

Supplier-Provider Relationships: Fostering Trust and Influence

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Foreword

In today's challenging financial climate, strong supplier-provider partnerships are more important than ever. Healthcare systems, under immense pressure, can no longer succeed alone. We rely heavily on suppliers, requiring deeper collaboration and diligence across all care settings—whether in acute hospitals or non-acute environments like outpatient, long-term or home-based care.

While competitive pricing and product quality remain essential, they aren't the only factors in building successful partnerships. Healthcare providers now have more supplier options than ever, making it crucial to consider cost-effectiveness, quality and the strategic value each partner offers.

Our success hinges on how well we form, sustain and leverage supplier-provider relationships. Suppliers are no longer just vendors—they're vital allies in delivering exceptional care and value in all types of healthcare environments. The future of healthcare will be shaped by how effectively we work together. Our collective efforts can push boundaries and achieve more than the sum of our parts.

"Supplier relationships are the backbone of organizational success, serving as the pillars that support growth and prosperity. By fostering shared accountabilities, setting clear expectations, and practicing effective cost management, organizations can build a sturdy foundation for mutual trust and influence."

Tom Lubotsky
Vice President and Chief Supply Chain Officer,
Allina Health, 2024 LISN Chair



"If you thought of my stores as an extension of your company, we'd do business much more differently than we do today."

"I want every opportunity to earn a lower price, but it needs to be based on real change in what we do together."

Sam Walton, CEO, Walmart

"Successful supplier-provider relationships are about more than transactions—they're about trust, collaboration, and shared goals. In today's rapidly evolving healthcare landscape, the partnerships we cultivate are critical to driving both operational excellence and patient outcomes. By fostering open communication and aligning strategies across all care settings, we can unlock the full potential of our partnerships and create lasting value for the entire healthcare ecosystem."

Rachel Martin, Associate Principal, Supplier Performance, Vizient

This guidebook offers proven strategies for building strong supplier-provider relationships, enhancing communication, setting clear expectations and fostering trust. **Look for these call out boxes** to provide actionable next steps to help you tailor successful approaches to your organization's unique needs.



Supplier-provider relationship model

Approach and governance framework

A well-structured framework is crucial for supplier-provider relationships to achieve shared goals through a systematic approach. It establishes clear objectives, defines the partnership scope and identifies key stakeholders to ensure alignment. Strong governance provides oversight, optimizing supplier performance, reducing costs and managing risks. By building a collaborative relationship, this framework boosts supply chain operations, improves care and enhances patient outcomes. In summary, these relationships are shaped to deliver mutual value to both suppliers and providers.

Here's an outline of components for this sample framework that can be adapted to your organization's specific initiatives.

Objectives

Before establishing your framework, it's crucial to clearly define objectives that align with both your organization's strategic goals and those of your suppliers. These objectives help set priorities, guide performance targets and ensure all efforts are directed toward mutual value and measurable outcomes. Here are some sample objectives:

- **Supplier selection:** Choose suppliers based on quality, cost, reliability and compliance, with regular performance reviews.
- **Contract management:** Establish clear terms, pricing and performance expectations to manage risks and ensure compliance.
- **Collaborative relationships:** Foster trust and transparency with key suppliers through open communication and joint problem-solving.
- **Risk management:** Identify and mitigate risks in the supply chain, ensuring patient safety and supply continuity.
- **Performance monitoring:** Track relationship performance using key performance indicators (KPIs) and promote continuous improvement through feedback and reviews.
- **Compliance:** Ensure stakeholders meet regulatory standards for safety, security and ethical practices.

Scope considerations

Scope considerations require suppliers and providers to align strategic goals that impact healthcare service lines. This involves jointly defining necessary resources, processes and activities, while also agreeing on key behaviors and engagement standards that guide their collaboration. Consistent adherence to these standards is crucial for success. Scope considerations based on the sample objectives above include:

- **Supplier selection:** Define criteria for selecting suppliers (quality, service, compliance, cost) and set processes for ongoing evaluations to ensure alignment with strategic goals.
- **Contract management:** Identify the resources needed to manage contracts, resolve disputes and maintain compliance, ensuring clear terms and expectations are met.
- **Collaborative relationships:** Establish engagement standards for regular communication, transparency and joint problem-solving to maintain alignment and trust.
- **Risk management:** Identify potential risks, such as supply disruptions or non-compliance, and agree on strategies and processes to mitigate them.
- **Performance monitoring:** Set KPIs, agree on definitions and measurements, establish processes for tracking performance, provide feedback and drive continuous improvement.
- **Compliance:** Ensure processes for auditing and maintaining adherence to legal, safety and ethical standards across all activities.

Stakeholder analysis

Effective stakeholder analysis is critical for ensuring that all relevant parties are engaged and their needs are met throughout the supplier-provider relationship. Identifying stakeholders for each objective ensures that expectations are aligned, fostering stronger collaboration and support. Below is a stakeholder analysis for each sample objective:

- **Supplier selection:** Involves procurement, clinical, quality and compliance teams who expect suppliers to meet quality, cost and regulatory standards, as well as clinical needs.
- **Contract management:** Includes the legal, finance, procurement and compliance teams, who need clear contract terms, financial risk management and ongoing performance monitoring to ensure compliance.
- **Collaborative relationships:** Engages supplier account managers, operations managers, clinical leaders and procurement teams, who value open communication, transparency and joint problem-solving to build trust and maintain alignment.
- **Risk management:** Involves risk management, supply chain logistics, procurement and compliance teams, who focus on identifying and mitigating supply chain disruptions, ensuring product safety and managing legal and financial risks.
- **Performance monitoring:** Includes operations managers, procurement, quality assurance and finance teams, who rely on regular tracking of supplier performance using KPIs, feedback and continuous improvement initiatives.
- **Compliance:** Involves compliance officers, legal teams, clinical leaders and quality assurance, who need assurance that teams meet regulatory, legal and ethical standards, ensuring patient safety and data security.

Governance structure

A clear governance structure is essential for defining roles, decision-making authority, processes, reporting lines and communication flows within the supplier-provider relationship framework. It ensures effective management, accountability and achievement of objectives. Below are the key components of a proposed governance structure:

- **Executive sponsorship:** Led by the CEO or COO to align the partnership with organizational goals, secure resources and promote collaboration.
- **Governance committee:** Senior leaders from key functions (procurement, finance, clinical, etc.) oversee strategy, resource allocation and risk management. Develops and implements policies, processes and standards, including relationship evaluation, performance metrics and compliance.
- **Program management office (PMO):** Manages daily operations, coordinates activities across departments and ensures stakeholder engagement and progress tracking.
- **Supplier-provider relationship managers:** Serve as key contacts, managing communication, issue resolution and continuous collaboration.
- **Cross-functional working groups:** Formed as needed to address specific challenges or initiatives involving clinical, IT, legal and quality teams.
- **Performance review meetings:** Regular meetings to assess relationship health, strategic initiatives and opportunities for improvement.



