



# The Ultimate Supplier Qualification Guide

11 ways to identify the best supplier verification  
partner for your organization



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# Why Outsource Supplier Qualification?



Managing third-party risk, preventing costly safety incidents, eliminating disruptions in supply, and protecting your company's brand are all important – and so partnering with qualified suppliers that meet your safety, sustainability, quality, and insurance requirements is essential to meeting these objectives. You outsource certain functions to third-party suppliers, which may include material and equipment suppliers, contractors, and vendors, to effectively handle fluctuating needs. In many cases, they can deliver better quality skills and materials at reduced costs when compared to in-house operations. For the same reasons, you should consider partnering with an expert third-party partner to manage your supplier qualification program.



# When Do You Need a Supplier Qualification Partner?



Operating a thorough and sustainable supplier qualification program involves a great deal of administrative work, effective document storage, and constant engagement with all your suppliers to obtain the required information, verify and audit that data, and keep it up to date. For many companies, building and maintaining an in-house supplier qualification program falls on multiple roles across departments such as procurement, health and safety, risk management, operations, and others.

When multiple departments are responsible for screening suppliers, the related information is often handled in different ways. For example, one person might use an excel spread sheet, and another might store physical documents in a filing cabinet. With decentralization, assessments are often inconsistent, documents aren't easily accessible, and complete visibility is nearly impossible – especially when qualifying suppliers is just one of several job tasks competing for attention. In addition, pressure to move multiple projects forward can put an enormous strain on your internal resources. These factors combined create a perfect storm that inevitably result in exposure to unseen risk.

If you find yourself in this situation, it's time to consider working with a third-party supplier qualification provider that enables the complete visibility needed to properly manage supplier risk while alleviating the administrative burden on your team. They often deliver significant improvements to existing programs at a reduced cost because they have years of experience and focus solely on supplier qualification.

In a recent study, the National Safety Council's Campbell Institute collected supplier Environmental Health and Safety (EHS) best practices of world-class organizations.

The majority (71%) use a third party to help manage their supplier qualification program. According to the report:

“The widespread use and large scope of contractors in global organizations like Campbell members often necessitates the services of prequalifying companies to handle a large part of the initial vetting process.”<sup>1</sup>

<sup>1</sup>Campbell Institute. Best Practices in Contractor Management. National Safety Council. 2015.

# Getting the Most from a Buyer's Guide



This guide was created for safety, procurement, compliance, risk management, operations, and other professionals evaluating a third-party vendor to help manage their supplier qualification program and who find themselves in one of the following situations:



