



# Invest in Success: Adopting a Vendor Management System

## Responsibility.

We may have shrugged it off as kids, hoping to weasel our way out of our chores, but as adults the lack of responsibility is held against us—the law is often much less forgiving than a parent.

Perhaps the easiest place to put that principle in action is with supplier and contractor prequalification.

Most of us know about the Occupational Health and Safety Association's (OSHA) dual citation policy. This is a perfect example of the emphasis on responsibility. OSHA's legislation places direct accountability on employers— even when the contractor is directly responsible for an incident.

The reason: OSHA feels that employers are responsible for what happens on their premises.

Firms can no longer say: “Joe Contractor made that mistake, not me,” and be held blameless. OSHA can turn right around and cite you both – it's your responsibility to keep your site safe. This means that it is in your best interest to reduce supplier risk by implementing a vendor management system.

A solid vendor management system effectively reduces the risk of an incident occurring. On average 70% of all suppliers and contractors fail to meet one or more minimum contract Terms & Conditions – this includes safety criteria. That's a gamble you just can't afford to take.

A vendor management system confirms that your contractors are following the rules by reviewing their leading and lagging performance indicators. A sample of vendor management system qualifiers that are used to evaluate your supply chain is listed below:



### Lagging Indicators

1. Litigation
2. Financial Data
3. Accident Statistics
4. Citations, Violations
5. Experience Modification Rate
6. Insurance Claims History

### Leading Indicators

1. Business Ethics
2. Safety Programs
3. Quality Programs
4. Sustainable Practices
5. Business Continuity

While a vendor management system collects basic data, by itself, the information is not enough. The next step in evaluation is a supplier audit to verify that the contractor is actually practicing safe behavior. Regular and random audits have been shown to improve key performance indicators (KPIs) and can effectively reduce recordable injuries by more than 20% – a significant deduction.

In fact, according to Henk Vanhoutte, the Secretary General of the European Safety Federation, “Ongoing audits of supplier behavior should be the basis for any OHS supplier management and action plan. This is common sense, not just a legal obligation.”

While the process of implementing a quality vendor management system takes a significant investment in time, the effort more than pays for itself. The injury rate reduction is reason enough.

There are several options that exist currently to prequalify contractors and suppliers. Some are internal and require you to send out paper forms to collect data from suppliers. There is limited standardization in this process and the vendor management system may be complicated.

However, there are also online systems which allow you to centralize your supplier data.

An online vendor management system is more user-friendly. Data can be accessed from anywhere with an internet connection. It can then be shared easily with all departments, so that employees all know which contractors have been approved.

Whatever process you determine is best for you, be sure to select an option that will protect you. There is no doubt that the regulatory environment has changed.

Responsibility ultimately lies with health and safety stakeholders. Take the time to select a vendor management system that will fit your qualification and management needs and you’ll see a clear, measurable, and sustainable difference.

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