# SUPPLIER MANAGEMENT PROCESS

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**Comment [BV2]:** The document coding system should be in line with the organization’s existing system for document coding; in case such a system is not in place, this line may be deleted.

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Change history

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1. Purpose, scope and users

The aim of this document is to define the purpose, scope, principles and activities of the Supplier Management process.

This document is applied to the entire IT Service Management (ITSM) organization.

Users of this document are all employees of [organization name], as well as all external parties who have a role in ITSM.

2. Reference documents

- Service Level Management Process
- Change Management Process
- Business Relationship Management Process
- ISO/IEC 20000-1:2011, clause 7.2

3. Policy

The Supplier Management process ensures to support [organization name] in achieving IT service targets and business expectations.

[Supplier Manager] is responsible for:

- Contract between suppliers and [organization name]: to ensure they are aligned to business needs and agreed targets in Service Level Agreement (SLA)
- Manage relationship with suppliers
- Manage or agree to contracts with suppliers and maintain such contracts throughout their lifecycles

3.1 Guidelines

1. Acceptable communication

Before and during evaluation work, [supplier name] is allowed to communicate with potential suppliers.

2. Allocation of roles and responsibilities

During normal operation conditions, Supplier Manager is the primary point of contact and handles [users] and supplier is not permitted.

3. Gifts and promotional materials

If it is allowed to accept gifts and promotional material from supplier under [organisation internal policy].

4. Supplier standard

Supplier must provide evidence of the following certificates:

[...]

5. Legal aspect

[...]

Comment [BV3]: Replace this with "ISO" if you are implementing ISO 20000.

Comment [BV4]: Replace this with "ITIL" if you are implementing ISO 20000.

Comment [BV5]: Delete this if you are implementing ITIL and not ISO 20000.

Comment [BV6]: This is an example of how to cover general guidelines for suppliers. Adapt to your own requirements.

Comment [BV7]: E.g. someone from procurement department or from legal department... etc.

Comment [BV8]:

Comment [BV9]: Adapt to your own situation. Check internal legislation, law or any other regulation e.g.: It is not allowed to accept gifts and promotional material from supplier.

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Comment [BV11]: It is also possible that personnel of the supplier must contact your organization.

Comment [BV12]: In some branches, compliance to certain standards must take place and evidence of that must be shown. E.g.: Suppliers who work with financial institutions must comply with ISO 27001 or ISO 20000.
6. Security
Data exchanged between [organization name] and supplier are the property of [organization name].
Supplier must sign a Non-Disclosure Agreement (NDA) to be eligible to handle [organization name] data and information.
Access to [organization name] by supplier’s personnel is permitted under the following circumstances: [...]

3.2 Underpinning contract
The underpinning contract (UC) (see Underpinning Contract in Appendix) is a legal document that describes the relationship between [organization name] and its suppliers. Every supplier has its own UC with [organization name].

4. Process

![Diagram of Supplier Management process activities]

Figure: Supplier Management process activities
Copyright© AXELOS Limited 2014. All rights reserved. Material is produced under license from AXELOS
4.1. **Definition of new supplier and contract requirements**

[role description] is responsible to define requirements imposed on a new supplier.

4.2. **Evaluation of new suppliers and contracts**

[role description] is responsible for the evaluation of a new supplier and to ensure that the following conditions are taken into consideration: track record, capability, relative to the business being placed, etc.

**Other departments** that are needed:

- [...] 

4.3. **Supplier categorization and maintenance**

[organization name] uses the following categorizations of suppliers; see Supplier Agreement Portfolio in Appendix:

- **Strategic**
- **Key**
- **Rest**
- **Commodity**

[Supplier Manager] ensures by [...] that the supplier manages its sub-contractors according to [organization name] regulations.

(see Supplier Agreement Portfolio in Appendix).

4.4. **Establishment of new suppliers and contracts**

[organization name] uses the Change Management process to enter a new supplier.

