

**NATS**

# Building Business Relationships

Supply Chain Management at NATS

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Issue 2



NATS is the UK's leading provider of air traffic management services, safely handling more than 2 million flights and over 230 million passengers every year, in some of the busiest and most complex airspace in the world.

We are committed to delivering safety, service and value to our customers and Supply Chain Management plays a vital role in helping to achieve these goals. Through the management of external supply chains and developing strong supplier relationships we are able to secure best value for money, delivering innovation and best practice in support of our ongoing business transformation.

This policy booklet explains the role, values and objectives of Supply Chain Management and outlines the way it builds business relationships with internal customers, stakeholders and external suppliers.

Effective supply chain management means that we are only as strong as the weakest link in the supply chain and I encourage you to use the principles outlined in this booklet to enable us to continue our journey to strengthen all of those links.

**Richard Deakin**

Chief Executive

## Our role

- To be responsible for the acquisition of all goods and services required from external suppliers;
- At an early stage to determine in consultation with stakeholders, our approach and define the optimum acquisition processes;
- To act as the business focal point for our external supply base;
- To develop and lead structured business relationships with key suppliers.

## Our mission

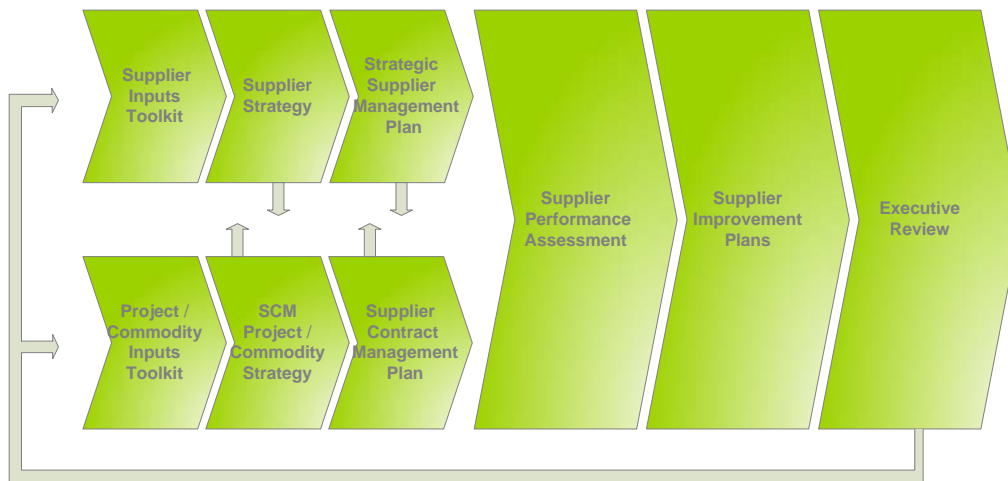
- We are committed to the continuous development of professional sourcing and supplier management
- We will maximise the value derived from our relationships with suppliers to support our business objectives
- We will work within an ethical, legislative, regulatory and environmental framework

## Our objectives

- Continually achieve best value for money
- Develop, optimise and deploy appropriate business processes with customers, stakeholders and suppliers
- Build appropriate business relationships with our suppliers
- Develop Supply Chain personnel through coaching, training and recognition
- Identify, manage and mitigate risks in the supply chain process
- Negotiate responsible, yet robust, contracts for all transactions
- Implement Corporate Social Responsibility principles
- Be recognised as a leader in supply chain and relationship management
- Reduce asset lifecycle costs



## Building business relationships



## Working with our stakeholders and suppliers

### Working with our stakeholders

- We encourage feedback between ourselves and our stakeholders to continually appraise and improve our performance and optimise our mutual processes
- Our Supply Chain Management Development Programme reaches out to other areas of the business to build knowledge and share understanding
- We develop and implement supplier, commodity and project purchasing strategies through cross functional integrated teams
- We work with our stakeholders in the Supplier Performance Management Process
- We develop commercial awareness with our stakeholders