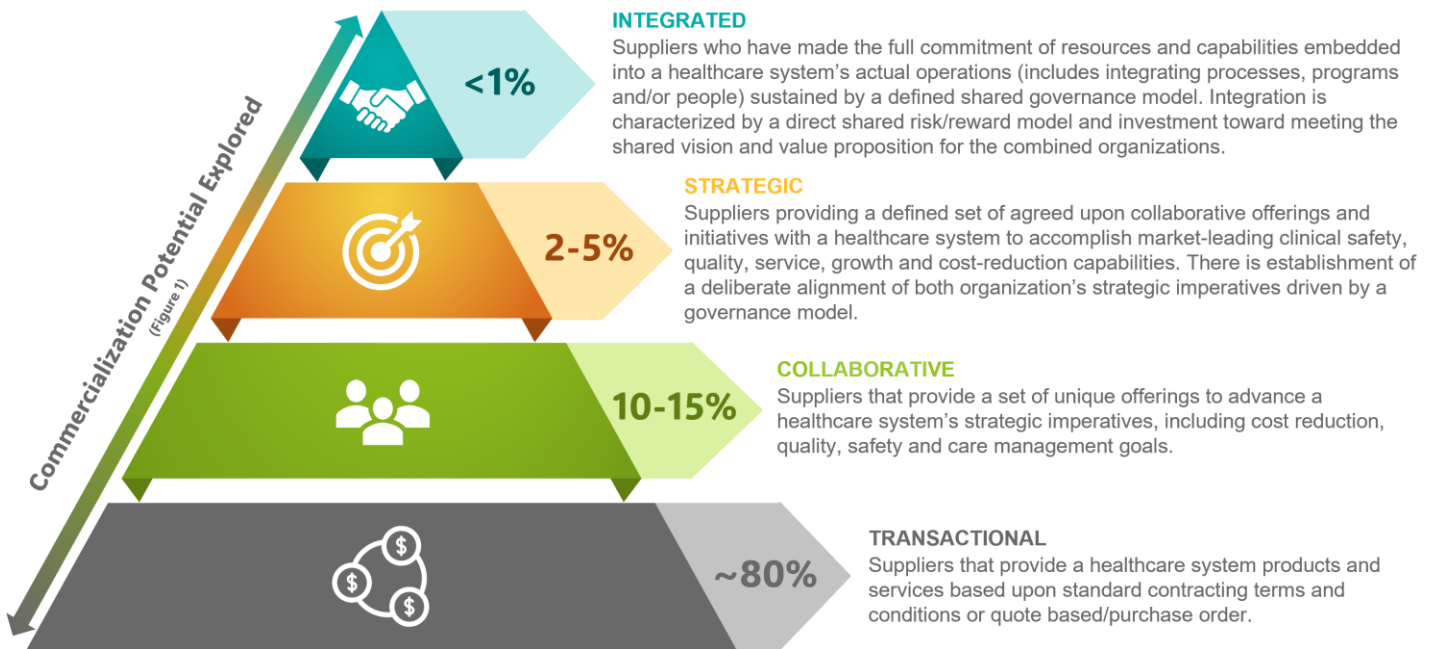
Optimize supplier-provider relationships by implementing a framework that aligns objectives, clarifies roles and ensures oversight. Set clear goals, address scope and establish governance to foster mutually beneficial partnerships, drive long-term success, reduce risks and improve care quality.

Supplier segmentation strategy

Definitions, criteria and process

In supplier-provider relationship management, a clear segmentation strategy is essential for organizing and managing suppliers based on their level of integration with the healthcare organization. This sample approach reveals four distinct levels of segmentation, each building on the previous one to create a solid foundation for collaboration. By structuring relationships this way, providers can better align resources, tailor strategies and optimize partnerships based on the unique value and role each supplier plays.

Figure 1: Supplier segmentation tiers



The supplier segmentation strategy follows two distinct phases. First, an automated quantitative filter categorizes suppliers based on factors such as their impact on service lines, financial impact and the value of essential products or services provided. This process helps rank suppliers for further evaluation.

In the second phase, performance metrics are used to further identify those suppliers with potential to enter collaborative, strategic or integrated partnerships. Metrics may include price benchmarking, on-time-in-full (OTIF) delivery, contract adherence, freight management efficiency and stakeholder feedback from qualitative surveys. Progression from transactional to strategic partnerships may also depend on which suppliers consistently deliver as expected or go above and beyond during challenges, as well as those you trust enough to share data.

Once this group is refined, providers can select suppliers for potential collaboration, which may evolve into strategic or integrated partnerships. Expectations for each segment are cumulative. Collaborative partnerships include all the requirements of transactional relationships, while strategic partnerships build on both collaborative and transactional expectations. As you complete this review, you may discover that some suppliers are already operating at a strategic or integrated segmentation level.

Supplier segmentation key operating characteristics



Transactional

- Provides products or services at contracted value according to agreed-upon terms and conditions or through a quote-based/purchase order relationship.
- Potentially includes business reviews, performance metrics, market share compliance reporting and/or rebates.



Collaborative

Same characteristics as transactional, plus:

- Aligns on projects tied to mutually strategic goals that deliver value for both supplier and provider.
- Appoints a project leader who follows project management principles to execute work, including reporting and monitoring.
- Formally engages supplier and provider business owners of products and services.
- Involves provider clinical, operational and financial leadership in project identification and design.
- Includes supplier business unit leadership to ensure additional resources are available to support the collaboration.



Strategic

Same characteristics as collaborative, plus:

- Develops a shared vision for the strategic future of healthcare.
- Aligns a program of projects and initiatives with strategic priorities and shared value for both organizations.
- Focuses on innovation to drive healthcare forward.
- Involves senior leadership from both supplier and provider organizations to align partnership goals with organizational objectives and support adoption beyond the pilot phase.
- Sets clear mutual goals, incentives and/or risk-sharing models.
- Agrees on how to measure.
- Establishes shared governance, engaging senior leaders from both supplier and provider organizations.
- Involves supplier cross-functional teams across business units and corporate functions to ensure solutions can be scaled and leveraged.
- Is led by a joint management team with a defined decision-making process.
- Defines initiatives that advance both organizations, combining strategic and tactical expertise.
- Facilitates cross-sharing of strategic goals to promote transparency and build trust.
- Develops a shared strategic roadmap for future initiatives.
- Integrates program leadership with assigned project managers to deliver on project milestones.
- Establishes centralized supplier account leadership.



Integrated

Same characteristics as strategic, plus:

- Dedicates supplier resources embedded within the provider organization.
- Establishes long-term, value-based contracts with real investment in the partnership.
- Involves additional leadership from both supplier and provider organizations to guide the partnership at this advanced level.
- May assign a dedicated role within the supplier organization to lead these initiatives and ensure their success.

Commercialization opportunities

Commercialization opportunities may emerge from any segment but are often driven by **strategic** and **integrated** partnerships. This high-stakes process requires strong cultural alignment, discipline and significant investments of time, patience and accountability. Success depends on clear communication, mutual respect and a willingness to cooperate and compromise between supplier and provider.

