

# Quality supplier relationships enhance performance

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Two key principles of total quality management (TQM) are: 1) the adoption of goals for error-free performance and 2) the delivery of zero-defect products and services. In the healthcare industry – as in other industries – the quality of the relationship between hospitals and suppliers determines, in part, an organization's ability to adhere to these principles.

Many experts agree that contracts should not be awarded on price alone. The price of an item reflects only a fraction of the total cost of that item. For example, in a typical hospital, the purchase price of supplies accounts for about 60 percent of total supply expenses. The remaining 40 percent is allocated toward transporting, storing, and handling these supplies.

The latest findings from The International Quality Study indicate that in the manufacturing, financial services, and information technology industries, companies known for good quality use supplier certification programs as a way to manage and improve quality. Furthermore, those with the highest levels of quality – “world class” performers – include their suppliers' input when planning strategies and new products.

However, only a small fraction of healthcare providers that responded to the survey indicated they relied on supplier certification programs. And few healthcare organizations share strategic plans or development efforts with suppliers.

This is not to suggest that hospitals and their suppliers do not try new approaches to logistics management. The growing popularity of just-in-time and stockless inventory programs reflects a willingness to innovate and establish links across distribution channels. These programs also reflect a desire to reduce cost and improve service to end users. They are steps toward an improved partnership between a hospital and its suppliers.

If quality is defined as meeting or exceeding customer needs and expectations, programs designed to improve customer service go a long way toward achieving these goals. For both hospitals and suppliers, a better understanding of each other's needs should lead to higher quality. Establishing a win-win relationship benefits not only a hospital as a customer, but also a hospital's customers.