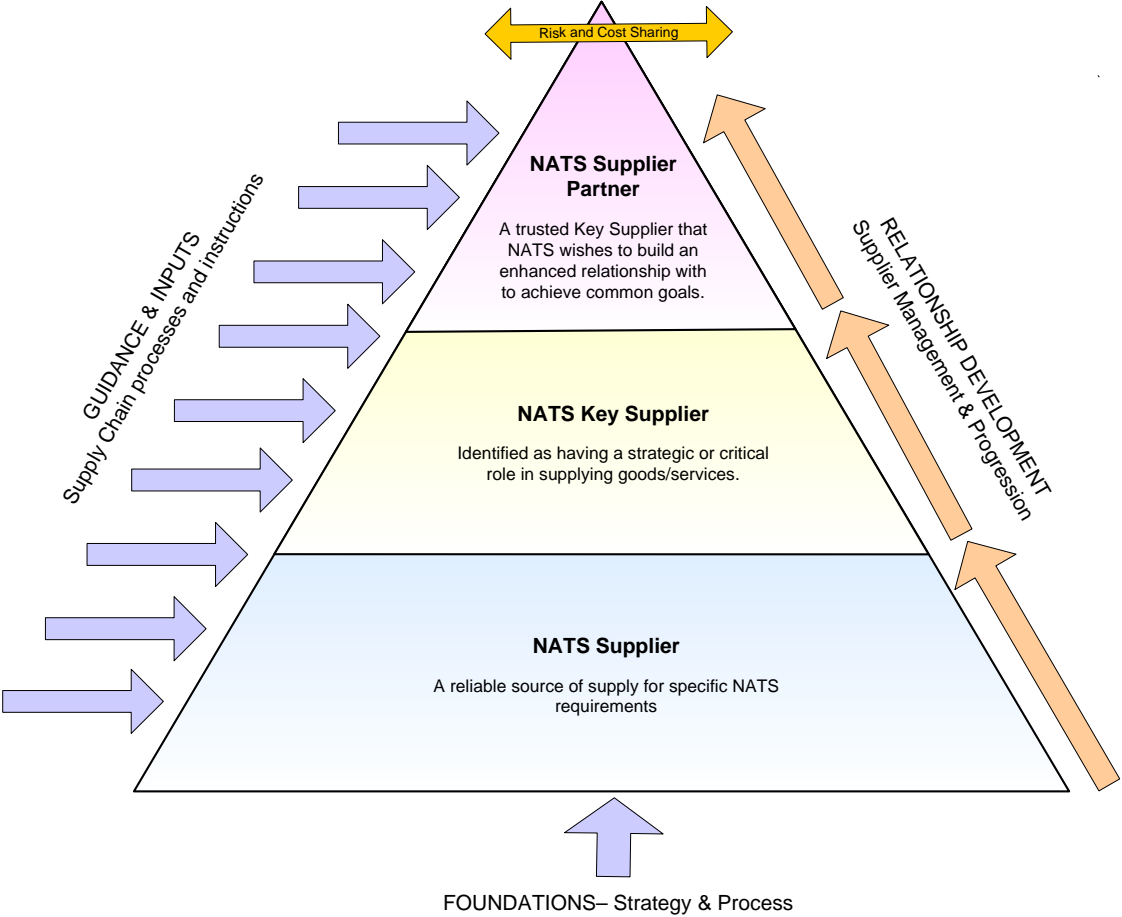
### Working with our suppliers

We encourage & promote suppliers who:

- Have the required capability to meet our requirements
- Work innovatively and are customer focussed
- Provide value for money
- Work with us to achieve our business goals and objectives
- Are committed to a long term relationship
- Strive for continuous performance improvement

# Supplier relationship pyramid

To understand how our relationships with suppliers can be defined and how they can be developed over time if it's appropriate



## Our roles and responsibilities

Effective supply chain management relies upon close team effort between our supply chain professionals, our stakeholders and our suppliers.

Our roles and responsibilities are as follows: -

	Tasks	Stakeholder	Legal	Finance	Supply Chain Mgt
	<b>Business Requirement</b>				
	Requisition	AR		C	C
	Financial Approval	AR		C	I
	<b>SCM Strategy</b>				
	Project	C	C	C	AR
	Commodity	C	C	C	AR
	Supplier	C	C	C	AR
	<b>Pre Qualification/ITT</b>				
	Overall Coordination	I	I	I	AR
	Specification	AR	I		C
	Technical Questions	AR			I
	Commercial Questions	C	C	I	AR
	Terms & Conditions	C	R	I	AR
	RFQ/Instructions to Tender	C	I	I	AR
	<b>Tender/Supplier Assessment</b>				
	Overall Coordination	I	I	I	AR
	Technical	AR	I		C
	Commercial	C	C		AR
	Financial	C	I	C	AR
	<b>Contract Management</b>				
	Contract Preparation	C	R	C	AR
	Contract Negotiation	C	C	I	AR
	Contract Award/Purchase Order	C	C	I	AR
	Contract Management Plan	C	I	I	AR
	<b>Payment Process</b>				
	Receipt & Acceptance	AR			
	Payment	I		AR	I
	<b>Supplier Management</b>				
	Supplier Management Plan	C	I	I	AR
	Relationship Management	C	I	I	AR
	Performance Assessment	R		R	AR
	Performance Improvement	C	I	I	AR
	<b>Project/Product/Service Delivery</b>				
	Requirements Management	AR		I	C
	Cost Optimisation	AR		I	C
	Risk Management	AR		I	C
	Quality Management	AR		I	C
<b>Completion Key</b>					
<b>A Accountable:</b> Ultimate responsibility					
<b>R Responsible:</b> Carries out the activity					
<b>C Consulted:</b> Agreement required					
<b>I Informed:</b> Communicated with					

