

SUPPLIER SELECTION POLICY, PROCEDURES & GUIDELINES

PART 1 PURPOSE OF THIS DOCUMENT

The primary focus of the document is to define the categorisation of the procurement activities and assist with the selection of an appropriate method of engagement for supplier selection for procurement activities within CISV International.

PART 2 OVERVIEW

Not all procurements are the same so it is important to differentiate between the different procurement categories and have procedures and policies in place to efficiently and effectively manage each category.

The supplier selection process should be a repeatable process that is governed by a set of rules that are agreed by and understood by the organization.

Choosing the right supplier will depend on a wide range of factors such as value for money, quality, reliability and service. The importance of these different factors will be based on current priorities and strategy of the organization.

Due to the subjective nature of some of the criteria, risk factors and assessment of risk, these guidelines cannot foreshadow all eventualities in any given procurement. If, after using these guidelines, there are any doubts regarding the categorization of the procurement or the process required to select the supplier, specialist advice should be sought.

It is important to note that with the best will in the world, good selection practices do not guarantee a good supplier/client relationship or guarantee that the required outcomes are delivered on time, to specification and within budget.

PART 3 POLICY

CISV International, like any organization, regularly needs to procure a range goods and services in order to enable it to develop and operate. The choice of supplier can often have a significant impact on the cost and quality of the product and working relationship. The organization, therefore, aims to adopt an appropriate and effective approach, no matter who is responsible for the procurement and no matter its cost.

Value should be the main consideration in any procurement; and value means more than price. Value includes other costs such as time, effort, added costs such as shipping and travel and includes an assessment of the quality of the product or service and its value for money. When considering the costs of goods and services, consideration should be given to total costs, including any associated contracts, future maintenance or related services

As stated in the Overview above, the organization recognizes that different types of procurement should involve different levels of investigation and care. For that reason, the procurement categories below have been adopted. The procedures (mandatory) and guidelines (recommended) in this document seek to ensure that for all procurements, appropriate and verifiable steps are taken in selecting the supplier.

All persons directly involved in selecting a supplier must:

- Promptly disclose and actual or potential Conflict of Interest to the Secretary General and Chair of Resources & Infrastructure Committee; and
- Until CISV International approves actions to mitigate or otherwise resolve the conflict, refrain from participating in any discussions, deliberations, decisions and/or voting related to the Conflict of Interest.

A “Conflict of Interest” is any situation in which an individual’s personal or family interests, or interests which they owe to another body, and those of the charity arise simultaneously or appear to clash. Conflicts of interests can occur with any person with substantial influence over CISV International or any person who, by virtue of their position, has the capacity to influence the actions of CISV International; and who also has a direct or indirect Financial Interest.

This policy will be reviewed by the Resources and Infrastructure committee at least every 2 years; the committee will make recommendations on updates and changes to the Governing Board.

PART 4 PROCUREMENT CATEGORIES

Procurements are classified as:

- Simple – those procurements below £20,000; or
- Complex – those procurements of £20,000 and above (or below £20,000 but of high strategic importance to the organization).

For CISV International, simple procurements can be regarded as procurements that allow the day-to-day business of the International Organisation to proceed in an effective and efficient manner. Examples of a simple procurement would be procurement of office materials such as printer paper, pens or printer toner as well as the renewal of operational software licences for the normal operation of the office in support of the international organization. CISV International may have one or more preferred suppliers providing good and services in this situation.

For CISV International, complex procurements can be regarded as those that are not classified as simple.

In general, these procurements will relate to specific projects that have budget approval but are considered outside the day-to-day operations of the International Organization. These procurements may relate to projects such as the development of software solutions, the purchase of significant capital equipment or other procurement activities.

Each procurement category needs to be treated in its own way so to ensure that the process takes into account the risk profile of the procurement. The risk profile may relate to financial risk, risk to reputation, operational risk or a combination of these and other risks.

Equally the process needs to ensure that it is not overcomplicated where a simple approach will be sufficient to satisfy the needs of the organization.

PART 5 PROCEDURES FOR SIMPLE PROCUREMENTS

Any Simple Procurement must be run or specifically delegated and overseen by the budget- holder. See mandatory steps and checks in PART 8.

