

# SUPPLIER MANAGEMENT FACT SHEET

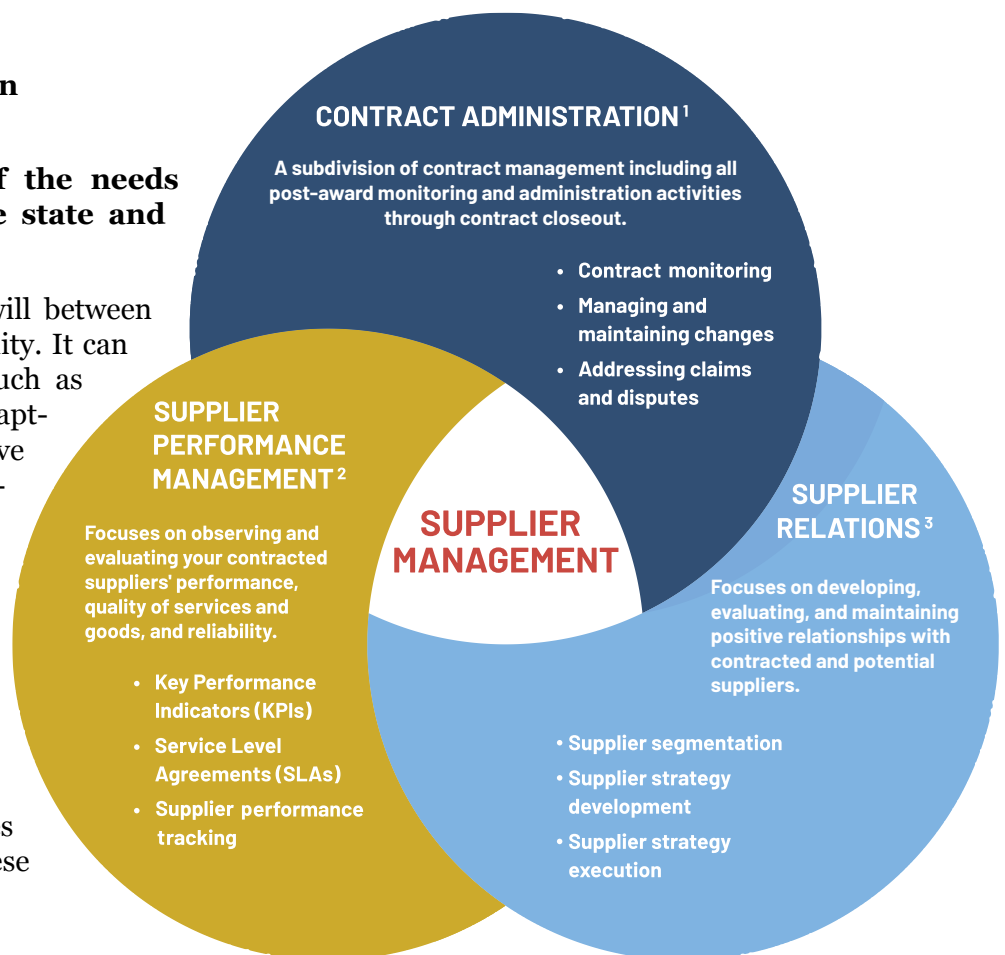
*Supplier management is an operational strategy that focuses on developing and maintaining relationships with contracted suppliers in order to provide best value contracts, products, and services. Supplier management uses elements of contract administration, supplier performance, and supplier relationship management to achieve these goals.*

Supplier management prioritizes:

- **Increased communication**
- **Improved rapport**
- **Better understanding of the needs and abilities of both the state and supplier**

This effort aims to develop goodwill between the state and the supplier community. It can also provide intangible benefits such as mutual trust, confidence, and adaptability. Lastly, it can be a protective measure to mitigate risks and improve performance throughout the life of a contract.

Although supplier management is often used interchangeably with **contract administration**, **supplier performance management**, and **supplier relations**, each term represents something different. The diagram clarifies and defines the differences in these terms.



<sup>1</sup>NASPO. (n.d.). Contract administration - NASPO. Retrieved June 1, 2022, from <https://www.thomasnet.com/insights/unleash-the-power-of-vendor-management-in-procurement/> Retrieved May 4, 2022, from [https://www.naspo.org/wp-content/uploads/2020/10/2020\\_ToolBox\\_Issue\\_7C.pdf](https://www.naspo.org/wp-content/uploads/2020/10/2020_ToolBox_Issue_7C.pdf)

<sup>2</sup>NASPO Pulse. Retrieved May 4, 2022, from <https://pulse.naspo.org/post/vendor-management-its-not-what-you-think/>

<sup>3</sup>Webb, J. (2017, February 21). What is supplier relationship management? Forbes. Retrieved May 4, 2022, from <https://www.forbes.com/sites/jwebb/2017/02/21/what-is-supplier-relationship-management/?sh=fc30a3dec5a8>

# IMPLEMENT SUPPLIER MANAGEMENT PRACTICES

Be sure to always follow your state's policies and code of ethics when engaging with suppliers.

## 1. Identify your key suppliers.<sup>4</sup>

Factors to be considered include:

- Largest spend
- State's priority level
- Performance record
- Risk related to contract

## 2. Establish strong communication.

- Set regular meetings that include suppliers, user agency representatives, and procurement staff.
  - Decide on a method (phone calls, emails, sync-ups) for open communication.
  - Invite supplier team management to ensure that executive leadership is engaged.
  - Give suppliers the opportunity to share changes, innovations, and potential solutions.
- Communicate priorities completely and transparently
  - Be honest and true to your word.<sup>4</sup>
- Understand your contract.
  - Determine the roles and responsibilities of each party.<sup>5</sup>
  - Confirm how performance will be evaluated, documented, and reported.
- Utilize Service Level Agreements to clarify performance expectations and metrics.

## 3. Monitor performance and be proactive in addressing issues.

- Collect and analyze information needed to evaluate supplier performance (i.e., contract compliance, supplier lead time, cost avoidance, cost reduction).
- Monitor and provide feedback to the supplier about performance standards.<sup>6</sup>
- Identify critical areas for improvement.
- Implement agreed-upon steps to remedy issues.

A strategic approach to supplier management helps create and maintain meaningful relationships between contracted suppliers and the state. By fostering transparent and consistent communication, you can mitigate potential risks and ensure best value contracting for all parties.

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<sup>4</sup> Hartley, J. M. (2016). Supplier Relationship Management. *In Foundation of Supply Management* (pp. 195–196). essay, Institute for Supply Management.

<sup>5</sup> Rivera, N. (2022, April 19). Supplier management: It's not what you think! NASPO Pulse. Retrieved May 4, 2022, from <https://pulse.naspo.org/post/vendor-management-its-not-what-you-think/>

<sup>6</sup> Engle, P. (2014). Vendor management. *Industrial Engineer: IE*, 46(12)

## RESOURCES

- The State of Florida utilizes a [Performance Tracking system](#). Learn more about their approach here.
- For more information on contract monitoring refer to NASPO's [Contract Administration Best Practices Guide](#) and [Free Online Course: Contract Administration Strategies](#).