4.5. **Supplier, contract and performance management**

To avoid conflict of interest, [Supplier Manager] is the main interface toward suppliers and resolves any existing or potential issues on an operational level.

[Service Portfolio Manager] ensures that all contracts with suppliers (see Underpinning Contract in Appendix) are aligned with service requirements (see Service Level Requirements in Appendix of Service Level Management Process).

Formal performance review meetings are held [quarterly], with the following agenda:

- Service performance achievements against set targets
- Incident and problem review. Escalation analysis
- Feedback
- Addressing major changes
- Best practices
• Opportunities for improvement

[Supplier Manager] is responsible to prepare and organize the meeting as well as to produce Minutes of the Meeting (see Supplier Performance Report in Appendix).

Customer Satisfaction surveys conducted by [Business Relationship Management] include information regarding customer satisfaction with suppliers’ performance. [Supplier Manager] is responsible to include questions that will reveal suppliers’ performance.

Changes to the ICT are controlled by the Change Management process. [Supplier Manager] is responsible to start a Request for Change (RFC); see Request for Change and Change Record in Appendix of Change Management Process.

4.6. Contract renewal or termination

Contracts with the supplier are reviewed on [an annual] basis. The review includes, at a minimum:

• Contract suitability
• Assessment of possible changes in the contract
• Outlook of the relationship
• Financial assessment – commercial performance against achievement

[Supplier Manager] is responsible to initiate the contract renewal or termination proposal and propose about contract renewal or termination. The final decision is made by […].

5. Roles and responsibilities

5.1. Supplier Manager

[role description] assigns the Supplier Manager role.

Responsibilities of Supplier Manager:

• Overall responsibility for carrying out activities within the scope of Supplier Management
• Coordination with other Service Management roles
• Ensure and management the support the Supplier Management process
• Responsible for reporting and managing information
• Manages work of Supplier Management staff
• Enhances the organization and improves Supplier Management process and procedures
• Coordinates interface between supplier and [organization name], as well as between supplier and other processes
• Assists in SLA development
• Ensures that the data for SLA is obtained from suppliers
• Ensures that suppliers perform in agreed targets and contribute to achievement of [organization name] business goals
• Ensures that processes and policy toward suppliers correspond to [organization name]’s overall supplier or third-party policy
6. Measurement and metrics

6.1. Measurement

[role description] is responsible to produce reports.

Reports are sent to the Service Level Manager on a monthly basis.

[role description] is responsible that:

- reports are produced monthly, with quarterly and yearly summaries
- non-performance (performance against service targets) and respective measures for improvement are defined

6.2. Metrics

Metrics to be reported:

- Number of breaches of contractual targets
  - Supplier performance
  - Number of breaches caused by supplier
- Number of disputes with supplier

6.3. Critical Success Factors (CSF) and Key Performance Indicators (KPI)

[role description] is responsible to define CSFs and respective KPIs. Achievements against KPIs are monitored and evaluated by [role description].

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<thead>
<tr>
<th>Critical Success Factor</th>
<th>Key Performance Indicator</th>
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<tbody>
<tr>
<td>Supplier performance and responsiveness of supplier and contractual targets</td>
<td>Increase in the number of suppliers with nominated supplier managers.</td>
</tr>
<tr>
<td>Business protected from poor supplier performance or disruption</td>
<td>Increase in the number of suppliers meeting the targets within the contract.</td>
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7. Managing records kept on the basis of this document

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8. Validity and document management

This document is valid as of [date].

Owner of this document is [job title], who must [check and, if necessary, update the document at least once a year].

9. Appendices

- Appendix 1: Underpinning Contract
- Appendix 2: Supplier Performance Review
- Appendix 3: Supplier Agreement Portfolio

[job title]

[name]

[signature]

Comment [BV34]: Usually Supplier Manager.

Comment [BV35]: Change if needed.

Comment [BV36]: Example: for current year (YTD) – in [tool name], otherwise archived in [tool name or place of archive].

Comment [BV37]: This is only a recommendation; adjust frequency as appropriate.

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