These simple procurements still need to be governed by best practice guidelines and processes but do not need the more extensive governance disciplines demanded in complex procurements. The more costly the object of the simple procurement, the higher the requirements in selection.

In general, the Secretary General will have the delegated authority to make decisions regarding simple procurements as goods and services that meet these conditions will be covered as part of line items in the annual budget approved by the Board.

Nevertheless, simple procurements need to be reviewed on a regular basis to ensure that the organization is getting value for money from the arrangement with one or more preferred suppliers.

Therefore it is recommended that all ongoing simple procurement arrangements are reviewed on an annual basis to ensure that value for money is being achieved for the organization.

PART 6 PROCEDURES FOR COMPLEX PROCUREMENTS

Any Complex Procurement must be run or specifically delegated and overseen by the budget- holder. See mandatory steps and checks in PART 8.

CISV International may have an incumbent supplier delivering similar goods and services but under the complex procurement procedures the supplier will not necessarily be guaranteed continuity in providing those goods and services.

For more complex procurements, consideration should be given to the use of external advisers for specialist legal, business, technical and probity support services. The use of external advisers may help to improve the value for money outcome of the procurement through increased compliance and reduced risk exposure.

PART 7 RECOMMENDED STEPS FOR EFFECTIVE SUPPLIER SELECTION

There are generally five stages to be followed when procuring goods and/or services. Within each of these stages there are a number of decisions or actions that are required to be taken to progress the supplier selection and procurement process. This section, therefore provides general guidelines on the various factors and steps that should be considered to help anyone leading a procurement in their analysis and decision-making. While these are meant as guidance, they are highly recommended.

Throughout the Process, Think Strategically

The most effective suppliers are those who offer products or services that match or exceed the needs of their customers. Therefore it is best to be sure of your business needs and what you want to achieve and only contract with a supplier who meets that criteria rather than simply paying for what suppliers want to sell you.

For example, if you want to cut down the time it takes you to serve your customers, suppliers that offer you faster delivery will rate higher than those that compete on price alone.

It is well worth examining how many suppliers are really required. Buying from a carefully targeted group could have a number of benefits:

- it will be easier to control your suppliers;
- your business will become more important to them; and
- you may be able to make deals that give you an extra competitive advantage.

However, it's important to have a choice of sources. Buying from only one supplier can be dangerous as you will need to consider the implications if they let you down or even go out of business.

Equally, while exclusivity may spur some suppliers to offer you a better service others may simply become complacent and drop their standards.

7.1 PLANNING THE PROCUREMENT

➤ *Identify Supplier Selection Criteria*

Supplier selection criteria are attributes that an organisation values in its arrangements with suppliers. There are nine common supplier selection criteria and an organisation can expand that list based on its own specific needs. These common selection criteria are detailed below:

1. Cost;
2. Quality & Safety;
3. Delivery;
4. Service;
5. Social Responsibility;
6. Convenience/Simplicity;
7. Risk;
8. Agility; and
9. Knowledge of the organization and its needs.

Depending on the procurement situation, the organization may use all of the criteria or just a selection of the criteria. In some cases, the organization may need to add additional criteria to meet the specific needs of the procurement.

Often, the organization will want some criteria to be treated as constraints or unbreakable rules in the supplier selection process. Selecting the lowest bidder is often an unbreakable rule for an organization.

➤ ***Determine Supplier Selection Constraints***

Supplier selection constraints are unbreakable rules in the supplier selection process. Examples of constraints include: decisions to do business with only one supplier, requirements to select the low bidder, and a specific maximum amount of time in which delivery must take place;

➤ ***Develop the Hierarchy of Constraints and Criteria***

The hierarchy of constraints and criteria is a list of supplier selection constraints and criteria that sorts them in order from most important to least important. This helps recognise the likelihood of tradeoffs between competing supplier options and determine what negative characteristic of a supplier is worth overlooking in order to benefit from a positive characteristic of that supplier;

➤ ***Weight Your Constraints and Criteria***

Weights, expressed as percentages, quantify the relative importance of constraints and criteria. These weights are an important component of weighted average supplier scorecards; (see Appendix 1 for an example)

➤ ***Develop a Scoring Scheme***

For each criterion, you need to determine a way of awarding a supplier a “raw score” of 0 to 100 on the supplier scorecards, with 0 being the worst and 100 being the best, based on the supplier’s proposal. The methods of calculating raw scores will differ for each criterion;

7.2 PREPARING TO APPROACH THE MARKET

Be very clear on what you need. Whether asking for a quotation or going to tender, draft as detailed as possible a statement of requirements to help you identify suitable suppliers and for the potential suppliers to consider. Remember that if you haven’t made your needs clear, quotations will not be realistic and may not even meet your requirements.

