



WEBINAR: SUPPLIER MANAGEMENT – A RISK- BASED APPROACH

OUR PURPOSE

IS TO HELP
CUSTOMERS
DELIVER PRODUCTS
THE WORLD CAN

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NQA specialises in certification in **high technology** and engineering sectors.



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Certification body in
Aerospace sector

GLOBAL NO.1

Certification body in
telecommunications and
Automotive sector

TOP 3 IN THE UK

ISO 9001, ISO 14001,
ISO 45001, ISO 27001

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AEROSPACE
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ENVIRONMENT



ENERGY



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RISK
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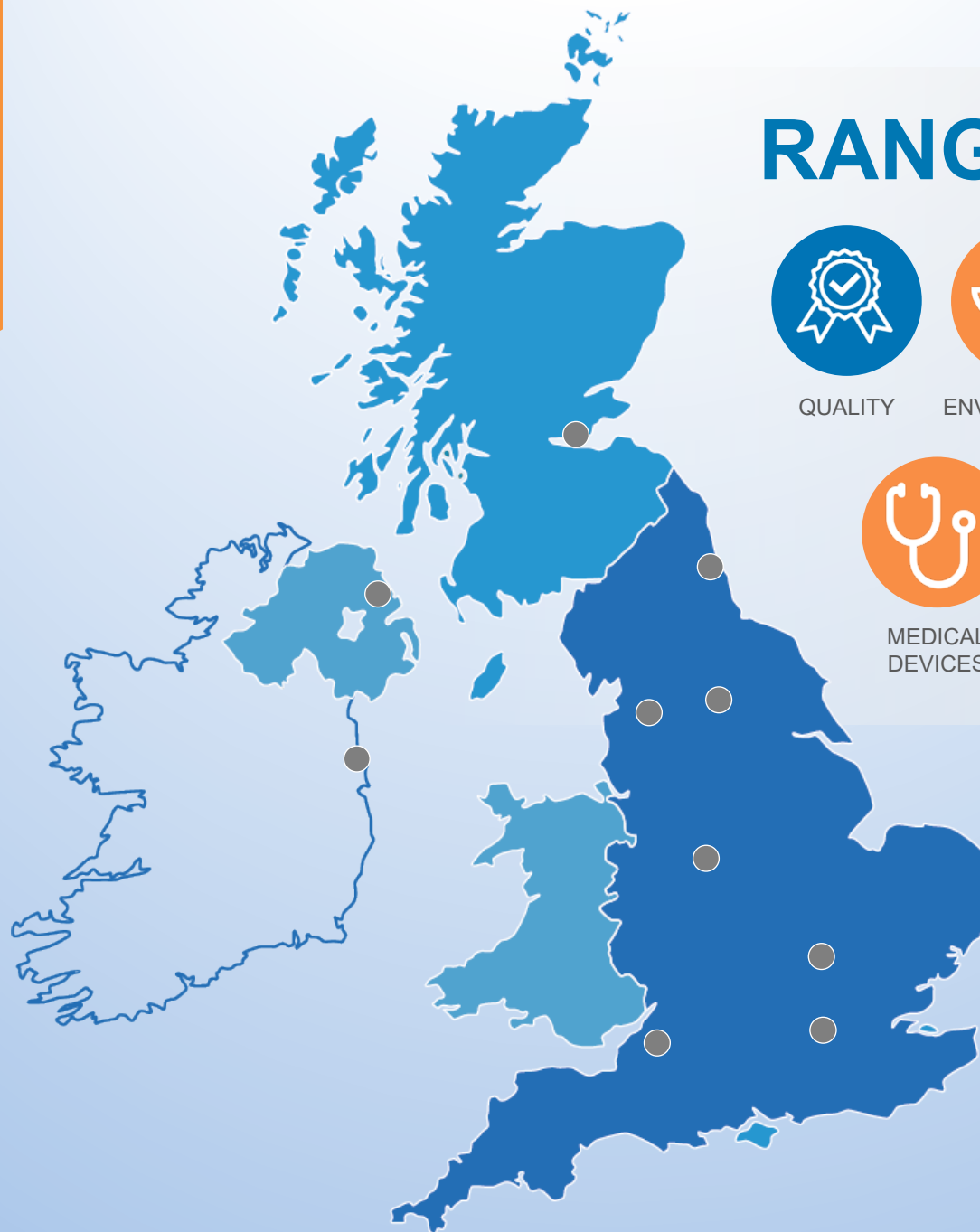
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Locations



