Visits to suppliers’ facilities should be considered an essential ingredient of effective procurement, and can be an invaluable source of useful information and insight that cannot be obtained in other ways.

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New Supplier Engagement - CIPS Australasia

An often-overlooked part of the procurement process is the initial phase of working with a new supplier and how we can help them get up to speed as quickly as possible to perform effectively for our organisation. Considerable effort goes into defining the requirement, sourcing, tendering, negotiating the final deal, and considering how the relationship will be managed long-term. But there can be specific considerations that, if thought about in advance and a plan of action put in place, can smooth the path to early effective performance for a new supplier.

The lack of an effective new supplier engagement process can lead to reluctance to take on a supplier who we have not worked with before, leading to missed opportunities. How often have we thought “this untried supplier ticks all the boxes but we haven’t worked with them before, and being a small company in relation to ours, how will they ever get up to speed in time to meet our needs?” Organisations that have an effective new supplier engagement process have the confidence to take advantage of new emerging suppliers that are a source of innovation and commercial advantage.

There will not be a one size fits all solution for each new supplier. As with all supplier relationships, it is good practice to assess the type of relationship that will be appropriate for each category of supplier. A new supplier who is viewed as being appropriate for a strategic relationship will almost certainly need more input than one that is seen as sitting in the acquisition/transactional box. However, it is probable that some level of additional resource will need to be committed for an initial period in most supplier relationships. What sort of things can be considered to ensure that the engagement of a new supplier runs smoothly?

It is useful to think about past problems that our organisation has experienced with new suppliers. Have any of the problems being caused by or contributed to by our own organisation? Look for recurring issues as these may well indicate that the problems are being caused by something that our organisation is doing or not doing. Some buying organisations are actually rather difficult to do business with!

The culture of many organisations can be very difficult to get to grips with. This can be a particular issue for a small organisation supplying a larger one. Many large organisations actually differ culturally from one part of the organisation to another. This may be as a result of varying geographical locations or differing market sectors. It can be crucial to successful delivery that the supplier understands the buying organisation’s culture and any variations. For example, a new supplier engaged to deliver a training programme across a large organisation may use a delivery style that is consistent, yet received positively in some parts of the organisation and negatively in others, due to the delivery style being inappropriate. Had the buying organisation spent time enabling the supplier to understand the cultures within the organisation, this type of difficulty could be avoided.

Relationships within the organisation can be complex and it is easy for a supplier, particularly a small one, to be pulled in many different directions, driven by their lack of understanding of the organisation and a desire to please their new customer. This can lead to the supplier’s resources being dissipated and a lack of focus on the key outcomes from the contract.

Processes within the buying organisation can be misunderstood. For example:
- work can be delayed because the supplier does not understand the approval process for their first production samples
- invoices may not be submitted correctly leading to cash flow problems
It is not uncommon for personnel to be resistant to a change of supplier and be quick to find fault with a new supplier. This is a lose/lose situation and the reasons and benefits of the change of supplier should be explained and any negative behaviour or actions challenged.

Particularly complex procurements, such as major capital projects, can provide their own challenges in engaging with a new supplier. Whilst the parties will have spent a lot of time working together pre-contract, possibly over a year or even more, it is not uncommon for a lot of the knowledge gained during that period to be lost as the post-contract teams take over. It is beneficial that there is some level of cross-over between the pre and post contract teams.

Hopefully this short article will have led you to consider whether there are improvements that your organisation can make to the way that it engages with new suppliers. Extra time spent in the early phase of a supplier relationship will be well rewarded.