➤ ***What to look for in a Supplier***

The following key indicators need to be considered when looking for a supplier.

- The quality of the products or services from a supplier need to be consistent so that you can provide consistent service to your customers;
- Value for money needs to be considered as the lowest price is not always the best value for money. If you want reliability and quality from your suppliers you will have to decide how much you are willing to pay and the balance you want to strike between cost, reliability, quality and service;
- Strong service and clear communication are important aspects as you need your suppliers to deliver on time or to be honest and give you plenty of warning if they cannot. The best suppliers will want to talk with you regularly to confirm your needs and how they can serve you better;
- Financial security is critical, especially if you want to build a long term relationship with the supplier. You will want to be reassured that that your selected supplier will not go out of business when you need them most; and
- A partnership approach will help build a strong relationship that will benefit both sides. You want your suppliers to acknowledge how important your business is to them so they make every effort to provide the best service possible. And you are more likely to create this response by showing your supplier how important they are to you.

7.3 APPROACHING THE MARKET

➤ *Identifying Potential Suppliers*

There are a number of ways to identify potential suppliers. It is best to build up a shortlist of possible suppliers through a combination of sources to give you a broader base to choose from.

Ask friends and business acquaintances. You're more likely to get an honest assessment of a business' strengths and weaknesses from someone who has used its services.

Seek references from other organizations that are current customers of the supplier. Most suppliers will provide a detailed list of clients that they do business with.

Local business-support organisations, such as chambers of commerce, can often point you in the direction of potential suppliers.

Exhibitions offer a great opportunity to talk with a number of potential suppliers in the same place at the same time. Before attending an exhibition, it's a good idea to check that the exhibitors are relevant and suitable.

➤ *Draw up a shortlist of Suppliers*

Once you have got a clear idea of what you need and you can build a shortlist of potential suppliers that meet your needs.

When considering the suppliers on your shortlist you will need to ask the following questions:

- Can these suppliers deliver what you want, when you want it?
- Are they financially secure?
- How long have they been established?
- Do you know anyone who has used and can recommend them?
- Are they on any approved supplier lists from trade associations or government?

Once you have a manageable shortlist, you can approach the potential suppliers and ask for a written quotation. It is important to provide them with a clear brief summarising what you require otherwise you run the risk of quote including items or features that you really do not want.

7.4 EVALUATING SUBMISSIONS

➤ *Choose a Supplier*

When you have the quotation, compare the potential suppliers in terms of what matters most to you. For example, the quality of their product or service may be most important while their location may not matter.

Price is important, but it shouldn't be the only reason you choose a supplier. Lower prices may reflect poorer quality goods and services which, in the long run, may not be the most cost effective option. Be confident that your supplier can make a sufficient margin at the price quoted for the business to be commercially viable.

Check that the supplier you employ is the one that will be doing the work. Some suppliers may outsource work to subcontractors, in which case you should also investigate the subcontractor to determine if you are happy with this arrangement.

Wherever possible it is always a good idea to organise a site visit with the potential supplier and see first hand how their business operates. Understanding how your supplier works will give you a better sense of how it can benefit your business.

And remember that your reputation may be judged on the labour practices of your suppliers. It makes good business sense to consider the ethical dimensions of your supply chain.

Once you have settled on the suppliers you would like to work with you can move on to negotiating terms and conditions and drawing up a contract.

➤ **Analyse Proposals**

Suppliers who were not able to comply with any constraint should be disqualified. Then, supplier scorecards for the remaining suppliers need to be populated with their raw scores in accordance with the agreed scoring scheme. Next, multiply those raw scores by your weightings to calculate weighted scores for each criterion. Finally, add all of those weighted scores to calculate total scores for each of the suppliers; and

➤ **Apply Common Sense**

While the supplier with the highest total score should be the most attractive supplier, don't treat supplier selection solely as a mathematical exercise. Professional judgment should still be used to determine if the supplier scorecard truly provided the optimal supplier selection. If so, award the business to the best scoring supplier. If not, make the right supplier selection as long as the overriding of the scorecard approach is done in strict compliance with ethical and organizational standards.