Organizations pursue commercialization when additional resources are needed for independent growth. This process involves investment, intellectual property (IP) protection, new capabilities across departments (legal, marketing, R&D) and a clear charter with dedicated management. Benefits include driving innovation, expanding the supply chain and launching new products, creating greater value than either party could achieve alone.



Figure 2: Commercialization potential explored

Take action by applying a clear supplier segmentation strategy. Evaluate your suppliers to identify those with potential for strategic or integrated relationships, aligning resources and improving collaboration to build a more resilient supply chain.



Mutual expectations in supplier-provider relationships

Clear expectations are crucial for building strong supplier-provider relationships. Providers expect suppliers to consistently deliver quality products, adhere to regulations, offer competitive pricing and contribute to innovation. At the same time, suppliers look for transparent communication, fair business practices and collaboration from providers.

By agreeing on these expectations, both parties can create a mutually beneficial relationship. This partnership will improve operations, foster innovation and enhance patient care.

Provider expectations of suppliers

Quality and reliability

Cost-effectiveness

Compliance and regulatory adherence

Innovation and continuous improvement

Transparency and communication

Risk management and business continuity

Ethical and social responsibility

Collaboration and partnership

Supplier expectations of providers

Clear communication

Fair and transparent business practices

Collaborative relationship

Predictable demand and stable orders

Fair pricing and payment practices

Respect for contractual obligations

Timely resolution of issues and disputes

Regulatory and ethical standards

Building successful supplier-provider relationship initiatives

Roles and responsibilities

For a successful supplier-provider relationship initiative, clearly defining roles and responsibilities is a must. This creates clarity, accountability and efficiency, ensuring that all tasks are addressed and minimizing confusion. It also strengthens commitment from both parties, leading to better outcomes.

When launching an initiative, consider the following:

- Roles should be multidisciplinary, involving both suppliers and providers
- In the transactional and collaborative segments, not all roles may be necessary
- Supply chain leaders, category managers or contract management staff are ideal for the integration leader role, as they oversee key relationships
- Program leaders should have experience in project management or Lean Six Sigma
- Existing staff from both supplier and provider organizations can take on these roles alongside their current responsibilities
 - These roles usually involve functional duties and aren't full-time positions
 - As the relationship matures, opportunities may arise to create dedicated roles within both organizations
- Consider using a tracker to manage initiatives with inputs from Vizient Clinical Database, Procedural Analytics or Spend Analytics



Project team roles (not all roles are required)

| Title | Role | Responsibilities | Decision Authority |
|----------------------|--|---|--|
| Executive governance | <ul style="list-style-type: none"> • Provides oversight of the partnership governance • Sets overall strategy and direction • Establishes prioritization of the project portfolio | <ul style="list-style-type: none"> • Meets regularly to provide partnership oversight across the enterprise • Provides key decision points to the partnership for time/scope changes • Holds governance partnership accountable for attainment of desired outcomes and goals | <ul style="list-style-type: none"> • Approves management team engagement • Changes/updates scorecards or metrics • Approves high-impact partnership advancements |
| Integration leader | <ul style="list-style-type: none"> • Owns the provider and supplier relationship, including governance • Defines development of the master schedule for agreed-upon projects • Defines and documents baseline current state through data and key performance indicators (KPIs) for addressing improvement | <ul style="list-style-type: none"> • Collaborates with program leader or specific project manager to develop project charters, implementation plans and closing documents • Establishes project timeline, scope, stakeholders, key deliverables and KPIs for a respective project initiative • Sets the governance agenda and related content for review • Communicates the progress of project(s) to executive owners, as needed | <ul style="list-style-type: none"> • Selects team leaders and defines stakeholders for each project • Approves key actions required for improvement efforts and KPI performance • Manages resources and makes decisions |

| Title | Role | Responsibilities | Decision Authority |
|-----------------|---|---|--|
| Management team | <ul style="list-style-type: none"> Serves as the primary liaison among the integration leader and executive governance team Provides executive oversight of the projects | <ul style="list-style-type: none"> Provides status updates to senior leadership, including areas of achievement and concern Assists integration leader with overcoming barriers, including resource constraints Escalates issues to executives as warranted | <ul style="list-style-type: none"> Approves program and project leader for assignment Holds program and project leaders accountable for project results (costs, time and quality) |
| Program leader | <ul style="list-style-type: none"> Oversees projects and work streams Contributes actively to the development and execution of the work streams Ensures compliance with standard project management approaches, including A3s Serves as an interdependency and methodology watchdog Has the potential to play multiple roles | <ul style="list-style-type: none"> Provides status updates/escalations to management team and integration leaders Analyzes all project progress, identifies risks, prepares risk mitigation strategies and identifies resource needs Conducts and coordinates regular status review meetings with the integration leaders and key stakeholders Focuses on the critical path and interdependencies between projects to ensure success and efficiency Is ultimately responsible for each project's success Ensures that solid project management methodologies are being followed | <ul style="list-style-type: none"> Approves charters and work streams Prioritizes and plans resources Mediates resource conflicts between projects and prioritization Has the authority to overcome barriers in the project's plans Holds project leads and project managers accountable Uses standard project management tools and templates Escalates risks and issues to the integration leader(s) and management team Holds project managers accountable for timely status reporting |
| Project manager | <ul style="list-style-type: none"> Authors the project charter/A3 Leads the development of the detailed project plan and budget Actively manages the completion of the project tasks Completes and maintains the PMO status template for each project | <ul style="list-style-type: none"> Is accountable for project results Facilitates working sessions and meetings Manages activities and follows up as required Identifies risks and issues that affect the project Communicates project status to the integration leads and management teams Develops a stakeholder and associate communication plan with input from HR | <ul style="list-style-type: none"> Selects team members and stakeholders with the integration leader and/or management team Holds team members accountable Presents the final work product to integration leaders and management teams |
| Project team | <ul style="list-style-type: none"> Designs the solution Implements Serves as subject-matter experts Operates on the ground as the working team, operationalizing the task | <ul style="list-style-type: none"> Participates in the design phase and pilots Participates in team meetings Completes assigned tasks Identifies risks and issues that affect the project Communicates and trains peers and similar stakeholders | <ul style="list-style-type: none"> Resolves and escalates risks/issues Completes tasks |



Define clear roles and responsibilities in your supplier-provider relationship initiative to boost accountability and efficiency. Involve both parties, assign leadership based on expertise and adapt roles as the relationship evolves for stronger collaboration and results.

Metrics and key performance indicators (KPIs)

Aligning goals, managing expectations and consistently tracking performance through key metrics ensures that both organizations remain focused on shared success. By emphasizing key areas such as supplier delivery, strategic objectives, innovation and value creation, executive teams can foster a more integrated, long-term partnership. However, it's essential to agree on the definition and methods of measurement for these KPIs to ensure clarity and alignment between partners. Clear and consistent metrics create a solid foundation for transparent communication and continuous improvement.