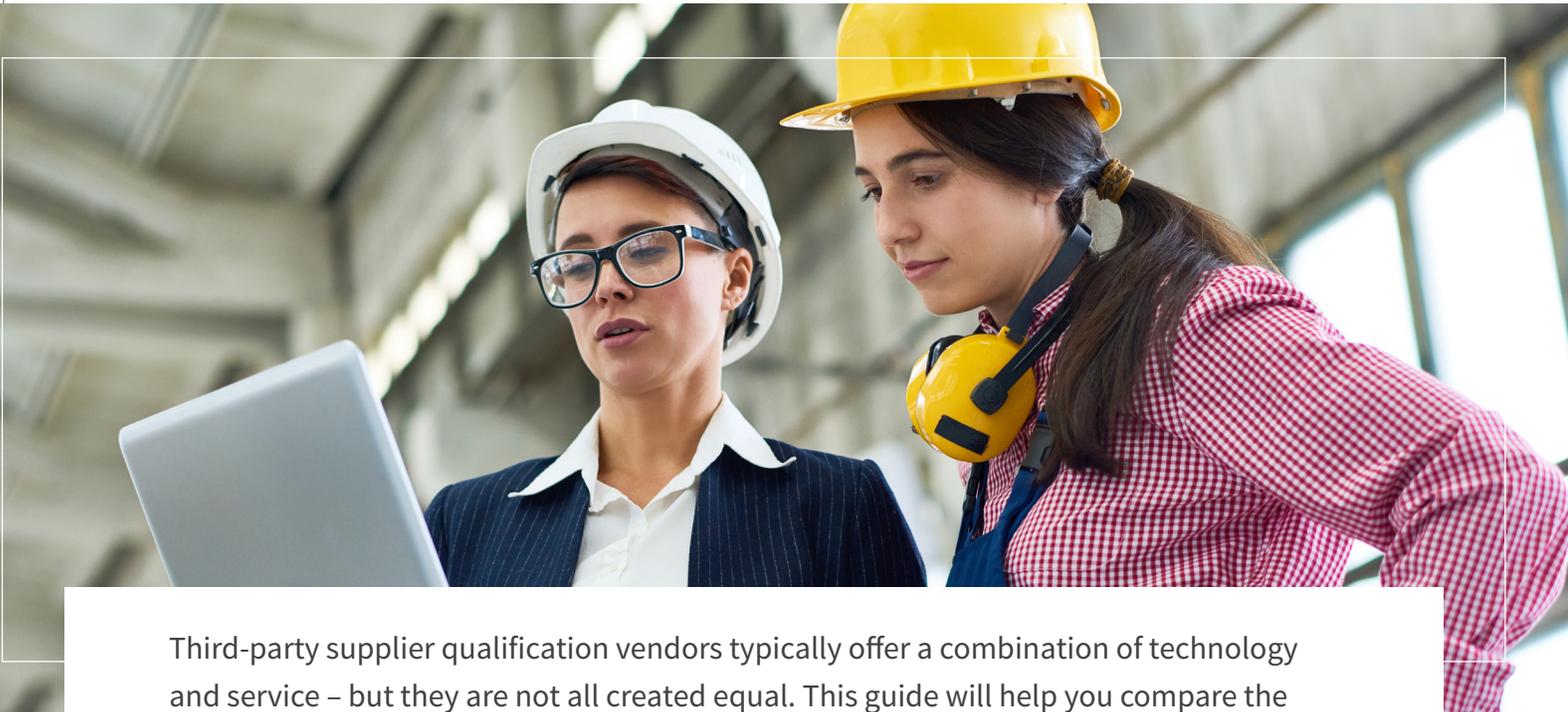
They have an existing internal qualification program but are looking for a solution to reduce the administrative burden of managing the program.



They are already using a third-party vendor but are not happy with the service and are looking for alternatives.



They need to create a supplier qualification program from scratch to meet the needs of their growing organization and are evaluating whether to build or outsource the work.



Third-party supplier qualification vendors typically offer a combination of technology and service – but they are not all created equal. This guide will help you compare the features to look for in a technology platform, the kinds of services provided, and how to evaluate a third-party supplier qualification provider to meet your needs.

# 11 Requirements of a World-Class Supplier Qualification Program



To meet the needs of national and global companies, supplier qualification programs should go beyond prequalification alone. While prequalification is an important first step, there are many more entrance points for risk within your supplier base that should be managed. For example, qualifying and training the individuals that come to your work sites, verifying proper insurance limits, and collecting leading indicators through audits will help you to protect your workers and your company.

Vetting supplier qualifications, collecting documentation, and selecting the best supply chain partners is no easy task. To reduce administrative burdens and costs, mitigate risks, and enhance visibility, you need an end-to-end solution that covers every aspect of the supplier qualification process.

From initial prequalification to on-the-job qualification, post-work reviews, and supply chain risk-management analytics – a comprehensive supplier qualification solution drives greater efficiency while ensuring you select the right suppliers for your organization.



Here are 11 requirements to consider when looking for the optimal supplier qualification provider for your organization.

# 1 Supplier Participation

Often overlooked, but critical to the success of a supplier qualification program, is supplier participation. To be effective, a supplier qualification program must serve both the companies looking to reduce risk by working with suppliers who meet their requirements, and the suppliers who want to prove they are qualified. Without supplier participation, your database will be full of non-compliant suppliers simply because they did not want to go through a burdensome qualification process or they didn't see the benefits in it for them.

Your program should:

- ▶ Simplify the process as much as possible and allow for flexibility depending on the supplier's risk level (discussed in a later section), trade, and location where the work is performed. This means providing significant onboarding support for suppliers, making it easy for suppliers to see their qualification status at a glance, and giving them the ability to differentiate themselves to gain more business.
- ▶ Make it easy for the suppliers to see where they are in the qualification process and clearly show what they need to do to become an approved supplier. Too often, suppliers either do not know what they can do to qualify or the goal line is in constant fluctuation, making the process a frustrating experience.
- ▶ Be supported by a team of compliance professionals to assist suppliers at every step, including onboarding, information gathering, and verification. If gaps are identified, they should help suppliers meet requirements. For example, if a supplier does not have a safety manual, they should provide a template and guidance for implementing safety practices.
- ▶ Create a network effect that reduces the amount of administrative work and provides additional opportunities for work. Suppliers can get frustrated if they need to provide the same information through multiple qualification processes for different companies. Serving many clients and their suppliers, third-party cloud-based supplier qualification vendors create a network that subscribers can access. Suppliers can qualify once to comply with multiple companies and become visible to other hiring companies as a qualified supplier – that's a great motivator for suppliers to go through a rigorous evaluation process.

