

## How to get the most out of vendor relationships

| BY PERRY LONGINOTTI |

**THE LAST** thing on a payroll professional's mind each day as she faces a full inbox, desktop stacked with papers and a tireless cavalcade of new projects is vendor management. But investing a little time managing the partners can save time and turmoil down the road.

### Measure

The first step is to measure how the vendors can help the payroll department. Assess whether any of them help the department stand out in the organization by providing insights or efficiencies that make the organization more successful.

When measuring vendor relationships, it is important to know what is being worked with. The easiest way to know this is to classify the vendors by what they do for the department and how critical they are to its success.

There are generally three types of vendors:

•**Strategic vendors:** They deliver high value products and services. Their offering is unique or their service may make them indispensable. These are the trusted advisors.

•**Commodity vendors:** They deliver reasonable product and services. Every business has a need for commodity products. These vendors generally offer something simple and do so efficiently.

•**Problem vendors:** They should be strategic but they

treat the organization like a commodity or cannot supply simple products and services.

At the root of this evaluation is accountability to a vendor's service and product commitments. Essentially the payroll department is holding them to promises made during the sales process. In order to do this, the department needs to know what was promised.

If a vendor selection predates a payroll professional's tenure, then she needs to re-establish a sales relationship with an account manager at that vendor.

This allows for an opportunity to reset expectations.

In other words, how has the vendor's product or service changed over time and how does that fit (or not fit) the payroll department's requirements?

In order of importance, the payroll practitioner's time should go to fixing problem vendors, maintaining strategic vendors and, lastly, handling commodity vendors.

### Communicate

Where possible, schedule face-to-face meetings with vendors at an interval that makes sense for both parties. The purpose of these meetings is for the payroll practitioner to share feedback with vendors — to communicate the assessment of their performance.

At least one meeting per year should be easy to accommodate with strategic vendors. Problem

vendors will require a bit more time.

Fixing problem vendors can be hard but will bear the most fruit. They need help understanding and fixing challenges, problems and discord. Issues with problem vendors must be clearly communicated. Organize periodic meetings to discuss concerns. In the case of service, issues escalate accordingly.

Always remember it costs companies that sell products and services much more to acquire new clients than it does to retain existing ones.

Do some homework to illustrate any variance between what was promised and what is being delivered. It helps to have a good idea of what competitors are offering.

Make sure vendors understand the metrics used to measure them. Once the vendor understands the issues, ask them for a resolution plan that includes dates.

Afterwards, keep the vendor's resolution plan handy and hold them accountable to it. They may not meet the department's requirements, in which case it will need to start the process of finding a replacement.

Working with strategic vendors is more pleasant. It is important to cultivate them and keep them engaged.

These vendors are already committed to helping the organization and they may bring new ideas or ways of being effi-

cient.

Keep in touch with the account manager — they have a vested interest in the organization's success because happy clients beget more happy clients.

Finally, be very conservative with the time spent on commodity vendors. There will not be much value from investing a lot of time with them — the paper clip guy has probably done everything he can for the organization already.

Many Canadian businesses do not have purchasing departments equipped to manage vendors.

Either no one owns this responsibility or the people who do are not sufficiently versed in the day to day challenges of payroll or HR. Time is precious, but investing some of it into vendor relationships makes a lot of practical sense.

Good vendors can make the payroll professional's job easier by understanding the organization and the challenges it is facing on a daily basis.

Knowledge allows them to bring solutions. The best way to acquire this knowledge is through regular productive communication with the clients.

Vendors that make life more difficult require attention. Communication of requirements is the key to righting these relationships or moving on to new solution providers.

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