

When it Comes to Creating Value, Sourcing is Better Than Supplier Management: Procurement Myth No. 11

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Date : April 9, 2015

We continue our series on the top 25 procurement myths. Some you may know, others maybe not. You also may agree with us on certain ones and not others. But, the important thing is that we have this discussion. We will post 1 a day here on [Chief Procurement Officer](#), so make sure to check back on the site to catch them all.

11. Sourcing trumps supplier management in value creation

In the short term, this is usually true, but over the long term, you just can't save your way to zero. Yes, maybe you can cherry-pick your sourcing opportunities when some markets go down and ignore the ones that go up (if your operating model is lax enough where you can get away with that). But is this the game you want to play?

If your "raison d'être" has moved from purchase price reduction to TCO reduction, that's a good start, and you'll need to eventually do supplier collaboration to find/reduce joint costs in the value chain. I ran a study about 4 years ago that was a massive deep-dive on SRM value, performance and capabilities. But, it's not easy. In looking at the "SRM top performers," and where they wanted to be in 3 years (which is basically now), traditional cost savings/avoidance from sourcing still trumped sourcing from SRM by about 50 basis points per year. But, when you looked at other hard dollar quantifiable benefits, such as growth-related financial benefits from SRM, the total value from SRM exceeded the total value from sourcing.