Below are examples of commonly used metrics:

| Traditional operational and delivery metrics | Strategic and collaborative metrics |
|--|---|
| <ol style="list-style-type: none">1. On-time in full (OTIF): Measures the percentage of deliveries made on or before the agreed deadline.2. Order accuracy: Tracks the percentage of orders delivered with the correct products and quantities.3. Inventory turnover rate: Evaluates the number of times inventory is sold and replaced over a given period4. Spend concentration: Evaluates total procurement budget allocated to the supplier.5. Product/service quality: Monitors the percentage of products or services that meet quality standards, with minimal defects.6. Cost savings and efficiency gains: Measures the percentage reduction in procurement costs or operational improvements achieved through the partnership.7. Compliance and regulatory adherence: Tracks the percentage of compliance with industry standards, safety regulations and legal requirements.8. Responsiveness and issue resolution time: Measures the average time taken to resolve customer issues or complaints.9. Environmental, social and governance (ESG): Assesses the supplier's adherence to sustainability practices, ethical standards and other ESG initiatives.10. Supplier performance scorecard: Aggregates multiple KPIs into a single score to provide an overall assessment of the supplier's performance. | <ol style="list-style-type: none">1. Strategic alignment and goal achievement: Measures alignment of shared objectives and completion of joint initiatives.2. Executive engagement and communication effectiveness: Tracks frequency and effectiveness of leadership communication.3. Innovation and joint development initiatives: Evaluates success of collaborative innovation projects.4. Risk management and issue escalation: Assesses effectiveness of risk management and issue resolution.5. Customer and end-user satisfaction: Measures impact on customer satisfaction, using metrics like net promoter score (NPS).6. Long-term value creation: Focuses on overall value generated, including revenue growth and market share gains.7. Relationship strength and partnership longevity: Evaluates health and longevity of the partnership through feedback on trust and collaboration.8. Sustainability and ethical standards compliance: Tracks progress on joint sustainability goals and ethical standards.9. Financial impact and return on investment (ROI): Measures financial benefits, including cost savings and profitability.10. Agility and responsiveness to market changes: Assesses adaptability to market changes and supply chain disruptions. |

Identify 3-5 key metrics that align with your strategic objectives and value creation goals. Focusing on these metrics will help set clear expectations, ensure accurate performance tracking and drive long-term success in your supplier-provider partnership. It's important that both parties agree on how these metrics are defined and measured, ensuring alignment and a shared understanding of success.



A3 planning integration

A3 thinking is a practical tool for effective supplier-provider relationship initiative management. Developed by Toyota in the 1940s, this method focuses on problem-solving by condensing the issue onto a single 11 x 17-inch sheet of paper. By simplifying the problem, A3 thinking promotes collaboration, encouraging teams to rationalize and solve problems together. It leads to more effective solutions and provides clear, written documentation that can be easily communicated to senior management, building confidence in the team's capabilities.

A3 thinking is often used in Lean-driven industries like healthcare, manufacturing, construction and project management. It doesn't give a direct solution, but it guides the process to find the best possible countermeasure. The method helps teams organize and synthesize data objectively to reach their goals.

Steps of the A3 process include:

- Identify the problem or need
- Understand the current situation
- Conduct root-cause analysis
- Devise countermeasures
- Define a target state
- Create an implementation plan



Incorporate A3 thinking into your supplier-provider initiatives by creating an A3 template. Use it to define problems, collaborate with teams and document solutions. Engaging all stakeholders ensures better outcomes and provides a resource for future projects.

A3 reports come in several forms: problem solving, proposal, status and strategy. In supplier-provider relationships, the A3 project charter is commonly used to outline a project or problem. It fosters active teamwork on purpose, goals and strategy while enabling adjustments to meet project objectives.

For more advanced supplier-provider relationships, particularly in strategic and integrated segments, the A3 report can be a valuable tool. It helps define and clarify problems, propose solutions and document the results of improvement efforts. Typically, the report is completed by the project manager, who collaborates with team members to gather assessments and input. This collective approach taps into the team's diverse expertise to achieve more effective outcomes.

A well-written A3 report should clearly show the thought process behind the countermeasures chosen to address the problem. Successful A3 plans involve input from all relevant stakeholders. This ensures comprehensive problem-solving and allows team members to take leadership roles in the process. A3 reports are also a valuable reference for future projects. They can help guide ongoing improvement efforts and strengthen future supplier-provider initiatives.



| | | |
|--|---|-----------------------|
| Proposal: | Owner: | Revision date: |
| Background: | Opportunities and cost analysis <ul style="list-style-type: none"> • Opportunity: • Avoided costs: • Added costs: | |
| Current conditions: | High-level milestones: | |
| Goal and benefits: <ul style="list-style-type: none"> • Goal: • Benefits: | Resources and skills required: | |
| | Risks, constraints and dependencies: <ul style="list-style-type: none"> • Risks: • Constraints: • Dependencies: | |
| What are the names and the roles of the staff on this project? | | |
| Name | Role | Signature |
| | | |
| | | |

Figure 3: A3 project charter template

Supplier-provider relationship initiative examples

Supplier-provider relationship initiatives differ based on the level of collaboration, with distinct approaches for the collaborative, strategic and integrated supplier segments. For a collaborative initiative, a joint project might focus on process improvements, such as optimizing delivery schedules to reduce lead times. In the strategic segment, an initiative could involve validating or supporting new healthcare products or technologies, utilizing both organizations' expertise to drive innovation. At the integrated level, a deeper partnership might include embedding supplier resources within the provider's operations to streamline supply chain management and enhance long-term value creation. Each initiative aligns with the goals of the partnership segment, fostering greater collaboration and shared success.

Collaborative example | Optimizing can liners for sustainability and cost

Figure 4: Collaborative example

The purpose of this initiative is to partner to minimize plastic waste and costs by identifying and utilizing the optimal can liner for healthcare settings, measurably reducing plastic usage, generating significant savings and boosting operational efficiency while upholding safe and effective waste management. This collaboration aligns with sustainability objectives and cost-saving imperatives, creating shared value for both parties.

Guiding principles

Minimize plastic waste in healthcare settings, reduce costs and maintain the highest safety standards. We prioritize sustainability by aligning with system-wide environmental goals and selecting cost-effective can liners that don't compromise performance. Our partnership is founded on transparency and accountability, with open sharing of costs, performance metrics and improvement opportunities. Engaging business owners in decisions and implementation fosters a strategic alliance that drives both environmental and economic success.

Scope

The project entails negotiating a contract between the supplier and provider to set terms for selecting and buying cost-effective, thin and compact can liners. The goal is to find durable liners that meet waste management needs while reducing plastic use and costs. Specific targets will be set and tracked to monitor reductions in plastic tonnage and expenditure. Both parties will work together to create and oversee metrics for cost, waste reduction and compliance. Maintaining continuous service is vital, with a commitment to ongoing procurement, distribution and usage of can liners, adjusting supply based on performance data.