RANGE OF COURSES



QUALITY



ENVIRONMENT



ENERGY



HEALTH AND
SAFETY



INFORMATION
SECURITY



MEDICAL
DEVICES



BUSINESS
CONTINUITY



AEROSPACE



INTEGRATED
MANAGEMENT

- **e-Learning** Introduction
- **1 day** Introduction Courses
- **2 day** Implementation Courses
- **2 day** Internal Auditor – NQA or IRCA
- **5 day** Lead Auditor – NQA or IRCA
- **Advanced** Training

 CQI |  IRCA
APPROVED TRAINING PARTNER





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KEY INFO

- **45 minute webinar**
- **Questions in the chat box**
- **Q&A at the end**
- **Recording of webinar circulated shortly**

YOUR PRESENTER



As the owner and founder of QSE, Frank is an assessor and consultant with many years of experience across a diverse range of sectors. With a background in marine engineering, he has worked with numerous oil and gas operators, contractors, and suppliers, as well as in a wide range of other industries.

Frank has extensive expertise in QHSE management systems, as well as auditing, monitoring, maintenance, and legislative compliance.

He works in close partnership with clients to successfully develop, implement and maintain tailored management systems to ISO Standards, leading to significant business improvement.

Webinar Objectives

1

Explain what is meant by the term 'Vendor Management' and its relevance to the standards.

2

Demonstrate why we take a risk-based approach

3

Provide participants with a framework for evaluating the risk in presented by vendors

4

Provide participants with examples of controls that can be used in their businesses

Objective 1

EXPLAIN WHAT IS MEANT BY THE TERM “VENDOR MANAGEMENT” AND ITS RELEVANCE TO THE STANDARDS



ISO 9001:2015

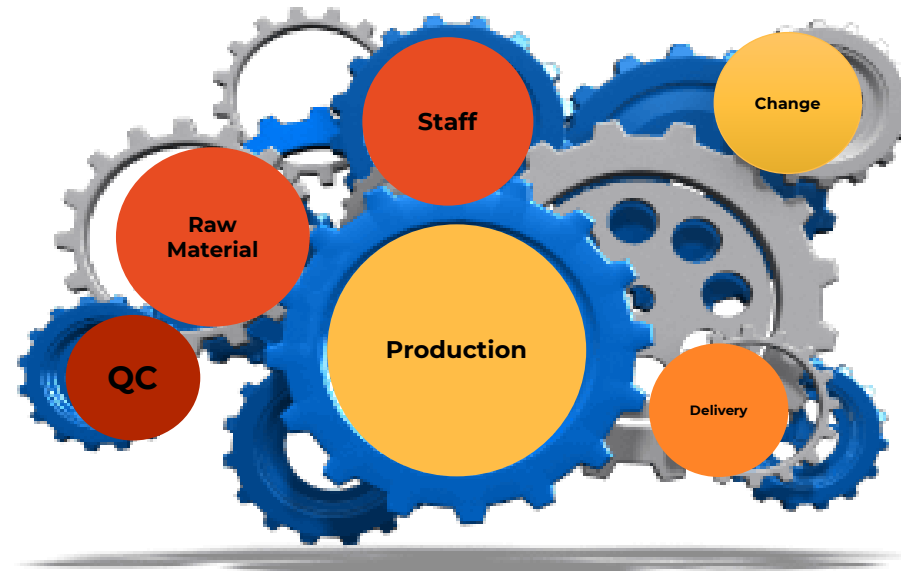
Introduction

1.2 Quality Management Systems Requirements

- The quality management principles are:
 - Customer Focus
 - Leadership
 - Engagement of people
 - Process approach
 - Improvement
 - Evidence-based decision making
 - Relationship management



