

Supplier Management

Like it or not,
IT suppliers are
necessary for
your business to
run successfully.

Whether that's your telephony and internet connectivity, your website hosting, someone supporting your PCs, a cloud provider, or a consultancy configuring your back-end systems or writing bespoke software for you.

If IT suppliers are unavoidable, then making sure they work with you and to the benefit of your business is essential. Without management, that's unlikely to happen, their own agendas will become more important and even though you're paying for a service, you will end up way down their priority list.

There's a reason huge vendors can offer low cost infrastructure

Some suppliers deliver standardised, commoditised services based on shared technology infrastructures. They're usually fixed price with little variation and have very low margins. For example, huge telecoms suppliers like O2 or cloud services like Microsoft 365. The vendor makes money by piling it high and selling in volume on long contracts. Typically there are a small number of highly consolidated vendors, and they don't lend themselves to easily being managed. Face facts: these vendors are focussed on minimising cost rather than outstanding customer service. You are a small fish in their very big pond!

But with these kinds of services - if you buy carefully, get the service you need, set up the details and contract properly then, once it's up and running, it should need very little management.

What suppliers need more management?

The other type of supplier is more service orientated. They are typically people-based, you have more suppliers to choose between, and sometimes you could make the decision to in-source the provision altogether.



CEO's Briefing

“ But the single root cause is almost always lack of engagement. ”

For instance, desktop support, website design, systems development. You will typically want to choose a supplier for whom you are large enough to matter, but small enough that they have the capacity to cope.

In some cases, these suppliers are repackaging services offered by the large providers, for example smaller telecoms providers who resell things like airtime and contracts. But generally they are offering their own skills and products.

These services are more likely to be more customisable, they usually involve expert knowledge and technicians. These may be time and material engagements, fixed price or short term. Sometimes they lend themselves to longer term commitments, particularly when it's for support.

But, critically, these services and suppliers can be a huge drain for you if they go wrong, or a huge boost if they go well.

These are the ones that need close management.

But, why should they need managing?

Suppliers don't deliberately provide a bad service, but anytime there's people involved, things have the potential to get messy.

The honeymoon period that is usually the first 6 months of the contract, quickly wears off and once the contract is signed and the service is up and running and being delivered, they can get complacent or distracted. That's when the service levels start to take a hit.

We see a number of scenarios that are all too common:

- The services are not delivered as well as they used to be. Too many people have changed, account management is lacking and the supplier MD is off courting business elsewhere.
- Timescales are agreed and never met, delivery of the work is always late and never as agreed. There's no consistent requirements gathering and work goes ahead with what feels like a blank chequebook.
- Your staff feel ignored or let down by the supplier. Communication is appalling and often there's none. Changes get made without prior notification and often these changes impact your staff's work leading them to blame the IT service rather than anything else.
- The supplier seems incapable of delivering what is needed. They're always trying to sell the next new technology, but they can't get the basics right.
- The price of the service is going up and up and feels out of control. Even with these inflated prices, the service isn't improving and there always seems to be yet another thing that needs to be done. They seem in control rather than you.

These scenarios lead to frustration and unhappiness on both sides. This can be an ongoing sore, grinding away unresolved for years. Or we see companies who churn their suppliers, often ending up in similar situations with new suppliers.

But the single root cause is almost always lack of engagement. Without decent service management from both the supplier and from you, there will be on-going problems whichever supplier you choose.

Service delivery is the hardest function for any SME IT service provider to do well because they struggle to afford good service delivery people. Typically their resources are focussed on the technical stuff and some will do this well; but projects, long-term objectives, customer interaction and planning are all a low priority. They simply don't have a big enough management team to do this well for all their clients.



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If you regularly meet with your suppliers, then it's a chance to understand them and why they do what they do as a business as well.



What gets reported gets done

If your suppliers have been unmanaged, then the first thing to do is get some regular, standard reports in place. The supplier's contract will have clearly defined the service you should be receiving and they should be reporting against that defined service so that you can see what you're getting for your money.

