

Country case: Managing supplier relationships in collaborative contracts in New Zealand

Description

A New Zealand initiative to improve the performance of managing supplier relationships in collaborative contracts is applying a strategic supplier relationship management model.

All-of-government (AoG) contracts establish a single supply agreement between the Crown and approved suppliers for the supply of selected common goods and services purchased across [government](#). These contracts deliver a range of benefits to agencies, suppliers and, ultimately, the New Zealand taxpayer. These benefits include: cost-savings to agencies, the government and taxpayers; productivity gains for agencies and suppliers; and improved competition.

Strategic supplier relationship management (SSRM) is the systematic, enterprise-wide assessment of suppliers' assets and capabilities with respect to overall business strategy, determination of what activities to engage in with different suppliers, and planning and execution of all interactions with suppliers, in a co-ordinated fashion across the relationship lifecycle. The objective is to maximise the value realised through those interactions. The focus of SSRM is to develop two-way, mutually beneficial relationships with strategic supply partners to deliver greater levels of innovation and competitive advantage than could be achieved by operating independently or through a traditional, transactional purchasing arrangement.

Suppliers are encouraged to view SSRM in the AoG context as an attractive proposition as it helps them:

- better understand government's strategic direction to inform commercial strategies
- gain strategic alignment with New Zealand Government Procurement (NZGP) which can inform business planning
- better understand and inform category strategies
- gain early engagement with capability and capacity alignment
- discuss shared roadmaps and focused innovation opportunities
- receive strategic feedback from government on performance and identification of gaps that are effective their relationship with government
- better influence agency performance in contract utilisation and leverage

Public Procurement
Principle: **Participation,**
Efficiency

Procurement Stage:
All phases

Audience: **Policy Maker,**
Procuring Entity

Key aspects of SSRM when applied to NZ common capability contracts include:

- A focus on procurement excellence across the plan, source, manage procurement lifecycle to maximise value for agencies.
- Assisting in maximising value during the contract management phase.
- Supplier classification enabling supplier focus and effort to be applied commensurate with the importance, value, risk and cost of the relationship.
- Models are applied to assist with classification, including Supply Positioning and Supply Preferecing.
- Providers are “classified” into one of three tiers:
 - Tier 3 = “light touch” – generally for the larger panels within professional services categories.
 - Tier 2 is similar to current effort across many of the current AOG contracts. It pertains mainly to majority of contracts within ICT and Corporate and Support Services.
 - Tier 1 provides for organisational alignment across three levels. It is more intense and is intended for the likes of key suppliers to government.

Source: OECD (2016), [Towards Efficient Public Procurement in Colombia: Making the Difference](#), OECD Publishing, Paris.