- Process approach



Customer
enquiry



Customer
satisfaction

ISO 9001:2015

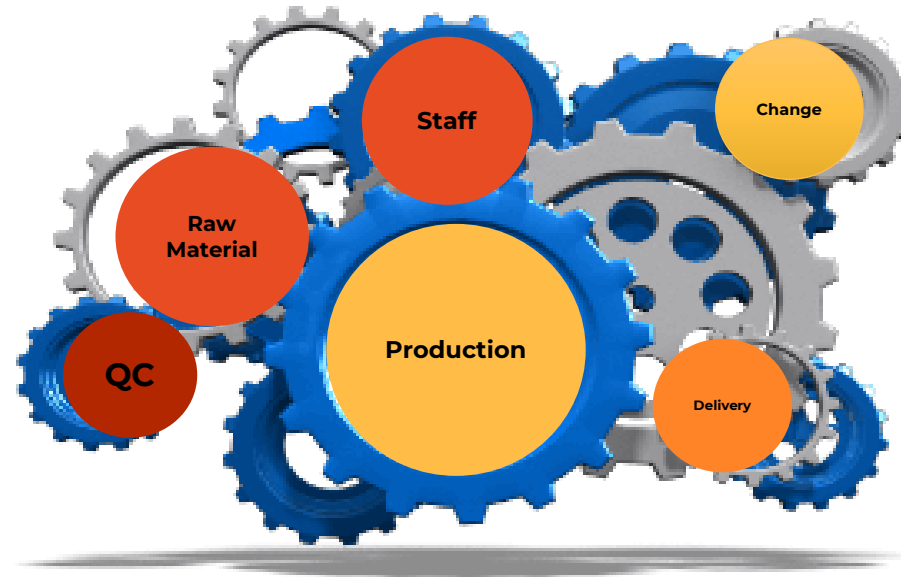
1.3.3 Risk-based thinking

6.1 Actions to address risks...

A.4 Risk-based thinking

[Was implicit in previous standards but now explicit]

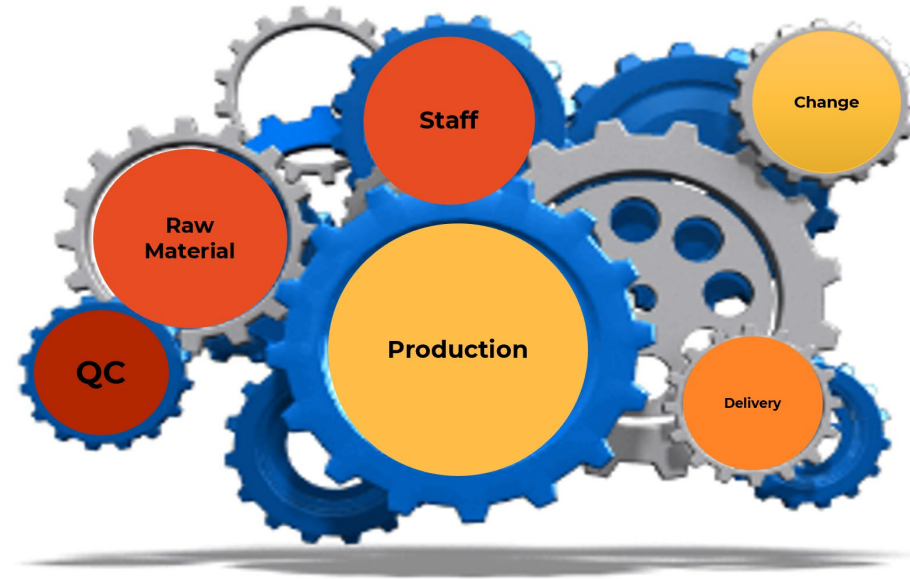




Customer
enquiry



Customer
satisfaction



Customer
enquiry



Customer
Dis-satisfaction



The great KFC chicken shortage of 2018



Matt Cardy/Getty Images

ISO 9001:2015

8.4 Control of externally provided processes, products and services

8.4.1 General

Your company will ensure that any part of your process that is carried out by a 3rd party is properly controlled to ensure that the risk of failure is minimised

8.4.2 Type and extent of control

Your company will define the controls necessary to ensure the risk of failure by the 3rd party is minimised

8.4.3 Information for external providers

Your company will ensure that it communicates fully with the 3rd party to ensure the risk of failure is minimised



A8 Control of externally provided processes, products and services

All forms of externally provided processes, products and services are addressed in 8.4, e.g. whether through:

