service is a public trust; employees must place loyalty to the Constitution, the laws, and ethical principles above private gain.”

• “4. Employee shall not, except as permitted by the Standards of Ethical Conduct, solicit or accept any gift or item of monetary value from any person or entity seeking official action from, doing business with, or conducting activities regulated by the employee’s agency, or whose interests may be substantially affected by the performance or nonperformance of the employee’s duties.”
EXECUTIVE ORDER 12674 – APRIL 12, 1989
George H. W. Bush

PRINCIPLES OF ETHICAL CONDUCT FOR GOVERNMENT OFFICERS AND EMPLOYEES

• “8. Employees shall act impartially and not give preferential treatment to any private organization or individual in order to establish fair and exacting standards of ethical conduct for all executive branch employees.”

• “14. Employees shall endeavor to avoid any actions creating the appearance that they are violating the law or the ethical standards set forth in the Standards or Ethical Conduct. Whether particular circumstances create an appearance that the law or these standards have been violated shall be determined from the perspective of a reasonable person with knowledge of the relevant facts.”
CODE OF ETHICS - NIGP

• “The Institute believes, and it is a condition of membership, that the following ethical principles should govern the conduct of every person employed by a public sector procurement or materials management organization:”

• “Believes that members of the Institute and its staff should at no time, or under any circumstances, accept directly or indirectly, gifts, gratuities, or other things of value from suppliers, which might influence or appear to influence purchasing decisions.”

• “Seeks or dispenses no personal favors. Handles each administrative problem objectively and empathetically, without discrimination.”
WHAT ARE CONSEQUENCES OF UNETHICAL BEHAVIOR?

For the next 60 seconds, please type in the chat some consequences of unethical behavior.
POTENTIAL CONSEQUENCES

- Loss of reputation
- Lack of trust
- Monetary fines
- Jail time
- Termination of employment
- “Front Page”
- Lack of future competition
- Reduction in organization’s spending limit
- Revocation of professional memberships
- Promotion??
So how do we balance these two objectives harmoniously?

• If we pinpoint our key suppliers, make joint plans with them from which both they and our organization benefit, establish a performance map together, and then seek to constantly improve that relationship, are we not breaching our ethical responsibilities?

• Remember, as governmental procurement professionals, we are supposed to avoid any actions that would create the appearance to a reasonable person that we are violating ethical standards.
“ON TAXPAYER-FUNDED TRIPS, MIDLANDS SCHOOL BOARDS ARE OFTEN TREATED TO LAVISH MEALS”

The State – August 15, 2019

• “The meals, paid for by architecture and construction companies vying for large district projects, are considered gifts – and there are few restrictions on them under South Carolina ethics laws.”

• “School officials say the gifts and particularly the meals help them bond with one another and get to know the contractors who could work with the district.”

• “In South Carolina, there’s no limit of the number of gifts school board members can receive or from whom. Local elected officials must report any gift valued at $25 or more annually to the South Carolina Ethics Commission, a board appointed by legislators and the governor to oversee compliance with state ethics laws.”
“An analysis by The State of ethics filings by Midlands school board members and superintendents found that district officials accepted $32,000 in gifts between 2012 and 2018. Still, the true number of gifts school officials accepted could be higher, because several school board members missed ethics filings and there is no way to check that all statements of economic interests are accurate.”
“MIDLANDS SCHOOL BOARDS GET THOUSANDS IN GIFTS FROM COMPANIES SEEKING DISTRICT DOLLARS”

The State – August 15, 2019

• “According to [a past president of the SC School Boards Association, the board vice chair, and the COO of one of the school districts], the procurement process has a proven record of success and is free from outside influence.”

• “[The board vice chair] says getting to know the vendors in an informal setting, such as at a meal, allows board members to examine the character of potential contractors. ‘It’s important to know the people that you’re giving millions of taxpayer dollars to’, she said. ‘They’re not just some faceless entity that is doing work behind closed doors’.”

• “To guard against the appearance of wrongdoing, [the board vice chair and a past president] said the board will only accept gifts and invitations from companies the district is already working with.”
HYPOTHETICAL

Right before you leave for NIGP Forum (let’s pretend it’s real and not virtual), your boss tells you that, upon your return to the office, you are going to be responsible for procuring janitorial services for your organization.

At Forum you decide to make the most of the products exposition and spend time networking with vendors in the janitorial industry, doing your research and finding out what is new in the market. You visit booths, exchange business cards, and even find yourself discussing the issue over lunch with a vendor.

Later that evening you are at a bar when a vendor sees your nametag and introduces themselves. As luck would have it, they work in the janitorial field and are more than happy to buy you a drink (or two) and talk to you about your upcoming solicitation.

Under what circumstances should you talk to them?

Let’s discuss this for the next 10 minutes in the “chat”.
SOLUTIONS

• Have a defined ethics policy
• Enforce that policy
• Develop a supplier communication plan
• Create a formal process for communications
• Be transparent
• Avoid the appearance of impropriety
• Limit displays of trade show giveaways and other promotional material
SOLUTIONS

• Meet with potential offerors on an ongoing basis - BE INCLUSIVE
  town hall meetings
  one-on-one
  industry days
  reverse trade shows
  procurement fairs

• Develop market surveys

• Issue RFI’s

• Be CONSISTENT in your dealings both internally and externally
IF YOU ARE CONSISTENT..

• ..and do what you say you are going to do, treating everybody with integrity and fairness, you will not only meet your ethical responsibilities, you will also build strong relationships with your suppliers.

• Once your suppliers see that you are someone who acts ethically at all times and maintains the integrity of the procurement process, you will earn their trust – a key element in maximizing your relationship value.
QUESTIONS??

I have allowed 15 minutes in the chat to answer any questions you may have, or for discussion.

If we run out of time or you’re shy or you think of something later, please feel free to email or call me:

Nathan Dawson
ndawson@mmo.sc.gov
(803) 737-9931

Thank you for your time and attention, and enjoy the rest of Forum!!