## Our code of conduct

We will exhibit the highest levels of business integrity and confidentiality when dealing with our suppliers or potential suppliers and will:

- Foster the highest possible standards of professional competence;
- Reject business practices which may be considered improper;
- Declare personal interests which may impinge on or may reasonably be deemed by others to influence a purchasing decision;
- Ensure that any hospitality accepted during the course of a business relationship is modest, appropriate and reciprocated accordingly;
- Be transparent, objective and non discriminatory in dealings with suppliers;
- Show discretion in the choice of suppliers, selecting those with a good track record in health and safety, corporate & social responsibility and sustainability.

## Our core values

View people as the key to success

Achieve commercial excellence

Conduct all activities in an ethical and sustainable manner

Establish and sustain effective relationships



## How we buy



To assist in the purchasing process the following may be used:

- Competitive bids including formal tenders
- NATS' e-sourcing platform
- Framework agreements
- Request for quotation
- Internet purchasing



## Our payment terms and practices

We purchase goods and services using:

- Purchasing cards for low value purchases;
- SAP purchase orders for all other purchases.

We create a unique purchase order for all ordered goods or services.

Purchase orders can only be issued by employees with written delegated purchasing authority. In order to help drive good governance we record incidences of non-compliance and offer employees assistance in understanding the business and personal implications of continued non-compliance.

Our supplier should be in receipt of a valid purchase order number before providing the goods and services. Failure to comply will result in non-payment.

We will inform suppliers promptly when invoices are contested.

Any complaints from suppliers regarding non payment will be dealt with in an effective and timely manner.

A purchase order is not required where payment has been made using a purchasing card.

Payment terms will be agreed with suppliers prior to contract award. These terms will be included within the NATS purchase order documentation.

It is our policy to pay all suppliers in accordance with agreed terms.

We require:

- Accurate and timely invoices
- A valid purchase order number

Suppliers should send all invoices to the following address:

**NATS Limited**  
**Scottish Accounting Unit (SAU)**  
**Osborne House**  
**1-5 Osborne Terrace**  
**Edinburgh**  
**EH12 5HG**

## CIPS



CIPS  
CERTIFICATION

Supply Chain Management (SCM) was awarded Chartered Institute of Purchasing and Supply Certification (Purchasing Policy and Procedures) in March 2007. This was followed by a successful interim audit 18 months later. And in 2009 a complete re-certification was achieved demonstrating that SCM had maintained the high standards required by this programme.

CIPS certification is the standard of excellence in purchasing practice. The CIPS Certification programmes have been developed by the Chartered Institute of Purchasing and Supply and are endorsed by the Institute of Quality Assurance (IQA).

Building on this achievement during the remainder of CP2 SCM will be working with CIPS and their associates to enhance and consolidate its strategic capability. This is a twelve month programme of work which aims to achieve CIPS accreditation to Gold Standard (Strategic Procurement Capability). There are currently only ten companies in the world who have achieved this standard, including Zurich Financial Services, the BBC and Price Waterhouse Coopers, and will position the NATS SCM team to provide a “best in class” service to the business.

## PAS 11000



PAS 11000 is a publicly available specification developed by the British Standards Institute (BSI) in association with Partnership Sourcing Ltd (PSL) to provide an auditable strategic framework to improve collaborative relationships in organisations of all sizes. The PAS addresses the processes that need to be incorporated into collaborative relationships to ensure they are effective and optimised.

Supply Chain Management in NATS is compliant with PAS 11000 and applies it in the management of its Supplier Partner relationships. Organisations that meet the rigorous requirements of this PAS are accredited by BSI and assessed on a six monthly basis to continue to demonstrate the attributes, ability, and attitude necessary to ensure compliance.

## Continuously improving what we do

The Supply Chain Management function within NATS has improved significantly over the last few years with recognition from both CIPS and BSI.

To maintain and further improve our capability, it is important we focus not only on our internal processes and procedures but also on our employees' skills and the view of our Stakeholders and Customers.



To ensure all of these aspects are carefully considered, in addition to regular reviews on specific topics, we hold an annual review on all aspects of the Supply Chain Management function.

This covers:

- Strategic Planning
- Operational Performance
- Audit Results
- Improvement Planning
- Risk and Opportunity Review
- Personnel Review and Development Programme
- Stakeholder, Customer and Supplier Feedback

The output from this review informs our strategy, formulates our operational plan and helps to shape our employees' skills to meet the targets and demanding challenges for the future.

Chris Odam

Supply Chain & Business Services Director

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