## 2 Supplier Rationalization

Rationalizing the supply chain should be a natural benefit of having a best-practice supplier qualification system as it should serve both to identify superior contractors (who may be awarded more work), and those who do not meet your compliance standards (who should not qualify for work). Often, an organization's list of approved supply chain partners has not been updated in many years and may include excessive and redundant suppliers, many of whom have not been evaluated.

Your solution provider should:

- ▶ Analyze and update your list to include only active suppliers and contractors who are willing to align with your organization's safety and sustainability values.
- ▶ Remove duplicated suppliers from your list. For example, if you have 10 suppliers that perform similar activities, and you haven't used some of them for years, your approved supply chain partner list should be updated and consolidated.
- ▶ Pool resources to provide you with an expanded network of suppliers, adding your updated suppliers list with other companies' lists in the database. Many third-party partners create a network of qualified suppliers, so if you need to find someone new, you can leverage the network of strong qualifiers from a larger base.

In addition to making your supplier list more manageable, an updated list of active suppliers provides a more accurate view of available resources and helps to identify and close common gaps in supplier requirements. By only working with suppliers that are willing and able to meet your requirements, removing unnecessary suppliers, and supplementing your supplier base where needed through a network of qualified suppliers, you'll gain a significantly stronger supplier base.

# 3 Supplier Prequalification

Prequalification is an important first step to managing supplier risk and should be the foundation of your supplier qualification program.

Your provider should:

- ▶ Identify your requirements, and clearly communicate these requirements to suppliers.
- ▶ Use a dynamic questionnaire that collects company information and creates a profile on your suppliers, such as key personnel, locations served, trades offered, as well as information about safety and sustainability programs, policies, and procedures. A standardized questionnaire where possible reduces the burden on suppliers that are connected to multiple organizations, yet flexible enough to automatically omit or add sections based on suppliers' profiles. Ideal questionnaires are designed in collaboration with industry experts to ensure you collect the right information.
- ▶ Collect safety statistics and supporting documentation specific to your geographic location(s) and regulatory bodies. In the US this may include Total Recordable Incident Rates, Experience Modification Rate (EMR), OSHA<sup>2</sup> logs, Fatalities, and Total Hours Worked.

## TIP

Some countries do not have governing safety bodies like OSHA. In the absence of lagging indicators, audits (discussed in a later section) are great ways to evaluate supplier risk.

Most governing bodies update their safety statistics annually. It is extremely important to keep your supplier prequalification data up to date. However, for most companies, refreshing this data can be costly, time-consuming, and complicated. A third-party verification partner can be extremely valuable in keeping data current. The best third-party providers can engage with your suppliers to update all prequalification data on a yearly basis without putting an enormous strain on you or your suppliers. During annual updates, your provider should make it easy to update prequalification information and handle any queries. The combination of technology and service that a provider brings to the table makes the annual update process much easier for your suppliers, while giving you the data you need to make informed decisions.

<sup>2</sup> The Occupational Safety and Health Administration (OSHA) is an agency of the United States Department of Labor

While supplier qualification is important at a company level, organizations also need to qualify individual employees working for suppliers and contractors (for example, documented training and certifications for specialized job roles such as welders). How do you know the contracted workers have the necessary certifications and licenses, and how do you know they retained the knowledge received from your site-specific training? How do you track all this information across multiple locations and job roles, as well as each worker's compliance with those requirements?

To fully manage supplier risk, it is imperative to complement your company-level qualification with employee-level qualification and training. By doing so, you ensure your own adherence to regulatory requirements and that the right people with the right training and qualifications perform critical job functions at your sites. This helps to ensure that supervisory staff have visibility into the attributes, profiles, job roles, credentials, and training of your contracted workforce, ultimately leading to more successful engagements with contractors.

