11 Best Practices for Building Strong Vendor Relationships

A CHECKLIST FOR GRANTMAKERS

Finding the perfect software or service for your nonprofit doesn’t always mean your problem is solved. There is more to managing vendors than choosing a solution and turning it on. As part of The Technology Association of Grantmakers’ (TAG) Managing Tech webinar series, a panel of nonprofit experts discussed their best practices for building productive relationships with the businesses that supply the solutions your organization counts on. Managing successful vendor relationships requires having a clear vision for the partnership, solid expectations for both parties, and strong communication throughout the relationship.

Be sure to listen to the full recording of the panel, “Managing Tech: Working with Vendors,” featuring insights from Guli Basu, Chief Technology Officer at the Doris Duke Charitable Foundation; Mark Walker, Director of The Jessie & Senior Program Officer at Jessie Ball DuPont Fund; and Michelle McCarthy, Director of Marketing Sciences at Blackbaud.

1. Understand your vision and have a clear endgame.

Before you start looking for vendors, make sure you know why you are building your “system” the way you want to build it. This will help you develop the questions you want to ask potential vendors. Be open to suggestions and ideas from knowledgeable vendors but come with a clear mission in mind.

2. Create a template for vendor evaluation.

Establish a uniform list of questions and outline the specifics you are looking for from this solution. This should include any non-negotiables, such as you need the team to be local, as well as the diversity, equity, and inclusion priorities for your organization. Not only will this template make it easier to scale your vendor search, but it will also make sure everyone gets the same questions.

3. Evaluate your in-house resources.

Do you need a new vendor, or do you have the capacity in-house to accomplish some of the tasks? For example, maybe you have a great copywriter who can update website copy, so you only need to outsource the website design. It may also be helpful to hire a vendor for their expertise and have a team member in-house who can develop that skillset alongside the vendor to scale the project faster.
4. Get the lay of the land.

Ask your network and association communities, like TAG, how they have solved similar problems to understand what solutions are available in the market. Don’t forget to learn from employees who have come from other organizations. What have they used and what worked for them? What didn’t work? See if you can find customer references in addition to the ones the potential vendor gives you.

5. Ask the hard questions, with kindness.

You want to make sure you have all the information you can get in order to make the best decision for your nonprofit. That means asking questions that might cause conflict, such as where do customers have the most friction during the onboarding process? Or what is the biggest complaint customers have about the product or service? You also might want to know how long their customers stay with the product, on average, and what is the primary reason they leave. Approach these questions with a sense of curiosity and pay attention if the vendor seems overly flustered or avoidant.

6. Don’t overlook chemistry.

It’s easy to get caught up in the shiny features or the lowest cost. But if you don’t see yourself wanting to have continued conversations with this team or don’t feel they are interested in your goals, they might not be a good fit. You want a vendor that is willing to learn how you work and incorporate that into the partnership.

7. Take the time to review the contract.

Whether it’s a Statement of Work, two-page agreement, or 10-page contract, they are legal documents. Do your due diligence to read through and make sure you understand the fine print in the document. Ask questions if there is something that is unclear or if something isn’t covered, such as ownership of final products and data. Give yourself time to get your legal team involved as well.

8. Think hard about extended multi-year contracts.

Your needs can change, and you don’t want to be stuck in a six-year contract. Always make sure your contract has an “out” clause in case something doesn’t work out—the partnership wasn’t what you expected, or your financial situation changed, and you need to go in a different direction. Look out for auto-renewal clauses that require more than 30 days' notice, especially for the first contract term. You’ll want to make a conscious choice on whether to renew after the first term.

9. Set clear expectations.

Make sure you understand how you will measure the success of the project and communicate those expectations with your vendor. Also be clear on what the vendor expects from you as the client, such as
communication response times, payment, troubleshooting, and the work your team needs to accomplish in order to reach a successful outcome.

10. Communicate regularly with your vendor.

Don’t reach out only when you have a problem. Make sure they know what your larger goals are and let them know about your progress on a regular basis. Also, pick up the phone and talk with your vendors. Email is great for documenting a conversation, but hearing their tone of voice and seeing facial expressions over video conference can help build rapport. Get together to talk about topics other than work so you can get to know one another as people.

11. Understand the vendor’s view on innovation.

You want a vendor that has the same perspective on innovation as you do. Make sure they regularly share their roadmap and how it affects your account. Also know their release schedule so you are aware of updates, and make sure you are comfortable with how they roll out those updates. Are you able to test them out or will they be released directly onto the live platform?

Learn More

View recordings and resources from the Managing Tech Series at www.tagtech.org/managingtech.

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