

# How to develop strong supplier relationships

**It's essential to build and maintain good relationships with your suppliers, but you also need them to be reliable, effective, timely and competitively priced.**

Suppliers are essential to your organisation. You will always need to rely on them to assist you in providing quality services to your clients.

This guide takes you through a supplier assessment, appointment, review and replacement process.

## Implement a clear assessment process

Even though you do need to establish good relationships with your suppliers, it's still essential that you remain impartial. Supplier relationships need to be managed, not just left to evolve. How you initially engage with suppliers can often set the tone for what follows, so take a business-like approach to the whole relationship.

A good supplier assessment, appointment, review and replacement process enables you to take an 'arm's length' position. You can remain open to considering prospective suppliers if they can provide a better offer for your organisation. If you have an approved procurement policy (and procedures), it won't matter who undertakes this work, it will be conducted uniformly and fairly.

Key advantages of a clear process are:

- It sets the ground rules for any means of assessment, review and management
- All suppliers are treated equally, and therefore it encourages responsiveness and initiative
- It avoids opportunities for potentially criminal behaviour, bribery and fraud
- It avoids time spent on questions/reviews about supply
- It provides assurances to clients and primary stakeholders that your organisation is open to changes in supply methods, costs and quality.

## Do the initial assessment

Suppliers should provide you with expertise and capability that you cannot otherwise deliver to the same level of quality, accuracy and (possibly) price.

Initial Assessment

Consider:

- Relevant supply options
- Quality range (differing price points in a scale)
- Reliable logistical chain (from their supplier through to them meeting your needs)
- Price competitiveness

## Review and assess regularly

You should actively manage, review, and evaluate your suppliers on an ongoing basis. Critical milestones in supplier relationships are the starting and review points.

Don't let the time and effort required to change supplier arrangements become a barrier. This could mean you miss out on opportunities such as:

- Competitive pricing
- Better quality
- Improved logistical assurance (reliability)

It is advisable to have an alternative supplier identified for each essential item as your current supply could cease or be interrupted. A supplier might let you down, they might go out of business, or they may stop stocking the supplies you need.

## Assess new offers against clear criteria

If you become aware of a better supply source, follow your policy and procedures. This will reduce the temptation to grab at offers that have not been subjected to the same process and rigour. If you get what seems like a better offer then start your review process and seek comparable bids on your specific requirements.

If you do decide to move to a new supplier, always remember that you may have to go back to a previous supplier if the new one fails. It is important to keep the door to that relationship open, mainly if you're operating in a narrow supply market.

## Review supply trends

Products and service lines are continually evolving. Make time to investigate trends in critical areas of your supply needs. This could further improve your client services. You don't have to attend capital city trade shows or conferences but do try to stay on top of critical innovations.

The scope here is massive, and this work can be incredibly time-consuming, so it is essential to find a balance that works for your organisation. You may have a finance/procurement person to do this research, or it may be down to you!

## Manage supply risks

Even if your organisation is small, it is critical to consider how a break in supply continuity would affect your services. Larger organisations generally have a formal risk/continuity management policy, procedures and plan. A supply continuity management process considers who are your-critical suppliers are and what practical actions you would need to take should one of them fail in their supply. You might look at different scenarios – e.g. long-term power outage – and alternative ways to ensure the continued supply of your service. This topic is well covered in the resources listed below.

## Resources

business.tas.gov.au – [Business continuity plan template.](#)

The Commonwealth Dept of Innovation, Industry & Science – business.gov.au – [Develop an emergency management plan.](#)