Your third-party verification partner should provide an online platform where:

- ▶ You can specify your requirements by supplier type, role, trade and location. In addition, the system should be able to satisfy multiple client and/or site requirements without duplication of effort.
- ▶ Contracted workers can easily upload licenses and certifications to prove they are qualified, and see where they stand in terms of compliance.
- ▶ Contracted workers can complete your required training through a learning management system. You should be able to deploy your induction trainings online and ensure that workers retain knowledge with assessments.
- ▶ The platform should be flexible to integrate with existing gate entry systems, and the best ones will allow for the creation of both physical and digital badges.
- ▶ The platform should support multiple languages.

With all qualification and training requirements completed before the project begins and all data available in an online platform, the security process moves faster and individual workers can get started quickly.

## 5 Auditing Capabilities

A superior supplier qualification program does more than provide lagging indicators, especially for suppliers that are more prone to risk. There are several areas that should be audited to gather leading indicators and ensure your organization remains protected. An audit begins by auditing safety and employee manuals to determine if a supplier's safety and sustainability programs contain the necessary sections. Next, implementation audits ensure that the manual is followed, and finally, field audits provide evidence that safety and sustainability practices are executed at work sites. The best providers will have a team of certified industry experts who can both perform the reviews/audits and work with suppliers to help close any gaps that are identified during the process.

Your solution provider should:

- ▶ Have a robust auditing process backed up by qualified industry professionals.
- ▶ Have a progressive audit portfolio allowing your company to direct resources to the highest risks.
- ▶ Assist suppliers in closing gaps to meet your compliance standards, as well as minimum regulatory and industry guidelines.

Where prequalification focuses on lagging indicators, or the absence of incidents, your solution should complement this information with leading indicators that focus on the presence of preventive measures that are better predictors of future outcomes. By auditing how suppliers execute their policies and procedures, your organization can better understand the potential for risk across your supplier landscape.

Another way a supplier qualification program helps protect your organization and mitigate risk is to assess three specific insurance-related items: 1) the types of insurance the supplier carries; 2) the amount of coverage the supplier carries; and 3) whether your company is covered by the supplier's insurance coverage.

While safety statistics are updated at the same time every year, insurance coverage can change at any time, making it difficult to track. However, monitoring every supplier's insurance coverage throughout the year is necessary to keep data accurate and protect your organization, employees, and contractors. At any time, a supplier's insurance policy can expire, the supplier can reduce its amount of coverage, completely remove certain types of coverage, or remove your company as an additional insured entity. If you have hundreds or thousands of suppliers, monitoring every possible scenario is almost impossible to do on your own. Third-party qualification partners should be able to proactively monitor any insurance changes amongst your many suppliers to ensure you are protected from potentially costly gaps in coverage.

A superior solution:

- ▶ Allows your organization to specify the types and amounts of insurance required for suppliers.
- ▶ Makes it easy for suppliers to indicate their coverage and upload certificates of insurance to prove compliance.
- ▶ Verifies all supplier insurance information.
- ▶ Provides proactive monitoring to identify any changes in insurance coverage, keeping you informed and protected.
- ▶ Includes automated alerts to notify suppliers when their insurance is set to expire, so they can update their information and stay compliant.

If there is an incident at your work site and your supplier does not have enough or the right type of insurance, your organization may be responsible for the cost. You want to be sure suppliers have appropriate coverage, and if the worst should happen, your company is also covered.

## 7 Post-Work Evaluations

Post-work evaluations allow you to assess the quality of a supplier's performance and provide another dimension of information that will help you make more informed supplier decisions. Post-work performance evaluations should cover a complete range of activities, including safety, the ability to meet financial and budgetary issues, work quality, responsiveness, adherence to schedules, and endorsements for future work.

In addition, the solution should allow reviews to be performed by site and by region, depending on your requirements. For example, a supplier might have a good score for a region. Within the region, 9 of 10 sites might have good scores with one site showing a history of problems. This visibility improves supplier accountability and helps you find the best qualified suppliers down to the site level.

### TIP

These post-work evaluations and recommendations also help you see how your own prequalification process is working. If suppliers are getting through the prequalification stage yet getting poor performance reviews, it's time to update your prequalification process.

Your solution provider should empower you to perform these evaluations, so you can:

- ▶ Determine if the job was completed on time and on budget.
- ▶ Assess safety measures and performance.
- ▶ Assess the quality of work.
- ▶ Share the evaluations across your organization.
- ▶ Hold suppliers accountable and identify areas for improvement.
- ▶ Improve future supplier selection. For example, additional information helps you choose between multiple suppliers that are all flagged as approved.