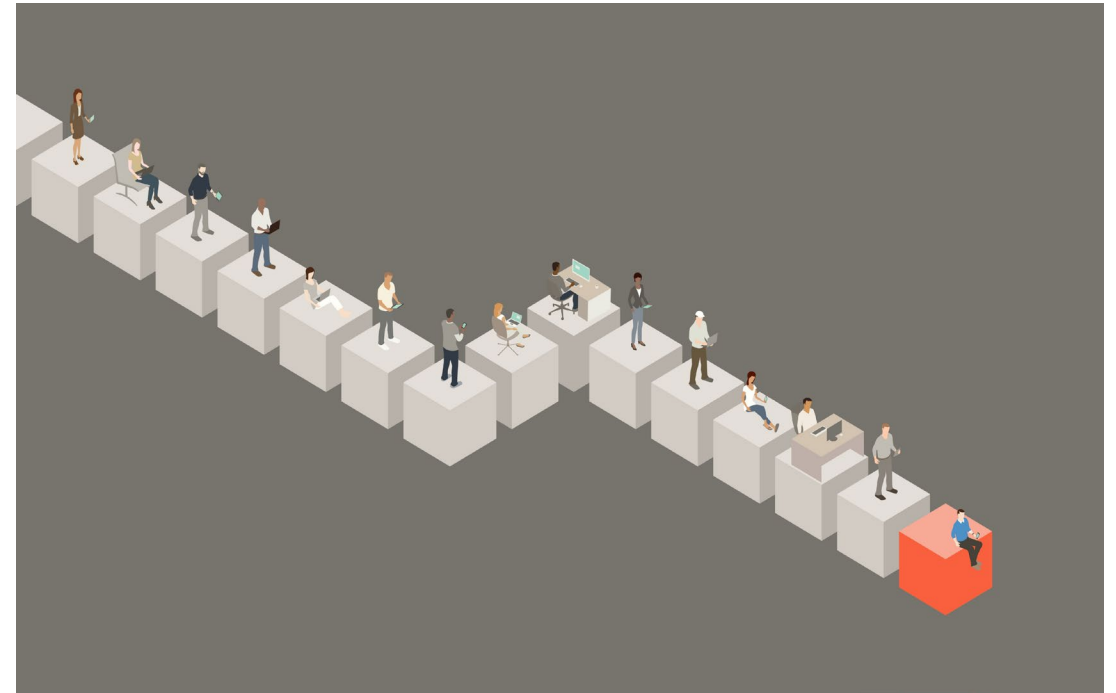
- a) purchasing from a supplier;
 - b) an arrangement with an associate company;
 - c) outsourcing processes to an external provider.
-
- The controls required for external provision can vary widely depending on the nature of the processes, products and services.
 - The organization can apply risk-based thinking to determine the type and extent of controls appropriate to particular external providers and externally provided processes, products and services.



Vendor is a generic term we use to mean:

- A supplier
- A contractor
- A sub-contractor

In fact, any third party that is not part of our organisation that provides us with any type of goods or services and this includes (8.4) Control of externally provided processes, products and services



