

INA Abstract for the Workshop on „Long-term Supplier Relations”

1. Background

What are the added-values of a long-term supplier relation on each level of the supply chain? What discourages procurement officers to maintain long-term supplier relations? What are levers to change this pattern? These were the key questions of the 3rd INA-Workshop titled „Long-term Supplier Relations – Foundation for a Sustainable Corporate Strategy”. The presentations throughout the day represented different stakeholders along agricultural supply-chains including the producer perspective, pre-competitive partnerships among buyers to secure supply and an eye-opening input on risk-management systems focusing on supply and logistics. Rounding up those inputs, the participants formulated different statements, incorporating the points made by the resource persons, by means of four different fill-in-the-blank sentences.

The completed sentences had the aim to provide a thorough picture of the merits of long-term supplier relations. Moreover, they should demonstrate options for taking concrete actions to arrive at a stronger implementation of these topics in the private sector. The sentences started on a general level, moving towards a more focused picture concentrating on the benefits for private-sector companies and producers.

This eventually resulted in a common conception and understanding of the INA stakeholders present at the workshop. The following excerpt shall give a short overview on the predominant opinions and statements made during the session and shall function as a short guideline to become active on the topic.

2. Characteristics of long-term supplier relations.

Long-term cooperation first and foremost is the basis for a relation that is characterized by trust. Vice versa, trust can only be gained through a cooperation that is not merely limited to short-term gains. A precondition for a good relationship to develop, are mutual appreciation and transparency. This means that all sides have to understand/ perceive each other as equal business-partners. Only then, will the different parties be able to work together in the long run and prevent challenges like fraud or corruption among others.

Moreover, long-term cooperation will grant a degree of planning security that not only strengthens investments on quality and sustainability but also improves the ability of the private-sector actors to react on supply shortages and variations in quality through unforeseen events. Crucial is in this context the knowledge of the supply chain. Only those who know who is actually in the supply chain are able to collect information on the situation on the ground and to work on common solutions early on.

Going back to mutual trust and transparency, this cannot work, if the necessities of long-term contracts are not being respected i.e. fair prices and trust between the

parties. This also means that dynamic market developments have to affect the terms of the contract and that information on those has to be available to all partners. The motivation to do this is given through the added value for the parties involved, that shall be further exemplified in the next paragraphs.

3. Benefits for Suppliers

Having a private-sector company that is a long-term business partner leads to a row of advantages for producers. One of them being a stable access to international markets. This point is strongly connected to the aspect of planning security mentioned earlier. Having a steady source of income also leads producers to gain better access to financial services in turn strengthening their ability to invest in the future as well as the sustainability of their farm.

As we will see in the next paragraph, knowing the farmer behind a product, enables companies to connect stronger claims of quality and sustainability with their products. On the producer/ supplier side, a higher degree in the publicity of the product, can open new markets and help raising the income in the long run.

4. Benefits for Companies

Some of the most relevant advantages that companies can draw from long-term supplier relationships is an increased credibility as well as a steady supply of their product. The former also enables a documentation of progress made in terms sustainability efforts as well as a story behind the product that is more attractive for the consumer.

Moreover, more sustainable supplier relations not only lead to an increased planning security for producers but for companies as well. Long-term contracts as the basis for such relations reduce complexity and the bureaucracy involved in the negotiations of these as a prerequisite.

An important prerequisite for those aspects to be implemented into a company, are corporate values and a strategy incorporating sustainability aspects at the heart of their economic activities. A strategy that for example sets new key performance indicators for their buyers including social and ecological aspects of sustainability not merely being focused on economic gains.

A necessary condition in order for that to happen are on the one hand a company vision and strategy that anchors sustainability efforts. On the other hand, the companies need to enable an error culture, which invites to try out new and innovative ways to tackle common challenges in global supply-chains. To set up a proper strategy, the commitment and support of the management team has to be ensured. Without this backing, a systematic adaptation of the strategy will be faced with constant struggle.

Once in place, it is not enough to advocate the strategy towards suppliers. It also needs to become part of how a company treats their own employees. The promoted

values need to be lived inside the company as well. A company that works with short-time contracts for their own employees will have difficulties in justifying the efforts taken to establish long-term contracts with suppliers.

5. What can be done?

Some of the key elements and activities that were mentioned on how to promote long-term supply chain relations in one's everyday work are the following:

- ✓ Communicate these topics as much as possible, inside your respective company and create awareness beyond purchasing departments.
- ✓ Build up a strong PR-communication story around your suppliers.
- ✓ Establish a personal contact with your suppliers and arrange mutual visits. Keep up the close contact.
- ✓ Clarify your own as well as consumer expectations towards your suppliers.
- ✓ Consider Feedback from your supplier.
- ✓ Establish a viable transfer of knowledge for a continuous learning process.
- ✓ Patience and mutual understanding.