With a support service, it's details such as how many calls were logged and resolved, is the service being delivered in a timely manner for your staff and how satisfied are your staff with the service that matter. With a development service, the details will be about whether they deliver what was agreed, how often they meet the agreed deadlines for delivery and how many high priority issues are raised with new functionality once it has gone live.

Once you're receiving regular reports, you'll be able to see trends and changes to the service as the contract progresses and it also gives you a reason to discuss the service with them. It also helps maintain the levels of service and if they're below contracted levels then actions to resolve.

Take the time to engage

Like you will want your supplier to engage with you, you also need to engage with them. If you are in regular contact with the supplier and they know what's happening within your business, then there's a greater chance that they will provide services that support that direction.

We often hear companies complain that their IT suppliers don't understand their business. But too often they are complicit in this problem because they don't make time to explain and show what they do. If your suppliers are not aware of what's happening in your business they will not be able to help you, to provide new ideas or new solutions. Eventually the service will get out of step with your business.

If you regularly meet with your suppliers, then it's a chance to understand them and why they do what they do as a business as well. Very few of their customers will engage to this level and if they know you well, they're far more likely to go the extra mile than keep rigidly to the contract. If you need a favour, having a good relationship with the supplier's MD can be the key.

When you meet with the supplier ensure that they are aware of what will be discussed beforehand. Take the time to have a proper meeting, in a meeting room with an agenda and notes/actions distributed afterwards. Again, what gets reported gets done. Some probing questions to ask any supplier:

- What can you do to help us do better and grow as a business?
- What are you doing to pro-actively improve your services?
- What could you do for us that you're not already doing?

Be professional with the supplier

Be demanding but be fair; and always be engaged and interested in making things better. Connect with the supplier's staff when they're at your site. Show that you care about them, ensure they're looked after and enjoy coming to your office.

Make clear exactly what you need and hold your suppliers to account in detail and on a regular basis. If there are issues you need to be direct and specific; rather than nothing or just grumbling.

And, in return, when the supplier is doing well then compliment their staff publicly, congratulate their management, offer to act as a reference or to help them with referrals. Be positive and upbeat and a pleasure to work with.



CEO's Briefing

“ Agree a fair price which gives your suppliers scope to provide the level of service that you want. Be straightforward in your dealings, and pay their bills on time. ”

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If you believe the supplier beneath you, then the service you will get from them will be lesser because of it. Treating them as an equal and an important part of your business will mean the supplier will be interested in supplying the best service and enjoy having you as a customer. It's much easier to be demanding of a supplier if you're close to them too.

Benchmarking the service

Every business needs to make a profit and IT suppliers are not exempt from this rule. However, there's nothing wrong with checking whether you're getting value for money even if you are in the middle of a contract. Benchmarking a service is a great way of letting a supplier know that you're on top of costs and expect to continue to get value for money services. After completing a benchmark exercise, if the supplier is significantly out of alignment with the market then you should arrange an immediate discussion with them and work on a corrective action together.

Diarise renewal dates and notice periods

Finally, make sure you are fully aware of when the contract finishes or renews. Most service contracts have lengthy notice periods and you need to consider how long it would take you to tender, select a new supplier, agree a new contract then make the switch. Put together this might be a surprisingly lengthy process and often companies simply roll forward their existing supplier contracts because they run out of time to seriously consider alternatives.

So keep a diary of renewal dates and work back from these dates to create a diary of reselection deadlines.

IT suppliers can help drive your success

If you get these key points right then your IT suppliers can help you create an efficient, effective operation, they can bring innovation into your business and help you compete successfully.

We see the most successful companies working closely with their IT suppliers, involving them closely and leaning on them for talent and ideas. But at the same time they drive low cost deals, they insist on the best service, and they hold their suppliers to account.

Freeman Clarke is the UK and Singapore's largest and most experienced team of part-time (we call it "fractional") IT directors, CIOs and CTOs. We work exclusively with SME and mid-market organisations and we frequently help our clients use IT to beat their competition.

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