Vendor management is the process of selecting and managing third party organizations for the purpose of meeting your organization’s goals supply and service goals consistently.

From the Institute for Supply Management (ISM):

“… supplier relationship management (SRM) refers to the practice and process for interacting with suppliers. Most supply professionals view SRM as an organized approach to defining what they need and want from a supplier and establishing and managing the company-to-company (or procurement-to-sales) link to obtain these needs. Even when there is no conscious procurement-to-supplier’s sales link, there still are practices and processes in play — informal as they might be. Formal or not, academic and consulting company research shows that organized approaches to supply and suppliers produce positive sourcing results.

SRM is often a part of the rollout of strategic sourcing. Here, it can be the management and leadership end of working with strategic suppliers or ones that are preferred or simply transactional. Each SRM initiative is about determining and communicating needs and expectations to a supplier, measuring performance, and invoking actions for compliance. These interactions involve efficiently providing suppliers with expectations of how the communications and flow of products/services are to be provided. In the end, SRM is about categorizing the supply and markets of products and services and following through with how to interact with the selected suppliers to meet measurable performance goals. At the higher end, SRM is about developing suppliers so they perform for the benefit of the buying company/organization.

SRM is about identifying and measuring suppliers via oversight, measurement and management. Much closer collaborative supplier relationships are more two-way, involving suppliers that possess capabilities the buying company does not have yet strategically needs and wants.”

- Joseph L. Cavinato, Ph.D., C.P.M.
  ISM™ Professor of Supply Chain Management
  Thunderbird School of Global Management
  Director, A.T. Kearney Center for Strategic
  Supply Leadership at ISM™
  www.ism.ws

In this section you will outline your vendor management policies and procedures. This starts with establishing expectations which should be based on your values statement. Determine how your organization will work with vendors. Begin with the following and document your policies and procedures.
1. **Vendor vetting and approval:** Establish a written procedure for how your organization vets its vendors. Establish requirements for a vendor to meet in order to be approved by your organization. These could include qualifications, factory audits, proof of compliance documents, proof of product liability insurance and raw material verification.

2. **Vendor engagement procedure:** Determine protocols for how your organization will engage with approved vendors. These are based on order type, order sensitivity, regulatory concerns, client needs, etc. For example, will you work with only select vendors? Are you prepared to decline an order if the vendor cannot meet the regulations and requirements? How will you handle children’s products and/or products intended for distribution to children? How will you address tracking labels? These are questions that need to be addressed, and the answers documented and implemented.

   - **Vendor contracts:** Develop detailed written contracts for your primary vendors. These contracts will serve as the basis for the relationship. Make sure to outline expectations of both parties and leave no room for misinterpretation.

3. **Compliance databases:** In order to effectively manage this new flow of information, you will need a step-by-step process for obtaining essential documents as well as internal controls for managing these documents.

   - **Incident/Recall:** Develop step-by-step instructions for how you will handle a defective product, an injury from a defective product or a possible recall situation. Have a database (even if only an Excel file) of all incidents both reported and non-reported with details and timelines that can be provided to regulators immediately upon request. The details do not need to be overdone, yet should include the most relevant points as to the who, what, when, where and how. In addition, you will need to have a process for storing the necessary supporting documents pertaining to each incident. For additional guidance, the CPSC has developed a recall handbook to provide the guidance needed when handling a recall.

   - **Test Reports and Certificates:** You will want to establish a process for obtaining, storing and updating test reports and certificates. It is imperative to make sure you understand how to read a test report in order to be certain of its validity. PPAI has a guide for reading test reports available on its website. Also, General Certificates of Conformity (GCC) and Children’s Product Certificates (CPC) are essential documents in any compliance program. Store these in a location that’s easily accessible. If you need assistance with determining which tests are required or what questions to ask your vendor for a specific situation, TurboTest is an online tool available through PPAI’s website to guide you through the process.