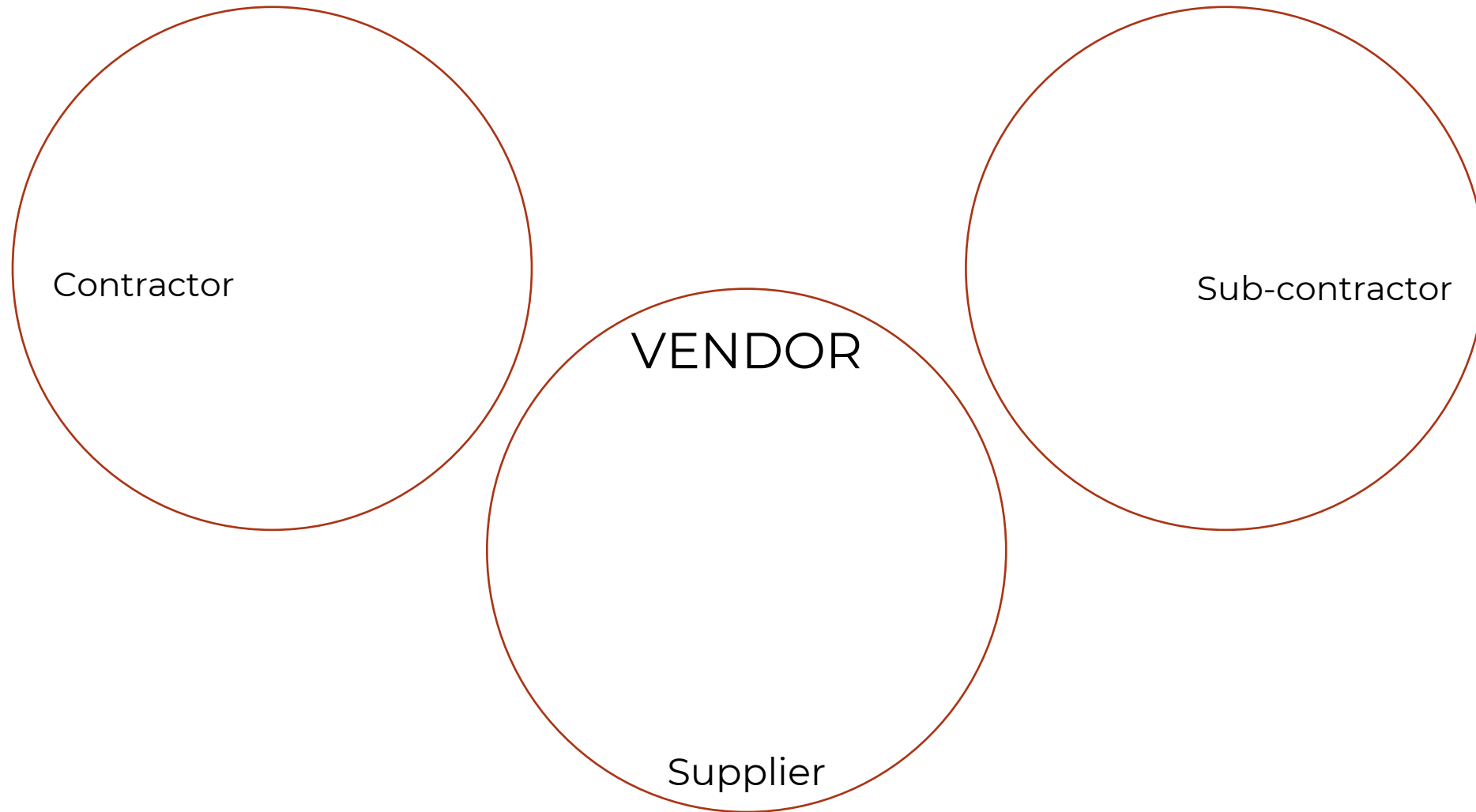
Supplier



Just a quick note about the difference between Contractor and Sub-contractor...



It's important to note that these definitions can vary in different organisations but the crucial point is that the definitions have been determined and are consistent.



The important thing is not what we call them but how we manage them.



Bad management of Vendors can lead to:

- Accidents