➤ **Getting the right Supplier**

In selecting a supplier, it is important to understand the difference between a strategic supplier who provides goods or services that are essential to your business and non-strategic suppliers who provide low-value supplies such as office stationery. You will need to spend much more time selecting and managing the former group than the latter.

It is also important to seek referral from others that have used your potential supplier. Their first-hand experience will be input to your decision making.

A key aspect in the final supplier selection process will be to ensure that the supplier is financially stable and has adequate financial resources to remain in business in support of your organization.

Agree on service levels before you start so you know what to expect from your supplier and they know what to expect from you.

Don't buy from too many suppliers as it will be easier for you to manage and probably more cost-effective if you limit the number of sources you buy from. This is particularly the case with low value-added suppliers.

It's always worth having an alternative supply source ready to help in difficult times. This is particularly important with regard to suppliers strategic to your business' success.

7.5 CONCLUDING THE PROCUREMENT PROCESS AND CONTRACT MANAGEMENT

➤ **Document your Process**

Keep a written record of the selection process in an appropriate file. This record should be kept along with financial records, in line with retention requirements for financial material.

PART 8 RESPONSIBILITY AND REQUIRED PROCEDURAL STEPS FOR PROCUREMENTS

NATURE OF PROCUREMENT	PROCEDURE	Check
SIMPLE	General and Quotations	
Up to £5000 (including VAT)	Check whether an existing preferred supplier	
	If yes, order from the selected supplier.	
	If no,	
	Obtain at least two prices or quotations from suitable suppliers	
	Identify the more favourable supplier and obtain references if this is deemed appropriate	
	Authorization of selection by budget-holder	
	Agree terms with the selected supplier	
	Process to be documented and kept for in line with retention requirements for financial records	
Between £5000 and £20,000 (including VAT)	Consult with Resources and Infrastructure Committee (R&I), which will assist with the quotation process	
	Consider whether the matter is of high strategic importance and, if so, it must be treated as a complex procurement.	
	With R&I, agree selection criteria and weighting	
	Obtain at least 3 quotations from suitable suppliers	
	Identify the most favourable supplier and obtain references	
	Authorization of selection by budget-holder in consultation with R&I Committee	
	Agree terms with the selected supplier	
	Process to be documented and kept for in line with retention requirements for financial records	
COMPLEX	Formal tender	
Over £20,000 (including VAT)	Determine who will be the project manager (it may be the budget-holder or he/she may appoint and delegate project management to another individual)	
	Consult with R&I Committee, which will assist with the tender process.	
	With R&I, convene a panel, which will include the budget holder. That panel will:	
	- Consider how best to go out to market.	
	- Prepare Invitation to Tender documents and set criteria.	
	- Issue Invitations to Tender including notification within CISV community.	
	- Receive and evaluate tenders.	
	- Undertake post-tender negotiations.	
	- Identify the most favourable supplier and obtain references	
	Authorization of selection jointly by budget-holder and R&I Committee	
	Agree terms with the selected supplier, with reference to tender(s).	
	Notify unsuccessful tenderers.	
	Process to be documented and kept for in line with retention requirements for financial records	

APPENDIX 1

Example of Selection Criteria Hierarchy and Weighting – using a spreadsheet is easiest as it will enable you to insert weightings and total scores for you.

Suppliers being considered for a software development project. It is anticipated that it will cost between £10,000 and £15,000 and will likely involve a follow up service contract.

Criteria ▼	Weighting ▼	Reason ▼	Supplier Names ▶					
Cost	25%	Limited budget	Score/100					
Quality	25%	It is a complex and important project	Score/100					
Service	25%	There will be ongoing support needs	Score/100					
Convenience	5%	Having the developer nearby will enable easier contact/meetings	Score/100					
Social Responsibility	5%	Always a consideration / ethical employer	Score/100					
Knowledge of CISV needs	15%	This project will need to integrate with existing systems and will have a steep learning curve	Score/100					
			Total ▶					
			Comments ▶					