

THE SPARK

Sourcing and Procurement Flash Report

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SUPPLIER RELATIONSHIPS

*Letting go is hard.
Holding on is harder.*



Growing up, my father always drove a Chrysler despite the fact that he could have purchased almost any other car he wanted. My brothers and I would always plead with him to look at other models, but my dad never strayed from Chrysler. It was not until he was in his late sixties that he finally decided to “upgrade” to a Toyota Camry after thirty plus years of cajoling from me and my brothers. One day I asked him if he would have bought a different car earlier in his life knowing what he knew now and my father begrudgingly replied “Maybe.”

As procurement professionals, we are constantly working with stakeholders who have long-standing supplier relationships and are often reluctant to consider alternatives. There is risk associated with changing suppliers and if the status quo is working, the business will be hesitant to rock the boat. So, how should we work with our partners to get them to consider new suppliers? There is no magic formula for doing this, and each partner we work with is not influenced the same way, but there are three basic steps you can take to increase your odds.

- 1. Start with a strong business case and a clear value proposition.** Whether it's cost savings, process efficiencies, or ROI, your business partners won't open the door unless you can show them the value an alternative supplier can deliver. Building a defensible business case is dependent on knowing your current costs and operational pain points. If the business partner believes that Procurement does not understand their operational requirements or costs, it is challenging to act as a credible source and be taken seriously.
- 2. Stay close to your business partners throughout the evaluation process** and give them exposure to the right information that allows them to make informed decisions. When they raise issues about how a new supplier might manage certain situations, get the answers as soon as possible in order to allay their concerns. Your business partners need to own the decision to switch to a new supplier and be fully committed to working with them. It is our responsibility to get our stakeholders to that point.
- 3. Remain actively engaged in the transition of services.** There is a temptation for Procurement to declare their involvement is done once the contract is signed. The reality is that after the contract is executed, that is when the real work begins. There can be significant business risks when a new supplier is introduced to your operations. Remaining involved in the transition shows your stakeholders that you are dedicated to working collaboratively, and offers Procurement an opportunity to strengthen the relationship.

Whether it is buying a new car or switching to a new supplier, there will always be concerns due to the risks that are inherent in any change, large or small. Our responsibility as procurement professionals is to take the correct steps to identify those risks and work in good faith to minimize them.



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We want to hear about your business challenges.

Contact thespark@logicsource.com to start the conversation.

