

Best practice for supplier selection

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Supplier services are essential in helping a business to function and reach its operational objectives. Considering their significance to the performance of a business, it is of utmost importance to work with the right suppliers. While there is usually a diverse pool of suppliers available in most industries, not all of them would serve in the best interest of your organisation, says Rudi Kruger, General Manager at LexisNexis Data Services. This is why being careful with supplier selection is wise.

“Usually, supplier selection commonly takes into consideration cost, quality, safety, reliability, service level, deliverability and convenience. However, a more thoughtful approach will serve the business well in the long run,” said Kruger. He elaborated on some of the best practice steps to take when selecting suppliers.

Establish business requirements: Since the main objective is to meet market demand, it is important to reach that end-goal in the best way possible. Start by establishing what the business requires from its suppliers. This can be achieved by gathering information from all affected departments and engaging on what works and what does not. Once the business requirements have been established, it will make the task of narrowing down the list of potential suppliers far easier.

Identify suppliers: A key criterion in selecting the right supplier is value. What are their commitments to customer service, service delivery and reliability? What is the status of the business in terms of ownership, operations and finances? Lastly, what does the company’s history reveal? Seeking answers to these questions will assist with measuring performance capabilities.

Gain supplier feedback and vet the response: Pose questions, request information and the relevant certifications. Thereafter, screen the supplier to not only verify the information but also to identify red-flags. During the vetting stage, a great focus needs to be placed on the evaluation of risks which include conflict of interest scenarios and hidden or undisclosed information that may potentially mask harmful or fraudulent activities. Other aspects to look out for include business status, director status and directors linked to public entities.

Formalise the partnership: Once a decision has been made, the next advisable step is to enter into a service level agreement. Formalising the partnership between your business and the supplier allows for increased accountability, stronger commitments and meaningful communication.

With these steps, the stress of selecting the right supplier can be greatly reduced. “Each step is valuable and necessary but great emphasis must be placed on vetting. Supplier vetting allows for the evaluation of a supplier’s declarations, which will essentially provide all the information you need to make an informed decision,” said Kruger, adding that ongoing monitoring post screening is just as valuable.

While vetting suppliers independently can take a lot of time and effort, the availability of specialised tools makes achieving clear, accurate and fast results possible. Digital solutions like Lexis®ProcureCheck serve to make the procurement process simpler, smarter and safer, saving time and money. The solution assists the procurement, compliance, forensic and internal audit departments in their procurement vetting process and vendor management, by offering an online automated workflow tool that will assist in mitigating risk. Used in conjunction with Lexis® Diligence, the powerful solution enables users to manage reputational risk and investigate negative and positive news on suppliers. Lexis Diligence goes further by protecting your organisation from fraud, extremism and activism, counterfeiting, political risk and other criminal activities with its many due diligence capabilities.

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