Supplier reviews should empower organizations to close the supplier lifecycle management loop by providing data points to identify, monitor, and improve deficiencies in how suppliers are selected.

Data scattered across various roles and in different formats within your organization makes it difficult to see the entire picture of supplier risk. When organizations are global, there are additional regulations and cultural nuances to consider, and having complete visibility becomes nearly impossible. If your company can operate anywhere in the world, you need a supplier verification solution to support business operations anywhere in the world.

A supplier qualification solution should provide a single, online platform that not only centralizes your supplier data, but supports different regulations and methods for measuring KPIs so that your organization can streamline its global operations, provide consistent data, and simplify reporting. A cloud-based solution provides a host of benefits, including anywhere, anytime access to supplier information, cross-organizational visibility, a consistent yet flexible evaluation process, and more.

Your supplier qualification program's online platform should also include a robust reporting and analytics engine that allows you to dive deeper and address your urgent business questions.

The analytics engine should provide:

- ▶ **Data visualization capabilities.** Analyzing data should not be a bottleneck. It is easier to understand trends presented on a chart or graph than to decipher extensive data grids. The best analytics platforms allow you to create the visualizations you need without having to export data into another platform.
- ▶ **Customizable dashboards.** Every organization is different and needs quick access to unique combinations of data points. The analytics solution should make it easy to create customized dashboards that keep you up to speed.
- ▶ **Report and dashboard templates that are easy to tailor.** Templates are a great way to get up and running quickly. The ability to tailor those templates enable quick access to the specific insights you need.
- ▶ **Report building and sharing capabilities.** Business leaders need regular updates and are often busy. They need only the most important information in an easy-to-digest format. The superior analytics platform gives you the ability to customize reports, automatically update those reports, and schedule delivery to stakeholders without them having to log into the system.
- ▶ **An Application Programming Interface (API).** In today's connected world, the ability to exchange information with other databases can be key to maximizing the benefits of data captured throughout the prequalification process. Your provider's API should allow for supplier qualification data to be viewed in any other internal systems including ERPs, vendor management and procurement software.

Centralizing supplier risk data on a single platform gives you the visibility to properly manage risk. Advanced analytics streamline the process of making informed decisions. Your solution provider should provide both and deliver data in a way that is easy to understand and actionable.

## 9 Flexibility and Consistency

Every organization has a unique combination of requirements, tolerance for risk, and supplier risk profiles. Therefore, an effective qualification solution platform should be both flexible and consistent to meet everyone's requirements. The technology platform should be easily configured so that supplier compliance is measured based on your requirements. Additionally, the qualification process should be flexible so that different types of suppliers go through an evaluation that makes sense for them, but standardized so that the same types of suppliers go through a consistent process.

For example, it does not make sense for a supplier providing equipment operators in Germany to go through the same vetting process as a cell tower maintenance company in the United States. First, each country has different governing bodies and therefore different regulations and statistics that must be collected. Second, each type of supplier has different levels of risk due to the nature of the services provided. You would want to ensure that the cell tower maintenance company has a fall protection program but that would not be applicable for the company providing drivers. However, when evaluating two cell tower maintenance companies in the United States, you want to ensure that both companies are evaluated using the same standards.

This combination of flexibility and consistency has three major benefits:

- ▶ You get a more personalized view of your supplier base. While some supplier qualification vendors can share industry best-practices, no two supplier companies are exactly alike and you should be able to tailor your solution to meet your needs.
- ▶ You minimize burden on suppliers. Not having to select "N/A" on hundreds of questions that don't apply to them streamlines the process for suppliers and improves adoption rates.
- ▶ You get accurate, actionable data. Evaluating suppliers based on their trade and risk level but keeping a consistent evaluation among the same types of suppliers significantly increases the accuracy of your data. This enables quick analysis and consumption of all supplier data without having to clean it or adjust for discrepancies.

Enforcing the supplier qualification program's policies is where the rubber meets that road and must be an organization-wide best practice. Once you have established supplier requirements, collected the required information, and evaluated suppliers' compliance, organizations need to enforce the qualification program by partnering with only those suppliers that meet your standards. Without enforcement, your organization may not be protected and exposed to unwanted risk.