- Environmental incidents
- Stopped job
- Fines by regulators
- Fines by client
- Equipment replacement costs
- Personnel replacement costs
- Near misses
- Reputational damage
- Loss of contract
- Loss of repeat business



Where do we start?

- We have to look at all our vendors and determine what level of risk they present to our company and its processes.



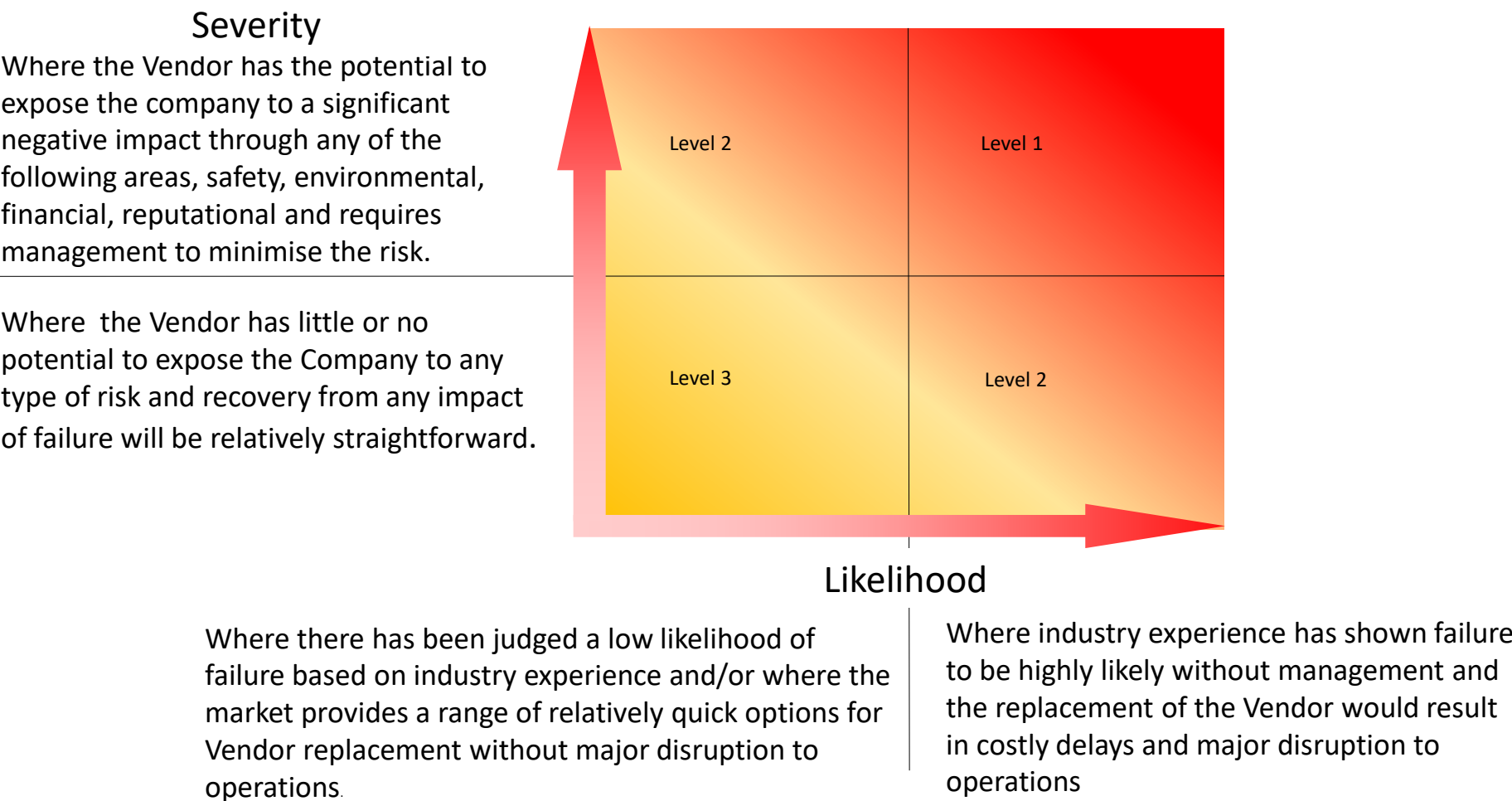
We have to ask ourselves....