Membership

Supplier side: Regional account management lead; sustainability specialist; project leader; and business owner

Provider side: Strategic sourcing manager; hospital environmental services team; procurement lead; and sustainability officer

Accountabilities

Supplier:

- Deliver sustainable can liners (thickness, compactness and cost-effectiveness)
- Meet health and safety standards
- Provide monthly reports on plastic usage and savings
- Collaborate for continuous product improvements

Provider:

- Implement selected can liners across all healthcare facilities
- Monitor and report on waste management performance (plastic usage, cost savings)
- Ensure appropriate use of can liners for maximum waste reduction
- Collaborate with supplier to assess and adjust product performance

Meetings and reports

Meetings:

- Kick-off to set objectives, define success metrics and align strategy
- Bi-monthly updates to review delivery, performance, usage and track savings and waste reduction
- Quarterly strategic review to assess progress and identify issues and improvements
- Ad-hoc for urgent matters or additional waste reduction opportunities

Reports:

- Monthly usage reports: Updates on plastic reduction metrics and cost savings
- Quarterly environmental impact reports: Detailed overall environmental performance, waste reduction and sustainability compliance

Focus areas driving value

- Cost efficiency: Continuous monitoring and adjustment for optimal savings
- Plastic waste reduction: Use of thinner, compact liners for sustainability
- Product performance: Durable liners meeting waste management requirements
- Sustainability commitment: Align supplier and provider strategies with long-term goals



Insights and outcomes

- Achievements: 20% cost savings on can liners, 30% reduction in plastic usage and 15 tons annual plastic waste reduction
- Material impact: Significant cost reductions and sustainability improvements for non-clinically critical materials
- Supply chain efficiency: 25% reduction in overstocking and waste through optimized delivery based on real-time data



Strategic example | Validate wearable cardiovascular monitoring solutions

Figure 5: Strategic example

Our purpose is to establish a strategic supplier-provider partnership to co-develop a wearable monitoring device capable of continuously measuring key cardiovascular parameters (ECG, heart rate variability, blood pressure, oxygen saturation). This collaboration seeks to leverage both organizations' strengths in technology and healthcare to deliver an innovative, patient-centric solution that improves clinical outcomes and operational efficiencies in healthcare delivery.

Guiding principles

Prioritize patient needs with comfortable, user-friendly and medically accurate wearable devices. Foster innovation through collaboration and advanced technology, aligning strategic goals to improve healthcare quality and accessibility. Build trust through open communication, shared governance and data transparency, with mutual accountability for project milestones, outcomes and risks. Aim for sustainability by designing scalable, cost-effective solutions that tackle future healthcare challenges.

Scope

The partnership scope includes co-developing a wearable device (smartwatch, patch, chest strap) for cardiovascular monitoring, integrating its data into the provider's EHR for real-time clinical support, conducting clinical trials for validation, ensuring FDA/CE compliance and developing a go-to-market strategy for both provider and patient adoption.

Membership

- **Supplier side:** Executive sponsor; lead engineer; data scientist; program manager; project manager; and marketing lead
- **Provider side:** Executive sponsor; clinical lead; program manager; compliance officer; and project manager

Accountabilities

Supplier:

- Device R&D, sensor tech and production
- HIPAA/GDPR-compliant data security and privacy
- Resources for clinical trials and data analysis
- Provider technical support and training

Provider:

- Clinical input on design and usability
- Facilitate clinical trials with patients
- Integrate device with EHR and workflows
- Feedback and continuous improvement

Joint:

- Co-create strategic roadmap
- Regular progress reviews and risk mitigation
- Set and track mutual goals for outcomes, costs and efficiencies

Meetings and reports

Meetings:

- Monthly: Executive review of strategy, risks and goals
- Bi-weekly: Project status, milestones and challenges
- Quarterly: Clinical outcomes, trial data and patient feedback
- As needed: Technical issue resolution and device updates

Reports:

- Progress reports to all stakeholders
- Milestone reports with achievements and next steps
- Project summary with outcomes and lessons learned



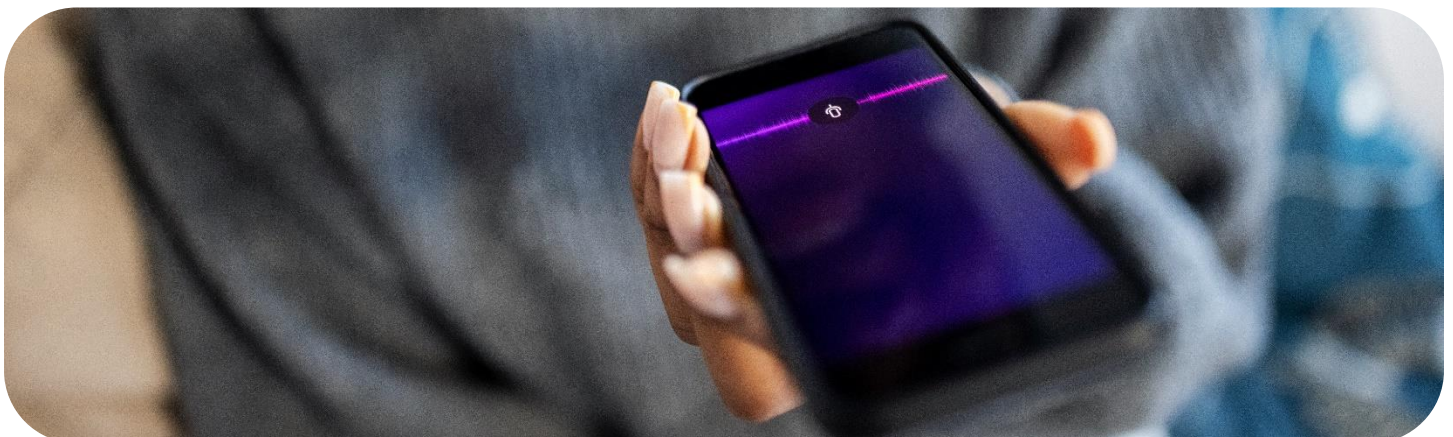
Focus areas driving value

- Innovation: Develop groundbreaking patient care technology
- Patient outcomes: Improve outcomes via early detection and monitoring
- Efficiency: Streamline workflows with wearable data integration
- Cost reduction: Prevent hospitalizations and enable timely interventions
- Insights: Use AI/ML for personalized care insights
- Commercial success: Device adoption across healthcare systems

Insights and outcomes

- Patient outcomes: 20% fewer readmissions via remote monitoring
- Efficiency: 30% fewer in-person visits with virtual consultations
- Scalability: Launched in 100 systems, \$50M first-year revenue
- R&D: New patents for sensors and AI, market leadership
- Patient engagement: 40% increase in treatment adherence
- Clinical protocols: New standards adopted by 50% of hospitals

Previous two examples partially generated using OpenAI ChatGPT



Integrated example | Distribution – Integrated service center

Figure 6: Integrated example

The shared governance committee is accountable for governance of the review, approval and prioritization of key initiatives surrounding the agreed upon partnership strategy and advancement of the medical-surgical distribution agreement, including the integrated service center. Furthermore, the shared governance committee should be responsible for the overall metrics and performance established for the partnership.

