

Selecting the Right Supplier

Aim

To provide a framework that can be used in order to identify potential sources of supply, appraise and select the best suppliers from these sources and then monitor and encourage improvement in these suppliers.

Rationale

A successful purchase will always depend on finding and selecting the right supplier - this is particularly important for items which are critical to the operation of the organisation.

1. The sourcing process

- a) The stages in the sourcing cycle
- b) Purchasing documentation associated with each stage

Learning outcomes

In the assessment the candidate may be required to:

- 1.1 Identify what characteristics the right supplier will possess
- 1.2 Describe the key stages of the sourcing process
- 1.3 Demonstrate familiarity with the documents that are used in the sourcing process
- 1.4 Explain the importance in the purchasing process of selecting the right supplier

2. Appraising suppliers

- a) When supplier appraisal should be carried out
- b) Methods of supplier appraisal
- c) Supplier appraisal criteria including: technical/quality, financial, commercial and environmental appraisal
- d) Evaluating suppliers' commitment
- e) Evaluating suppliers' capabilities

Learning outcomes

In the assessment the candidate may be required to:

- 2.1 Explain what supplier appraisal is, the need for it and why it is an important procurement activity
- 2.2 Explain how a supplier appraisal can be carried out
- 2.3 Describe how to appraise a supplier's capabilities in a number of areas and how to draw conclusions as to the best supplier under given circumstances
- 2.4 Appraise a supplier's commitment in addition to their capabilities

3. Sources of information

- a) Identifying potential sources of supply
- b) Sources for supplier evaluation
- c) Setting up a supplier data system

Learning outcomes

In the assessment the candidate may be required to:

- 3.1 Identify different sources of information about suppliers and how these sources enable the buyer to appraise a supplier's capabilities
- 3.2 Discuss the impact of electronic systems like the Internet, in both supplier identification and supplier evaluation
- 3.3 Explain the advantages of computerised systems of managing information over manual systems
- 3.4 Suggest useful categories of information which could be held on a supplier data system
- 3.5 Design a simple supplier data system

4. Sourcing methods

- a) Requests for proposals and quotations
- b) Open tendering processes
- c) Restricted and selective tendering processes
- d) Direct negotiations and post-tender negotiation

Learning outcomes

In the assessment the candidate may be required to:

- 4.1 Explain the stages of the tendering process and the appropriate use of tendering
- 4.2 Outline and explain the advantages and disadvantages of the different types of tendering arrangements
- 4.3 Identify appropriate circumstances for direct negotiations with suppliers, rather than using competitive tendering
- 4.4 Identify situations where the use of post-tender negotiation is appropriate
- 4.5 Describe how quotations or bids received from suppliers could be analysed, how data would be tabulated and how judgements would be made as to which bid represents best value for money for the buyer