...How does it effect us if the vendor fails?



Then we have determine the level of risk that each of these vendor types present



Notice that these ratings are only indications of risk and individual vendors will be assessed taking into account factors such as;

- The geographical location of the vendor
- political circumstances
- market availability
- market alternatives

And so on...



Vendor Risk Rating

Using the Vendor Risk Rating Matrix we have determined the level of risk presented by Vendor Types:

Level 1: High risk

Level 2: Medium risk

Level 3: Low risk



Levels 2 & 3

- Identify specific risks presented by vendor or vendor groups
- Check with vendors what arrangements they have to manage these risks
- In the first instance, send out a questionnaire asking for details of the controls; procedures, maintenance plans, document and record controls, disaster recovery plan, certificates and policies etc.

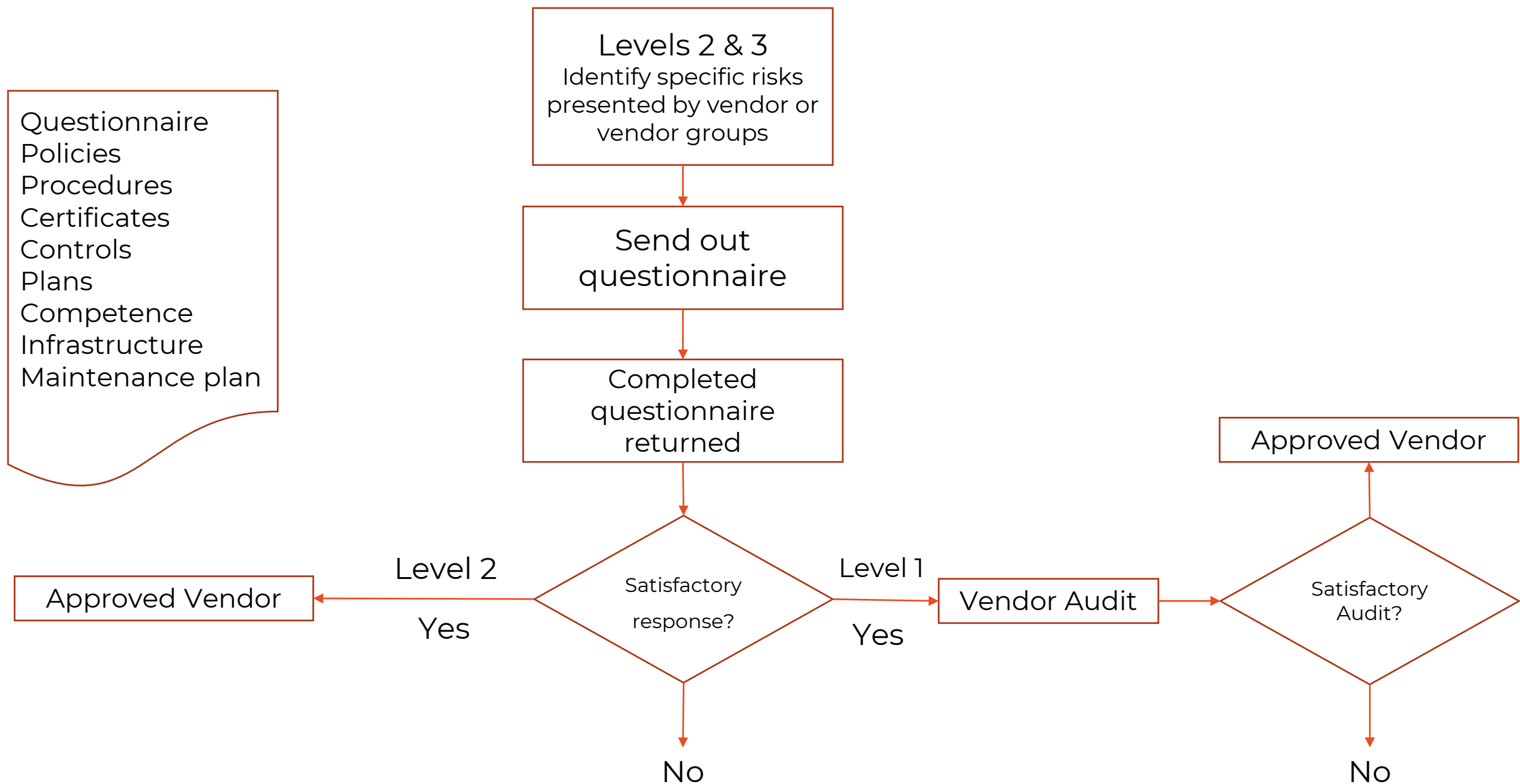
Are these measures satisfactory, is the risk minimised and is there mitigation in place?