Guiding principles

The governance committee endorses key strategies and sets initiative priorities and required investments which rely on both organizations' established internal review and approval processes required for execution. This governance process embraces and ensures the understanding of shared value principles reflective of achieving higher standards of product resiliency, fostering accountability as well as organizational transparency of the progress of the work to all respective company stakeholders.

Scope

The governance committee will set partnership strategy and approve required initiatives. Identify, evaluate, mitigate and manage the risks of the agreed upon medical-surgical distribution agreement terms and conditions. Coordinate and advance the integrated service center imperatives. Monitor the overall shared value performance of the partnership.

Membership

- Voting members include selected executives of the teams with ability to represent their organization yet carry a partnership-wide perspective, think strategically, move concept into action and possess a passion for creating the mutual value comprised of safety, reliability of products, cost efficiencies and setting higher industry standards.
- Executive sponsors: CEOs of both organizations.
- Members: Provider-chief financial office (voting); vice president of operations (voting); vice president supply chain (voting); supply chain system director of operations; program manager; supplier-president and executive vice president (voting); senior vice president enterprise sales (voting); director continuous improvement system partner; and regional vice president northeast enterprise

Accountabilities

- Set guidelines and governing principles for the partnership
- Adjudicate and make decisions where needed
- Own the vision, direction and partnership performance/results

Meetings and reports

- Quarterly meetings held as needed (Teams on-line conferencing available); time pending
- Quarterly performance dashboards distributed
- The governance committee is governed by the voting members of the shared partnership

Focus areas driving value

- Bulk adjusted fill rate service levels
- Low unit of measure adjusted fill rate service levels
- Supplier products fill rate service levels
- Supplier inbound service levels
- On-time delivery levels
- Spend commitment levels
- Days sales outstanding
- Pricing accuracy
- Account receivable levels

Insights and outcomes

- ★ Stability of key partnership players helps to move committed initiatives along
- Transparency and honesty, even among hard decisions that may not always be well received, is always the rule to follow
- Committed courses of action that get delayed due to new constraints require flexibility and new thinking on how to stay on course



Supplier-provider relationship initiative launch requirements

The launch of a supplier-provider relationship initiative requires careful planning and several key steps. Internally, the supply chain team must first build a business case and share it across the organization and should seek formal executive team endorsement. This includes developing an action plan, communication strategy outlining the initiative's purpose and detailing the value it'll create for both suppliers and providers. Communication materials should be tailored to different audiences, including announcement templates and a concise executive summary or one-page charter. Operational plans should also be created, establishing a working team and a clear process for segmenting and prioritizing suppliers. A comprehensive data plan is needed to identify required data, program management resources, metrics and data sources.



Begin establishing a comprehensive launch plan that includes a business case, tailored communication strategy, operational steps and educational materials to effectively introduce the supplier-provider relationship initiative both internally and externally.

Externally, an educational presentation should be developed to introduce the program to suppliers. This will include a communication plan, announcement templates and an executive summary that clearly explains the objectives and processes of the relationship management program to the suppliers.

Supplier-provider forums

In today's competitive market, strong supplier-provider relationships are vital for improving the performance of both supplier organizations and healthcare systems. Effective management goes beyond individual engagements, fostering collaboration between suppliers and providers. Strengthening these relationships is key to maximizing value and achieving shared success. Three typical management forums for advancing these relationships include:



1:1 business review

Conducted between a provider and a single supplier.



Supplier advisory forums

Provider involving multiple suppliers in a business review.



Customer advisory forums

A provider participates in a supplier's advisory group.

These forums enable sustainable, targeted interactions that support mutual growth, performance and long-term partnerships. Success depends on clear purpose, goals, transparent communication and well-prepared agendas, ensuring each meeting contributes to stronger business relationships.

Supplier engagement driven by segmentation model

The table below categorizes supplier forums into types based on the supplier segmentation model. This helps identify which suppliers to include in these forums. This optimizes engagement and leverages their expertise to improve strategies and performance for both suppliers and providers.

| | 1:1 business review | Supplier advisory forums | Customer advisory forums |
|---------------|---------------------|--------------------------|--------------------------|
| Transactional | Consider | | |
| Collaborative | X | Consider | X |
| Strategic | X | X | X |
| Integrated | X | X | X |

1:1 business review



A 1:1 business review is a formal meeting, typically held at the customer’s site, to assess performance over a defined period.

Purpose

To assess performance, develop actionable improvement plans, encourage collaborative innovation for mutual benefit and share insights that support both supplier and provider goals.

Structure

The review is guided by key performance indicators (KPIs) for consistent performance tracking. Essential resources include:

- Contract terms
- Accurate data and feedback
- A balanced scorecard with both quantitative and qualitative measures with pre-determined metric definitions in your scoping process
- Active involvement from key business leaders



Standard operating procedures

- Adjust meeting frequency and stakeholder involvement based on relationship importance
- Hold meetings regularly with a formal agenda
- Use verified data for discussions
- Alternate meeting locations between supplier and provider sites to build stronger relationships

Roles and responsibilities

Executive Governance:

Includes Supply Chain (SC) VP, financial planners, territory managers, category managers and other leadership.

Responsibilities:

- Oversee meetings and align with organizational goals
- Manage resources and ensure accountability
- Select and govern business review participants

Management Team:

Includes SC operations leadership, category manager, supplier account manager and regional leadership.

Responsibilities:

- Drive innovation and ensure compliance with contracts
- Monitor performance and identify efficiency opportunities
- Report progress to the executive governance team

Project Team:

Includes auditors, procurement, logistics and supplier account managers. Responsibilities:

- Handle daily operations and resolve supply or service issues
- Participate in meetings to address risks and financial errors
- Report concerns to the management team

Goal setting

Enhance engagement through collaboration, shared goals and communication, focusing on improving clinical and operational efficiencies and strengthening the supplier-provider relationship.

Communication

Develop a clear communication plan that:

- Outlines goals and expectations for team members
- Establishes agreed-upon rules for engagement
- Identifies and addresses potential obstacles
- Educates stakeholders on processes and next steps



Change management

Form a cross-functional team to drive change:

- Encourage innovation
- Involve stakeholders from both organizations
- Define metrics, identify outcomes and set shared goals
- Collaborate on practical plans to achieve these goals

Below is an example of one organization's supplier performance measurement.