To simplify enforcement, your supplier qualification solution should:

- ▶ Include easy-to-understand compliance indicators that allow you to see which suppliers are approved, pending, or unapproved.
- ▶ Give you and your suppliers the ability to drill down and see the reasons for their compliance status. For example, if a supplier is unapproved because they don't have enough insurance coverage, the system should make it very clear so suppliers can rectify the issue.
- ▶ Provide easy access to documents related to a compliance status so you can quickly find the details, and act to resolve the issue.
- ▶ Have integration capabilities to share compliance data with your other technology platforms such as procurement, ERP, and vendor management systems. This gives your entire organization access to supplier qualification information and facilitates enforcement. For example, organizations can prevent payment being issued in a procurement system unless suppliers have an approved status in the qualification system.

**TIP**

Your company's involvement can have a positive impact on enforcement. For example, communicate to your suppliers explaining you have a trusted partner providing a supplier qualification process. Explain how participation will benefit them, and that you will be using the information to make future buying decisions. Suppliers are much more likely to get onboard if they know what is happening, how it helps them, and that you selected the partner to collect the information on your behalf.

When policy enforcement is viewed as a best practice, your organization is protected, and projects move forward faster.

In addition to a looking for a comprehensive third-party supplier verification program, you should also consider the solution provider. For example, is the provider a trusted organization with deep experience, a proven track record for success? Do they have an exceptional reputation? How long has the provider been in business? Do they serve enterprise clients with a great deal of suppliers, or focus on smaller organizations?

To help ensure a successful supplier verification program, you should look for more than a solution provider – you should work with a well-established company that is willing to be a true partner in your supplier verification journey. A true partner will collaborate closely with your organization to co-innovate technology and service improvements based on your needs. By accumulating feedback and validating at each phase of solution creation, from ideation to prototyping to development, the co-innovation cycle should establish a synergy between your organization and your supplier verification partner to deliver the right products and services to maximize value within your organization.

The right solution partner can help you navigate the vetting process, gain the full value of the verification process, and collaborate with you to customize a system to meet your unique needs.

## Technology – Data Privacy & Security

The best solution providers use industry leading technology, designed to meet the rigorous data privacy and security standards required by global organizations. When evaluating the applications offered by different solution providers, here are a few things to consider:

- ▶ What platform or service are they using as the foundation for their cloud computing infrastructure? Is it reliable, secure, flexible? Best of breed?
- ▶ Can that infrastructure scale globally to meet the performance requirements of your organization?
- ▶ Does the provider offer a guaranteed service level agreement (SLA)?
- ▶ Is the application/service SOC 2 compliant? i.e. Has it undergone an independent audit to ensure the security, availability, processing integrity, confidentiality and privacy of your customer data?
- ▶ Where will your data be located? Is that location compliant with global and regional data privacy regulations such as GDPR?

# Supplier Qualification Partner Checklist

- ✓ Maximizes supplier participation
- ✓ Rationalizes your supplier base
- ✓ Provides prequalification data that is updated annually
- ✓ Supports employee-level qualification and training
- ✓ Offers comprehensive auditing capabilities
- ✓ Includes on-going verification of supplier insurance coverage
- ✓ Enables post-work performance evaluations
- ✓ Provides single-platform visibility and advanced analytics
- ✓ Offers a combination of flexibility and consistency to meet internal and supplier needs
- ✓ Enables easy enforcement of supplier qualification program policies
- ✓ Offers a trusted partnership and co-innovation



# Avetta Lifts Supplier Qualification to a Whole New Level

While there are several supplier qualification solutions on the market today, very few deliver:



Award-winning, highly configurable cloud-based technology for a complete and personalized view of your supplier base



In-house credentialed compliance specialists to relieve your internal administrative burden



Exceptional support and flexibility to maximize supplier participation and the value you receive from a third-party qualification solution



Complete supplier qualification lifecycle management that goes beyond prequalification so you can properly manage supplier risk and make improvements to your supplier selection process



Unmatched analytics capabilities to get timely answers to urgent business questions



A true partnership from an experienced vendor that understands the challenges you face in your industry and collaborates with you to build innovative solutions tailored to your organization's unique requirements



With the fastest growing supplier network in the world, Avetta is the new standard in supply chain safety and sustainability. We recognize that delivering value to your suppliers ultimately drives value to your company. We're passionate about helping suppliers navigate the qualification process and enhance their performance to meet your needs.



Find out why the world's most successful companies are partnering with Avetta to get a better return on their supplier qualification investment at [avetta.com](https://www.avetta.com).