Are their policies consistent with ours?

(Health & Safety, Environmental)

How do we do this?





Are the measures satisfactory, is the risk minimised and is there mitigation in place?

If no, there are 3 options:



Reject Vendor



Provide the controls yourself



Insist on additional vendor management controls as a condition of contract award



ISO 9001:2015

Performance evaluation

8.4 Control of externally provided processes, products and services

8.4.1 General

The organization shall determine and apply criteria for the evaluation, selection, monitoring of performance, and re-evaluation of external providers, based on their ability to provide processes or products and services in accordance with requirements. The organization shall retain documented information of these activities and any necessary actions arising from the evaluations.



ISO 9001:2015

Introduction

1.2 Quality Management Systems Requirements

- The quality management principles are:
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 - Leadership
 - Engagement of people
 - Process approach
 - Improvement
 - **Evidence-based decision making**
 - Relationship management

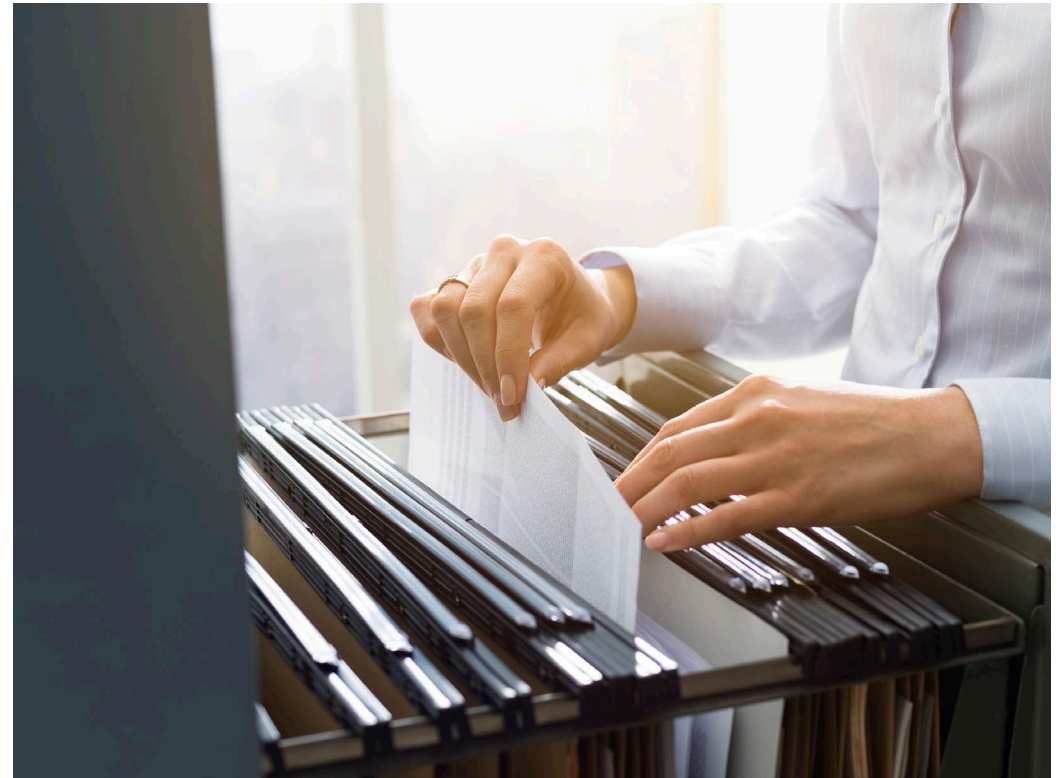


What type of evidence can we use?

- Vendor non-conformances
- Customer complaints
- Late Deliveries
- Failure of quality checks

8.4.1

The organisation shall retain documented information of these activities and any necessary actions arising from the evaluations.



Supply Management Schemes

Achilles

Oil and Gas:
First Point Assessment (FPAL)

Utilities Sector:
Utilities Vendor Database (UVDB)

Transport sector:
Link-Up



Other Considerations

Due diligence

- Solvent
- Appropriate insurances
- Companies House returns
- Credit score



Other Considerations

ISO 14001:2015

8.1 Operational planning and control

The organization shall ensure that outsourced processes are controlled or influenced. The type and extent of control or influence to be applied to the process(es) shall be defined within the environmental management system.



Other Considerations

ISO 45001:2018

8.1.4.3 Outsourcing

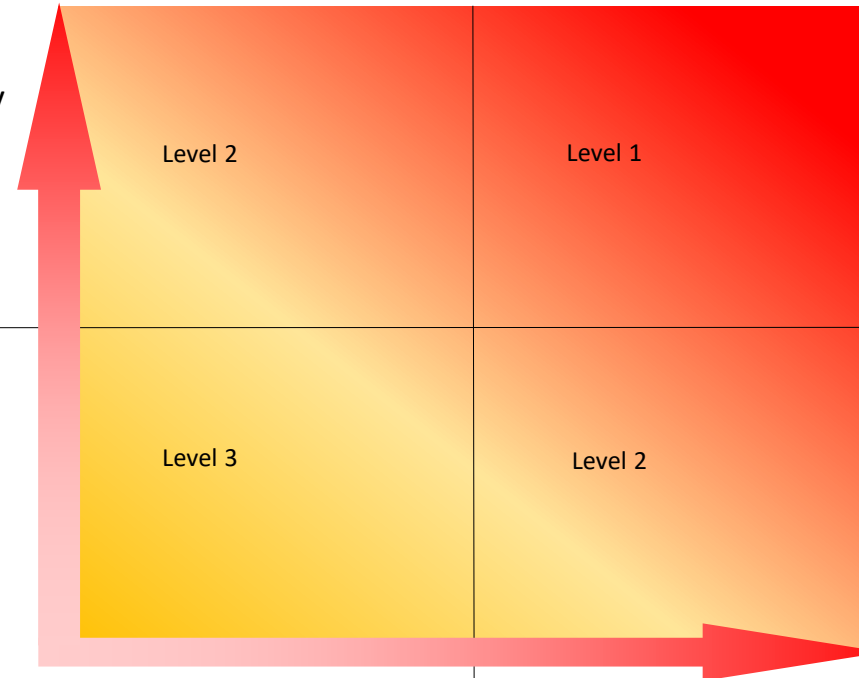
The organization shall ensure that outsourced functions and processes are controlled. The organization shall ensure that its outsourcing arrangements are consistent with legal requirements and other requirements and with achieving the intended outcomes of the OH&S management system. The type and degree of control to be applied to these functions and processes shall be defined within the OH&S management system.



Severity

Where the Vendor has the potential to expose the company to a high level of risk through any of the following areas, Safety, Environmental, financial, reputational and requires management to minimise the risk.

Where the Vendor has little or no potential to expose the Company to any type of risk and recovery from any failure will be relatively straightforward.



Likelihood

Where there has been judged a low likelihood of failure based on industry experience and where the market provides a range of relatively quick options for Vendor replacement without major disruption to operations.

Where industry experience has shown failure to be highly likely without management and the replacement of the Vendor would result in costly delays and major disruption to operations

Examples of supply chain squeeze



PPE for Covid-19 pandemic



Semiconductor (computer) chip shortage



UK Meat Shortages



UK Fuel Shortages (2021)



Kraljic Matrix





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