| Performance Metric | | Measurable KPIs | | KPI Details | | | Scoring Criteria | | | | | | | |
|--------------------|---|------------------|--------------|---|-------------|---------------------|------------------------------|------------------------|----------------------|----------------------|---------------------------|------|------|-----|
| Area | Metric | Metric Weighting | Metric Value | Calculation Method/ Rationale | Data Source | Measuring Frequency | 1 Does Not Meet Expectations | 2 Striving Performance | 3 Meets Expectations | 4 Strong Performance | 5 Exceptional Performance | Jul | Aug | Sep |
| Technology | EDI Transaction Capabilities | | | Percentage of transactions sent via EDI out of total transactions | | Monthly | | | | | | | | |
| Service | Supplier is meeting expectations as defined by service contracts | 1 | | Biomed input | | Monthly | | | | | | 3.00 | | |
| Service | 3 rd Party/Subcontractor Accountability (this row will not remain on the scorecard but want to make sure strong contract language is inserted) | 1 | | Track | | Monthly | | | | | | | | |
| Quality | Products meet quality standards | 1 | | # of product complaints, patient risk, product failure | | Monthly | | | | | | 4.00 | 5.00 | |
| Quality | Recall frequency | 1 | | Recall report | | Monthly | | | | | | | | |
| Quality | Price file accuracy | 1 | | % of overall price issues specific to that supplier | GHX report | Monthly | | | | | | | | |
| Responsiveness | Supplier responds promptly to inquiries | 1 | | Pass/Fail, determined in SRM prep-meeting through discussion | | Monthly | | | | | | 4.00 | 5.00 | |
| Responsiveness | Timely resolution of price discrepancies | 1 | | GHX report | | Monthly | | | | | | | | |
| Responsiveness | Timely receipt of credit requests (define time frame) | 1 | | **Check w/procurement | | Monthly | | | | | | | | |
| Supply Assurance | Backorders/substitutions/failure to supply | 1 | | | | Monthly | | | | | | | | |
| Supply Assurance | Failure to notify/communicate and replace cancelled PO lines | 1 | | Error measurement – is reason code avail in Infor or Tecsys? | | Monthly | | | | | | | | |
| Supply Assurance | Lead times | | | Aggregate lead times based on stock items (A items) | | Monthly | | | | | | | | |
| Delivery | Fill rate (define by manufacturer?) | 1 | | Total percent of lines filled out of total PO lines ordered in the first delivery (98%) | | Monthly | | | | | | 2.00 | 3.00 | |
| Delivery | Picking accuracy | 1 | | | | Monthly | | | | | | 3.00 | 4.00 | |
| Delivery | On-time deliveries | 1 | | | | Monthly | | | | | | 4.00 | 5.00 | |
| Delivery | Pro-active communication of goods and backorders | 1 | | | | Monthly | | | | | | 5.00 | | |
| Delivery | Invoice accuracy | 1 | | | | Monthly | | | | | | 4.00 | 5.00 | |

Figure 7: Performance measurements example

Supplier advisory forums



A supplier advisory forum brings together suppliers from different relationship management segments to offer valuable input on healthcare supply chain strategies. This forum leverages supplier expertise to drive key initiatives, ensuring alignment with provider goals and advancing the overall healthcare strategy.

Purpose

The forum's purpose is to create a strategic network that promotes collaboration between suppliers and healthcare systems. It enhances supplier management, aligns goals and provides a platform for suppliers to contribute to shared objectives.

Structure

- Ensures alignment with organizational goals
- Encourages cross-functional problem-solving
- Upholds governance for accountability
- Promotes communication and trust for collaboration

Standard operating procedures

- Securing executive sponsorship: Top-level management support is crucial for resources and endorsement
- Selecting suppliers: Select suppliers based on criteria such as service alignment, leadership and current relationship strength
- Setting objectives: Define clear goals and timelines with supplier representatives
- Scheduling meetings: Agree on meeting frequency for consistent communication and progress tracking

Supplier identification

- Aligning strategy: Ensure suppliers align with healthcare system goals
- Supplier matrix: Categorize suppliers based on their influence and interest
- Key suppliers: Focus on integrated and strategic suppliers crucial to the system's success



Goal setting

Align goals with the healthcare system's supply chain strategy, focusing on areas like resiliency, Environmental, Social, and Governance (ESG) and diversity spending. Track progress using key performance indicators (KPIs).

Communication

Design a communication plan to:

- Clearly outline the benefits of collaboration to enhance supplier engagement in the supplier advisory forum
- Emphasize "what's in it for the supplier" to show the value of their participation
- Detail how partnership leads to mutual growth and expanded market access
- Highlight the strengthening of ongoing working relationships
- Showcase the strategic support suppliers provide to the partnership
- Motivate suppliers to invest time and effort by outlining long-term benefits

Change management

- Foster a culture of proactive communication, transparency and trust
- Prioritize knowledge sharing to strengthen supplier relationship
- Encourage open, honest feedback from suppliers without fear of retribution

Performance management

Adopt a structured, actionable approach to define clear targets and measure value creation within the supplier advisory forum. This ensures objectives are met with measurable outcomes, driving consistent performance improvements and increased value for both suppliers and providers.



Figure 8: Supplier advisory forum example

Customer advisory forums



A customer advisory forum is a collaborative effort led by suppliers, bringing together provider customers who use their products or services. This forum provides a platform for customers to offer feedback and insights, helping suppliers refine their product development and service strategies.

Purpose

The customer advisory forum aims to strengthen collaboration between suppliers and their key provider customers. By focusing on customer input, it seeks to improve healthcare quality and patient outcomes. The emphasis is on enhancing services, not boosting sales. To maintain transparency and reduce compliance risks, some suppliers may limit or exclude their sales teams from participating.

Structure

- Forum consists of supplier and key customer representatives, chosen for their expertise
- Participants include executives, administrators and healthcare professionals
- Meetings are held quarterly, alternating between virtual and in-person
- Discussions cover industry trends, challenges and opportunities

Standard operating procedures

Standard operating procedures outline how the forum functions and is managed.

- Covers the forum's purpose, membership, meetings and roles
- Includes processes for decision-making, confidentiality and communication
- Ensures proper documentation, evaluation, conflict resolution and continuity planning
- Focuses on compliance and maintaining ethical standards for effective collaboration and goal achievement

Roles and responsibilities

- Suppliers lead discussions and provide updates on products/services
- Customers give feedback, share real-world experiences and participate in decision-making to drive actionable outcomes

Stakeholder identification

Provider customers are chosen based on their importance as key accounts and willingness to engage. This group may include hospital leaders, department heads and clinicians across various specialties.

Goal setting

The forum's goals include improving product or service offerings based on customer needs, boosting customer satisfaction and loyalty and increasing market share in the healthcare sector.

Communication

A communication plan will ensure regular updates and information sharing through email, virtual meetings, newsletters and an online platform for ongoing discussions and feedback.



Change management

Suppliers will provide training and support to help internal teams implement changes based on the forum's recommendations. Change management strategies will ensure smooth integration of new processes or product improvements.

Performance management

Success will be measured using customer satisfaction scores, product or service adoption rates and revenue growth tied to forum-driven initiatives. Regular evaluations will track how well the forum meets its objectives.



Follow the steps in this guidebook to establish your supplier-provider advisory forums to strengthen your partnerships. Start building valuable collaborations that lead to long-term growth and improved outcomes for all stakeholders.

Key insights and actionable strategies

This section of the guidebook provides thematic examples, key insights and practical advice from peer interviews. It's meant to help supply chain professionals, executives and stakeholders strengthen supplier-provider relationships.

