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## 5 Ways to Build Strong Vendor Relationships

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When Van Gogh painted a picture, he did everything purposefully. He put everything in just the right place and used exact colors to create the perfect masterpiece. In some ways, building vendor relationships isn't much different - everything you do has to be deliberate so that the end result is what you want.

Working with a third-party vendor is an artful process of negotiation, defining roles and keeping a good rapport over the course of the contract.

The key is building a strong vendor relationship. A good relationship will mean better service and fewer issues along the way for your credit union. It may even lead to extended services with that vendor.

There are five elements of a strong vendor relationship that your credit union should exercise from the beginning of the process and throughout your time working together.

1. **Determine compatibility.** When considering a vendor, your credit union's decision-makers should immediately ask, 'Does the vendor mesh with our overall mission and philosophy?' If there are discrepancies between what your organizations believe and how you carry out your operations, the relationship isn't a good match. On the other hand, if both parties have similar goals, policies, etc., you are probably more compatible, which will lead to a better relationship.
  2. **Set clearly defined roles and responsibilities.** From the start, your credit union's tasks and the vendor's tasks should be specified and separated. Gray areas are not what you want when it comes to who is doing what. Have many detailed conversations to break out the roles and responsibilities, and document them so there is no confusion at any point. Clear expectations will allow for smooth sailing.
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3. **Have consistent communication.** We all know the most important thing in any relationship is communication. There is a contract involved and both parties are obligated to perform certain functions to meet the end goal. The only way that everyone can stay on top progress, setbacks, net information, etc. is to keep an open line of communication. Meeting on a regular basis throughout the entire term will also pave the way for comfortable communication and interaction.
  4. **Complete due diligence.** This seems like a no-brainer, right? But due diligence is more than just a one-time review of the vendors finances and resources. Your credit union should have a checklist of what should be received from a potential vendor, including financials, SOC 1 report, references and proof of insurance. This list may include more depending on the situation. Make sure to keep up with due diligence at least annually. Include verbiage in your contract about the frequency of due diligence checks and what needs to be provided to your credit union as part of the process.
  5. **Perform a risk assessment & legal review.** A relationship with a third party vendor should be considered with caution. Make sure you are aware of all the risks to your credit union and your members before any agreement is made. Ask questions about costs, training, pros and cons of the service and more. If it seems like the potentials risks are not a challenge, then proceed with the contract process. But don't leave any stone unturned - do a legal review of the contract and service level agreements.

If your vendor interactions include these five components, both parties can rest assured that the relationship will probably be a strong one. Be transparent and be deliberate with these steps, and you'll build the kind of trust and understanding needed to keep the relationship in a good place, perhaps for many years to come.

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