- This guide promotes strong, goal-aligned partnerships through clear communication, trust and transparency, helping to reduce risks and setbacks
- Overlooking the basics can result in missed opportunities, but by adopting innovative approaches, both suppliers and providers can unlock shared advantages
- This section will also help decode the complexities of these partnerships, offering strategies that lead to enhanced efficiency and lasting value for all parties involved

Elevating supplier-provider interactions to goal-aligned partnerships

Transforming supplier and provider relationships into strong partnerships benefits both sides. This requires open, accountable conversations to decide which relationships are worth deeper investment. It's important to distinguish between simple transactions and more complex partnerships that require greater resources.

Aligning these partnerships with each organization's goals helps identify shared objectives and accountability. This ensures the relationships are supportive and tied to both parties' strategic plans, optimizing resources and boosting collaboration.

Understanding and aligning with each organization's culture is also key. Assessing cultural fit and leadership alignment helps ensure effective relationship management and successful strategy implementation.

“The key is ensuring that what you're working on aligns with a broader organizational objective. If you can't connect it to the bigger picture of what you're trying to achieve, it tends to lose momentum.”

Healthcare supply chain executive, Vizient provider



Insights

- Mutual benefits: Strategic partnerships improve collaboration and resource use between suppliers and providers
- Goal alignment: Aligning partnerships with organizational goals helps achieve key objectives
- Cultural fit: Successful relationships depend on aligning with each organization's culture
- Clear KPIs: Agreeing on key performance indicators ensures measurable success

Overlooking the basics can lead to missed opportunities

Managing successful supplier-provider relationships depends on building long-term, strategic partnerships based on trust and mutual commitment. These relationships grow from strong connections, where both sides invest in each other's success through executive-level engagement beyond typical sales or contracts.

A crucial part of maintaining these partnerships is handling essential tasks like securing committed contracts and local agreements. Though basic, these actions reduce costs and lead to better terms. Focusing on these fundamentals, suppliers and providers can build strong partnerships that boost profits for both parties through increased rebates and customized deals.

“Organizations who are most successful in reducing costs are engaged in committed, genuine buying behaviors.”

Healthcare supply chain executive, Vizient provider



Insights

- Strategic longevity: Long-term supplier relationships build strategic partnerships, offering more than just products, such as consulting services and resource stewardship opportunities
- Shared advantages: Strong partnerships offer mutual benefits like custom agreements, innovation opportunities and joint ventures
- Value-added services: Suppliers enhance partnerships with bonuses, rebate programs and discount tiers, boosting financial gains and commitment

Ignoring trust and transparency invites risks and setbacks

Trust and transparency are essential for building strong, sustainable supplier-provider relationships, especially when significant financial stakes are involved. However, navigating complex legal and compliance issues can be challenging, and mismanaged compliance can quickly ruin potential agreements. High levels of trust help create better working relationships that bring mutual value to both parties.

“Most of our collaborations falter during the compliance and legal phase—not because well-intentioned people don't want to work together effectively.”

Healthcare supply chain executive, Vizient provider

Strong, decisive leadership plays a vital role in establishing trust. When top executives show commitment to these relationships, it sends a clear message about their importance. This leadership helps navigate challenges and ensures trust is built and maintained.

With dedicated leadership and a focus on trust, these relationships can evolve from simple transactions into strategic partnerships that deliver mutual benefits.



Insights

- Trust and transparency: The foundation for all successful relationships and transactions
- Leadership role: Top executives are key to building and sustaining trust while navigating compliance challenges
- Managing compliance: Proactively addressing issues is critical for maintaining trust and avoiding disruptions

Innovative approaches yield shared advantages

Innovative strategies are key to effectively managing supplier-provider relationships. One effective approach is a three-way deal structure that introduces new products while managing risk. In this model, product performance is monitored against specific outcomes. If they aren't met, the manufacturer reimburses the insurer, guaranteeing accountability.

“You can't continue driving down costs using the same methods for 25 years. You need to find new ways of doing business and innovate to stay ahead.”

Healthcare supply chain executive,
Vizient provider

Partnerships that share investment, risk and reward tend to be the most successful. These relationships require transparency and collaboration to handle challenges like backorders. Strong partnerships build trust and help both parties adapt to market changes.

Companies that prioritize innovation, especially in hiring, create a dynamic workforce that thrives even when some ideas fail. This focus energizes teams and fosters creative problem-solving.

Supplier-provider relationships are crucial for driving innovation and resilience. By collaborating closely, companies can implement innovative projects, achieving successful outcomes and adapting to unexpected challenges.



Insights

- Enhanced collaboration: Three-way deals with performance-based terms improve product reliability and trust
- Risk-sharing: Sharing risks and rewards boosts transparency, collaboration and trust while managing challenges
- Innovation builds resilience: Focusing on innovation creates a proactive workforce, strengthening partnerships and overcoming obstacles

Decoding the complexities of supplier-provider partnerships

Supplier-provider partnerships offer significant benefits, but they also come with challenges that need careful management. A key issue is maintaining transparency, which can be disrupted by frequent staff changes, leading to communication breakdowns. Another challenge is keeping discussions strategic rather than transactional. Clear guardrails are needed to ensure conversations stay focused on the partnership's long-term goals, especially when new stakeholders are involved.

“Building successful supplier-provider partnerships often requires a process of trial and error.”

Healthcare supply chain executive,
Vizient provider

There's often a risk of over-processing these interactions, shifting the focus from innovation to routine operations. To avoid this, innovation should be driven by supply chain or strategy teams rather than sales,

keeping the focus on strategic growth. Both suppliers and providers should engage in partnerships—often initiated by providers to solve specific problems—to ensure balanced collaboration, where each side contributes and influences outcomes.

Despite these challenges, the long-term value of these partnerships is clear. Overcoming obstacles is essential to achieving lasting success, as seen in industries like automotive and aerospace. Continuously refining partnership strategies is crucial to navigating complexities and driving sustained success for both suppliers and providers.



Insights

- Personnel stability: Frequent staff changes can disrupt communication, so stable channels are essential
- Strategic guardrails: Clear guidelines keep discussions focused on long-term goals, avoiding purely transactional talks
- Balanced engagement: Active participation from both suppliers and providers ensures a balanced, innovative partnership where both sides have equal influence

Conclusion

This guidebook highlights the crucial role of strategic supplier-provider relationships in driving sustainability, efficiency and better outcomes across all healthcare settings, particularly during times of financial and resource constraints. These partnerships aren't just about managing costs. They're vital to improving patient care and operational resilience. As the healthcare industry continues to evolve, organizations that can form and nurture mutually beneficial partnerships across trading partners and sites of care will set themselves apart.

By leveraging these relationships, healthcare leaders can align immediate needs—such as cost-effectiveness and quality—with long-term goals of innovation and improved service delivery in both acute and non-acute environments. Strong supplier-provider partnerships directly impact the ability to adapt, innovate and ensure better outcomes for patients. This positions healthcare systems to thrive in a complex, ever-changing environment.



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